



# REG BI DISCLOSURE

*Effective Date: June 30, 2020*

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We provide this required Regulation Best Interest disclosure (Reg BI Disclosure) to our retail customers (hereinafter “customers”) to inform them about the services we offer and our relationship with them. Among other things, this Reg BI Disclosure addresses the scope and terms of our relationship with you, the capacity in which we are acting, the type and scope of our services, any material limitations on our services, the fees and costs associated with your holdings, accounts, and transactions, and the conflicts of interest that exist for us and our financial professionals.

## **1. Scope and Terms of Our Relationship with You**

Transamerica Financial Advisors, Inc. (“the Firm” or “we”) is registered with the Securities and Exchange Commission (SEC) as both a broker-dealer and an investment adviser. Our brokerage and investment advisory services and fees differ, and it is important for you to understand these differences. Free and simple tools are available for you to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

Depending on your needs and your investment objectives, the Firm may assist you with brokerage services, investment advisory services, or both. There are important differences between brokerage and advisory services, 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. Information regarding the differences between our brokerage and advisory services is also available in our Form CRS Customer Relationship Summary disclosure, which is available at [www.tfaconnect.com](http://www.tfaconnect.com).

### **1.1. Our Capacity**

All recommendations made by your financial professional regarding your broker-dealer account (your brokerage account) will be made in a broker-dealer capacity, and all recommendations regarding the account established for our advisory programs will be made in an advisory capacity. When your financial professional makes a recommendation to you, he or she will expressly tell you orally which account you are discussing.

Before our financial professionals make a recommendation to you, your financial professional will provide you with a supplemental disclosure at the outset of your relationship with us if they are limited to making recommendations in a broker-dealer capacity only.

For instance, even though the Firm offers both brokerage and advisory services, some of our financial professionals are able to offer only brokerage accounts and services or may be able to offer services only for certain types of investments, such as mutual funds and insurance products. In that situation, your financial professional would not be able to act in an investment advisory capacity.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule’s provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest”

### *Broker-Dealer Capacity*

In our capacity as a broker-dealer, we can recommend and effect securities transactions for you, including buying and selling securities (including investment funds and products) that can be held in your brokerage account. We offer many different options or account types for your brokerage account, including accounts held with Pershing LLC, our clearing firm; accounts held directly with the issuer of the securities purchased (sometimes referred to as directly held accounts); education accounts (e.g., college savings plans); and retirement accounts (e.g., IRA accounts), where your investments will be held with the custodian of the IRA.

In addition, we offer the option to hold cash in either money market funds (non-insured) or a bank account insured by the Federal Deposit Insurance Corporation (a "cash sweep vehicle").

We do not have any minimum account requirements for our brokerage accounts, but some of the investments you can purchase through us have minimum investment requirements. For example, the minimum amount you may invest in a non-qualified variable annuity is \$10,000 or the minimum established by the insurance company, whichever is higher. More information about these minimum investment requirements is available in the investment's offering document or prospectus.

We provide a number of services related to investments in securities, including taking customer orders, executing securities transactions, and providing general information regarding your investments. Our financial professionals also provide recommendations concerning whether to buy, sell, or hold securities.

Our financial professionals do not make investment decisions for you or manage your brokerage account on a discretionary basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your brokerage account without first obtaining your consent. Our financial professionals may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only purchase or sell investments when specifically directed by you.

Our financial professionals also do not monitor your account after a securities transaction is effected for you, including those investments they recommend for you.

When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations, such as the Financial Industry Regulatory Authority, Inc. (FINRA), and applicable state laws.

### *Investment Adviser Capacity*

As an investment adviser, we provide investment advice to you for a fee, including investment advice with respect to particular investments, as well as wrap programs, third-party money management programs, employer retirement services, and a digital advisor. We also place orders for you as an investment adviser through a brokerage account with us or through a brokerage account at another broker-dealer. When we act in our capacity as an investment adviser, we will generally do so pursuant to a written agreement with you that sets forth the investment advisory relationship and our obligations to you. When we act as an investment adviser to you, we are generally considered to have a fiduciary relationship with you under the Investment Advisers Act of 1940, which requires that we owe you a duty of care and a duty of loyalty.

At the outset of our investment advisory relationship with you, you will also receive a disclosure document that describes our investment advisory services and includes important information about, among other things, our fees, personnel, other business activities, and conflicts between our interests and your interests. This disclosure document is available at [www.tfaconnect.com](http://www.tfaconnect.com).

In addition, more information about our investment advisory services, fees and costs, and conflicts of interest is available in our Form ADV, Part 2A brochure, which is available at [www.tfaconnect.com](http://www.tfaconnect.com).

## **1.2 Type and Scope of Services**

### *Brokerage Services*

Our financial professionals can recommend and we can transact securities for you, including the buying and selling of securities (including investment funds and products) that can be held in brokerage accounts, which may include accounts held with our clearing firm, directly held accounts, education accounts, or IRA accounts. Our financial professionals primarily recommend "package" products, such as variable annuities and other insurance products, mutual funds and unit investment trusts that are issued by insurance companies or investment companies. Package products that we sell you may be held in a brokerage account maintained with our clearing firm or directly with the issuer ("direct account"). We also can effect trades in exchange-traded funds, stocks, and bonds.

We also offer the option to hold cash in a cash sweep vehicle. In addition, the type and scope of the brokerage services we offer include a number of services related to investments in securities, including taking customer orders, executing securities transactions, and providing general information regarding your investments.

Our brokerage services include recommendations concerning whether to buy, sell, or hold securities. Our services also include recommendations of investment strategies involving securities, which includes recommendations of account types, and rollovers or transfers of assets, such as rolling over retirement plan assets into an IRA account.

### *Account Types*

In order to receive any of our brokerage services described above, you must first open an account with us. Our Retail Platform offers an array of account types with different features and benefits that are intended to address different needs and objectives of our customers. When opening an account with us, you may choose between many different options or account types for your brokerage account, including accounts held with our clearing firm; directly held accounts; education accounts (e.g., college savings plans); and retirement accounts (e.g., IRA accounts).

In addition, our accounts offer certain cash management features, including the option to hold cash in a cash sweep vehicle. Our cash sweep vehicles allow you to hold your cash in interest-bearing money market funds (non-insured) or bank accounts insured by the Federal Deposit Insurance Corporation.

Before deciding whether to open an account with us, you will want to discuss our account options with your financial professional to decide which account type best fits your financial goals.

### *Our Investment Philosophy*

Although we offer products to customers at all income levels, the Firm's target market is middle income customers who are primarily seeking to invest to meet retirement, education, and other similar funding goals, and secondarily to invest for legacy purposes. The Retail Platform includes traded investments, investment funds and products, and investment strategies believed to be in the best interest of the Firm's customer base.

We require our financial professionals to have a reasonable basis, taking into account the potential risks, rewards, and costs associated with a recommendation, to believe that each recommendation made to a customer is in the customer's best interest, and does not place the interest of the broker-dealer or our financial professional ahead of the interest of the customer at the time the recommendation is made.

Our financial professionals utilize various tools in making determinations that are in the customer's individual best interest. For example, they use a financial needs analysis tool to gather information relating to cash flow, debt management, emergency funds, insurance protection, and building and preserving wealth. This information is considered by the financial professional as well as an

automated tool that evaluates a client's specific information and data to formulate a recommendation that is in the customer's best interest.

In determining whether our financial professional's recommendation is in the customer's best interest, we consider the customer's individual investment profile. The information in the customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other information that the customer may disclose to us or the financial professional in connection with a recommendation.

While we will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you, or help you to find them.

### **1.2.1 Material Limitations**

We do not limit our investment offerings to specific asset classes except as otherwise noted, or to investments with third-party arrangements such as revenue sharing payments or mutual fund shareholder servicing fees. In addition, with the exception of variable annuities (see below), we do not have any minimum account requirements, although some of the investments you can purchase through us have minimum investment requirements.

However, there are certain material limitations on our services and the services of our financial professionals, and these limitations are set forth below.

- *Financial Professional Limitations:* Not all of our financial professionals can offer the full range of investments and services we offer. For instance, some of our financial professionals are licensed to offer brokerage services only, whereas some of our other financial professionals are licensed to offer both brokerage and advisory services. In addition, some of our financial professionals are licensed to offer only certain types of investments that are commonly referred to as package products, such as mutual funds, unit investment trusts and variable products, and are unable to offer the full range of investments we make available. Furthermore, regardless of their particular licensing status our financial professionals primarily recommend package products.
  - This is a material limitation on the securities or investment strategies that your financial professional may recommend to you, and you should discuss any such limitations with your financial professional. In addition, you may research your financial professional's experience and licenses on FINRA's BrokerCheck website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).
- *Investment Limitations:* While we offer a variety of investments, including investment funds and products, there are certain types of investments we do not offer. For instance, we do not offer all mutual funds from every single mutual fund company issuer, or every type of ETF. We also do not offer every type of insurance product or college savings plan. This means that our financial professionals are limited to recommending only those investments that we are authorized to offer. This is a material limitation on the securities or investment strategies that our financial professionals may recommend to you.
- *Account Monitoring:* While our financial professionals remain available to assist you, our financial professionals do not monitor your account or your investment performance after effecting a securities transaction for you, including those investments our financial

professionals recommend. This is a material limitation on our services and the services of our financial professionals.

- *Discretionary Investment Authority:* Our financial professionals do not make investment decisions for you or manage your account on a discretionary basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your account without first obtaining your consent. Our financial professionals may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only do so when specifically directed by you. This is a material limitation on our services and the services of our financial professionals.
- *Discounted Commissions:* We are a full-service brokerage firm, and are not a “discount” brokerage firm. Given the variety of brokerage services we and our financial professionals offer you as a full-service brokerage firm, we do not offer discounted brokerage commissions. This is a material limitation on our services.
- *Alternative Investments:* Although we offer a variety of investment products, we do not offer alternative investments such as REITs and limited partnerships.

### **1.3 Fees and Costs**

This section provides information about the material fees and costs associated with your account, transactions, and holdings. Because our fees vary depending on the specific transaction or service provided, the information below first describes the fees and costs associated with your account, and then the fees and costs associated with transactions and investment holdings that our financial professionals may recommend.

#### **1.3.1 Fees and Costs Associated with Account**

You must first open an account with us to use our brokerage services. Our Retail Platform offers an array of account types with different features and benefits that are intended to address different needs and objectives of our customers. When opening an account with us, you may choose between many different options or account types for your brokerage account, including accounts held with our clearing firm; directly held accounts; education accounts (e.g., college savings plans); and retirement accounts (e.g., IRA accounts).

Depending on the type of account you open, you will pay certain fees and costs associated with your account and holdings. Unlike the transaction-based fees described below, the fees associated with your account and holdings are typically paid annually, although some account-based fees are associated with specific transactions. In some cases, the fees and costs associated with your account and holdings are assessed indirectly by third-parties, such as custodial firms or clearing firms, and then we pass along a portion of these fees to you.

Highlighted below are the material fees and costs associated with your Pershing brokerage account:

- ❖ *Account Maintenance Fees* – We generally charge you an annual “account maintenance fee” for maintaining your brokerage account with us. This account maintenance fee compensates us for certain maintenance services that we provide to your brokerage account and reimburses us for certain operational expenses that we incur in maintaining your account with us. This fee typically ranges between \$35 and \$50 and is paid annually.
- ❖ *Account Inactivity Fees for Brokerage Accounts* – If there are no transactions in your brokerage account held with our clearing firm for more than one year, you are charged an account inactivity fee. This fee is typically between \$12 and \$25 and is paid annually.
- ❖ *Account Transfer Fees* – We generally charge you a one-time “account transfer fee” to reimburse us for the costs associated with transferring your account to another broker-dealer.

The account transfer fee includes fees associated with the Automated Customer Account Transfer System, commonly referred to as the ACAT fee. This fee is typically \$65 and is paid when you initiate the transfer of your account to another broker-dealer.

- ❖ *Account Termination Fees* – We generally charge you a one-time “account termination fee” to reimburse us for the costs associated with terminating your account with us. This fee is typically \$95 and is paid when you terminate your account relationship with us.
- ❖ *Wire Transfer Fee* - *We generally charge you a one-time “wire transfer fee” to wire cash from your account to another account held outside our firm. The wire transfer fee is typically \$20, but may be more for certain international wire transfers.*

The fees described above apply to investments held in brokerage accounts. If you hold your investment directly, please review the prospectus or other offering document for a description of any fees such as program management and maintenance fees that may be applied by the insurance company or other issuer of the product. If you invest through a 529 plan account, you will generally pay ongoing fees such as program management and maintenance fees. These fees vary from plan to plan, and further information about them can be found in the relevant plan program description or participation agreement.

#### *More Information*

More information about the fees and costs associated with your account is available in the schedule of fees and costs in your brokerage agreement with us, and also on our website at [www.tfaconnect.com](http://www.tfaconnect.com).

### **1.3.2 Fees and Costs Associated with Transactions and Holdings**

We are paid each time you trade in your brokerage account or make a new investment. This payment is typically called a “commission,” but it may also be called a “sales charge” or a “markup.” This kind of payment presents a conflict for us because it creates an incentive to encourage you to trade more and make additional investments. The commission rate or amount varies depending on the investment and the size or amount of the transaction.

Furthermore, each time you trade in your brokerage account held with our clearing firm, our clearing firm will impose ticket and execution charges. Ticket and execution charges are paid by your financial professional.

In addition, investments that are interests in investment funds, such as mutual funds and UITs, or products, such as college savings plans and variable insurance products, bear ongoing fees and expenses that are embedded into the cost of the investment holding. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment. More information about ongoing fees and expenses associated with investment funds and variable insurance products is available in the fund or product prospectus.

Because the fees and costs vary among investments, set forth below and on the following pages is particularized fee and cost information regarding the types of transactions and investment holdings generally purchased or traded by our customers.

Where applicable, we have included certain hypothetical transactions as examples. Please note that fees and costs associated with your specific transaction may differ from these hypothetical examples.

## Variable Products

### *Characteristics*

The Firm offers variable annuities and variable life insurance policies (variable products). These variable products are issued by different insurance companies and will be in the form of a contract or policy between you and the insurance company. There are differences from one variable product to the next in the features, benefits, fees and costs of the product and in minimum and maximum premium amounts. Below is general information about most variable products. Information about the particular features, benefits, fees and costs for a specific variable product can be found in the prospectus for that product. You will receive a copy of the prospectus for the variable product that your financial professional recommends to you.

Variable annuities can help with saving for retirement. Funds invested in these annuities can grow tax-deferred. This means you will pay no federal taxes on the income and investment gains on the funds you invest in your annuity until you make a withdrawal, receive income payments, or a death benefit is paid. When you withdraw your funds, however, you will pay tax on the gains at ordinary federal income tax rates rather than lower capital gains rates. When you start taking income payments, you can select payment options that will guarantee you payments for as long as you live. Some annuities offer additional features and guarantees, available as options or riders.

Variable life insurance provides life insurance protection (i.e., a death benefit) and also allows you to build up a cash value that can grow tax-deferred. Most variable life insurance policies allow you to take out loans against your cash value and to make withdrawals (as long as the remaining cash value is sufficient to keep the policy in force). You can also terminate your policy by surrendering it and receiving the remaining cash value. Terminating your policy will terminate your death benefit protection. Most insurance companies offer riders and other options with their variable life insurance policies, such as disability insurance, income benefits or accelerated death benefits.

When you purchase a variable annuity or variable life insurance product, your insurance premium contributions (net of any fees and charges deducted from premiums) are invested in the investment options – typically underlying sub-accounts – that you select. The value of your investment – usually referred to as your cash value – will fluctuate as the values of the underlying sub-accounts increase or decrease.

The minimum amount you may invest in a variable annuity is \$10,000 or the minimum amount established by the insurance company that issues the product you are purchasing. Most insurance companies impose a minimum requirement on the initial premium. In the case of variable life insurance, you will likely be required to make premium payments periodically to keep the policy in force. While you may have some flexibility in the amount or timing of these periodic premium payments, you should consider whether you can afford to continue making premium payments when deciding to purchase a variable life insurance policy. If you fail to make sufficient payments to keep the policy in force, the policy will lapse (that is, terminate without value) and you will no longer have any death benefit protection.

Variable products are not short-term savings vehicles. Withdrawing funds or surrendering a variable product in the short term after purchase will likely trigger surrender fees and charges, and may also trigger tax penalties. You can lose the money you invest in variable products, including potential loss of your initial investment, due to poor performance of the investment options you select and/or the cumulative impact of fees and charges on your cash value.

### *Fees and Costs – Premium Payment Deductions*

In the case of some variable products, the insurance company deducts a fee from your premium payment, with the effect that only the net premium amount is invested or allocated. In the case of variable annuities, the fee deduction is usually to cover a state insurance premium tax. In the case of variable life products, the fee deduction is typically 2% to 18% and covers the insurer's sales expenses.

### *Fees and Costs – Surrender and Withdrawal Charges*

Most variable products impose a surrender charge if you surrender your variable product or make a withdrawal of your cash value during the surrender charge period. This surrender charge and the surrender period are described in the product prospectus. Surrender charge periods vary by variable product, but are generally around six to eight years for variable annuities, though they sometimes may range up to 15 years on some variable life insurance policies.

The surrender charges vary by variable annuity product, and generally begin around 8% of the purchase payment in year one and end around 3% of the cash value in the final year of the surrender

*For example, if you purchase a variable annuity contract with a \$10,000 purchase payment and the contract has a schedule of surrender charges, beginning with an 8% charge in the first year, and declining by 1% each year, you are allowed to withdraw 10% of your contract value each year free of surrender charges. In the first year, you decide to withdraw \$5,000, or one-half of your contract value of \$10,000 (assuming that your contract value has not increased or decreased because of investment performance). In this case, you could withdraw \$1,000 (10% of contract value) free of surrender charges, but you would pay a surrender charge of 8%, or \$320, on the other \$4,000 withdrawn.*

charge period. The surrender charges also vary by variable life insurance policies, and generally begin around 100% of the purchase payment in year one and end around 2% in the final year of the surrender charge period. Typically, the surrender charges decrease over the duration of the surrender charge period, with the higher surrender charges applying to surrenders and withdrawals made at the beginning of the surrender charge period, and the lower surrender charges applying to surrenders and withdrawals made toward the end of the surrender charge period. Tax penalties can also apply to surrenders or withdrawals under annuities made before age 59½. Often, contracts will allow you to withdraw part of your account value each year – 10% or 15% of your account value, for example – without paying a surrender charge.

### *Fees and Costs – Ongoing Fees and Expenses*

Insurance companies deduct fees and expenses from your cash value to compensate them for the insurance benefits and other benefits and services provided, as well as costs associated with distributing their products. These ongoing fees and expenses commonly include mortality and expense (M&E) risk fees, cost of insurance fees (assessed under variable life insurance policies), administration fees, transaction fees, and fees associated with certain optional riders.

The M&E risk fees are calculated as a percentage of your insurance coverage or account value and are described as an annualized rate charged against assets. Variable annuity M&E charges typically range from .95 to 1.5% as an annualized rate. Variable life insurance M&E charges are typically less than 1%. The charge helps cover the risks the insurance company assumes with respect to the policy. Risks might include that the policy owner may die sooner than expected, that administrative and sales costs are higher than expected, and that policy owner behavior does not match the insurance company's expectations.

The cost of insurance fees charged on variable life insurance is typically calculated by applying a rate based on your underwriting classification to the "net amount at risk" (the difference between your product's death benefit and cash value). These fees typically are deducted from your cash value periodically on an ongoing basis. If you add riders to your variable annuity or variable life insurance policy, the fees for those riders will be deducted from your cash value.

However, some fees, such as administration fees, annual policy fees, or transaction fees, are typically fixed amount fees charged periodically or when specific transactions occur. These fees are deducted from your cash value. Administration fees for variable annuities typically range from 0% to .25% of the daily net asset value of the investment, and \$10-20 per month for variable life insurance. Policy

fees are applied to some variable annuities that are below a minimum threshold established by the insurance company and are typically between \$30 and \$50 and are charged annually.

In addition, you will indirectly pay the ongoing fees and expenses for the sub-accounts that are the underlying investment options for your variable product in which you invest. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These ongoing fees and expenses include the mutual funds' management fees, servicing fees, and 12b-1 fees, and are typically charged as an annualized rate against fund assets.

Variable annuities and/or variable life insurance policies typically charge an additional fee for optional features, such as living benefits, guaranteed minimum income benefit, long term care insurance, stepped-up death benefit or other riders. You should ask your financial professional to explain all charges that may apply.

If the variable life insurance offers loans, then you will be charged interest on any loan amount outstanding.

The commissions, surrender charges, and ongoing fees and expenses associated with variable products vary by insurance company and the type of variable product. More information regarding the commissions, surrender charges, and ongoing fees and expenses for variable products is available in the variable product's prospectus.

#### *Fees and Costs – Our Compensation*

When you purchase a variable product, the issuing insurance company will pay a commission to us. While you do not pay this commission directly, the insurer factors this commission into the product's fees and costs. In this way, you indirectly pay the commission. We receive this commission for our sales efforts and for assisting you with the insurance application and the underwriting and delivery processes related to the purchase of a variable product. We share a portion of this commission with your financial professional.

Insurance commissions we receive vary based on the variable product and insurance company, and we receive higher commissions for some types of variable products than for others, which creates a conflict of interest for us. In addition, in the case of life insurance, the commissions may vary between initial premium payments and subsequent premium payments. Although insurance commissions vary, we typically receive about a 7% commission for a variable annuity. For a variable life insurance policy, first year commissions are paid based on a target premium which is determined by, and differs among, insurance companies. The range of first year commissions for variable life insurance range from 80% to 122% of target premium. First year commissions for excess premium range from 2% to 4.2% for variable life insurance. We also receive ongoing trail compensation annually in the range of 1% to 2.5% of the premiums paid for the policy. Commissions for variable products are sometimes paid entirely upfront and other times are paid over time and the total amount paid to us may vary depending on how long a product is owned.

*For example, if you purchase a \$100,000 variable annuity from an insurer that pays us a 7% commission, we will receive, and you will indirectly pay, an initial commission of \$7,000. If you contribute another \$10,000 to your variable annuity contract as an additional payment, we will receive, and you will indirectly pay, a subsequent commission of \$700.*

#### *Fees and Costs – Marketing Expenses and Allowances*

Some insurance companies also pay us a marketing allowance for our marketing activities on their behalf. The marketing allowances are usually calculated as a percentage of new sales (premiums paid by our customers), a percentage of the cash value in variable products held by our customers, or both. The percentage paid varies from insurer to insurer, and can range from .15% to .40% for variable annuities and .65% to 3% of target premium for variable life insurance. Some insurers

additionally or alternatively make contributions to cover the costs of the business meetings and events that we hold for our financial professionals. Not all of the insurers on our Retail Platform make these payments to us. More information about our revenue sharing arrangements including which companies pay us revenue sharing can be found at [www.tfaconnect.com](http://www.tfaconnect.com).

Marketing representatives of insurance companies or their affiliated distributors, often referred to as "wholesalers," work with our financial professionals to promote their variable products. Some of these insurance companies and their wholesalers pay for or provide training and education programs for our financial professionals. Some of these insurance companies and their wholesalers provide small gifts or business entertainment to our financial professionals, cover expenses with our financial professionals attending business meetings they sponsor, and/or provide financial assistance to financial professionals for their marketing events and activities.

You do not pay these marketing expenses directly. However, the marketing expenses are built into the pricing of the variable product, so you indirectly pay for the cost of the marketing expenses, such as training and education programs for our financial professionals sponsored by the insurance company and their wholesalers.

#### *More Information*

More information about variable products, including the insurance commissions and other fees and expenses built into the cost of the insurance, is available in the variable product's prospectus. You can request a copy of a variable product's prospectus from your financial professional.

In addition, more information on the mutual funds underlying the variable product's investment options, including the mutual funds' ongoing fees and expenses and overall expense ratio, is available in the mutual funds' prospectuses. You can request a copy of underlying mutual fund prospectuses from your financial professional.

We also encourage you to review carefully the Variable Annuity Disclosure Form or the Variable Life & Variable Universal Life Insurance Disclosure Form, as applicable, that you will be provided at the time of recommendation. These forms provide additional important information that you should know before purchasing a variable product.

## Mutual Funds

### *Characteristics*

The Firm offers a wide range of mutual funds from many different mutual fund companies. Mutual funds are registered investment companies that issue redeemable securities. Mutual funds issue shares on a continual basis, and there is no secondary trading market for mutual fund shares. Mutual funds are required to sell their shares at the fund's net asset value (NAV) per share plus any applicable sales charge or load, which is described below. The fund's NAV is calculated by dividing the total value of all the fund's assets, minus any liabilities such as ongoing fees and expenses (described below), by the number of shares outstanding.

An important aspect of mutual fund investing is to read the mutual fund's prospectus carefully before investing. Each mutual fund prospectus contains important information that will help you make an informed decision about an investment in a mutual fund. In deciding whether to invest in a mutual fund, you should consider several different factors, including the mutual fund's past performance, investment objective, investment strategies and risks, the investment adviser responsible for the management of the mutual fund's assets, and the fees and expenses associated with an investment in a particular mutual fund. While past performance of a mutual fund is not indicative of future results, a mutual fund's long-term performance record and portfolio manager's experience and qualifications may be important factors in deciding to invest in a mutual fund.

### *Fees and Costs – Generally*

You will typically pay a sales charge or load when you buy shares in a mutual fund. We receive a portion of this sales charge for our efforts and the efforts of our financial professionals in selling shares of the mutual fund.

Most mutual funds utilize multiple share classes, with differing fees and expenses for distribution and shareholder services. Though there are many different types of share classes, the most common share classes available to you are Class A, Class C, and Class R. Each class typically has different fees and costs, and therefore fund performance results will differ as those fees and expenses reduce performance across share classes. You should also note that the amount of time you expect to hold your investment in a mutual fund may play an important role in determining which share class is most appropriate for you, and you should discuss this consideration with your financial professional.

#### *Fees and Costs – Share Class Distinctions*

While there are no standard definitions for these share classes, and each mutual fund defines its share classes in its prospectus, set forth below are some basic descriptions of the most common share classes available to you:

- Class A – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of your investment. This means that a sales charge is deducted from your investment each time you purchase shares in the mutual fund. Class A shares also typically have ongoing fees and expenses, which sometimes include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund. Despite these ongoing fees and expenses, Class A shares typically have lower operating expenses compared to the other share classes of the same mutual fund that may be available to you. This means that ongoing costs will typically be lower than ongoing costs associated with other share classes of the same mutual fund that may be available to you. Many mutual funds offer “breakpoint” discounts for large investments in Class A shares, which means that the front-end sales charge decreases as the investment increases. These breakpoints are described in the mutual fund’s prospectus.

*For example, if you purchase \$10,000 of Class A shares of a mutual fund that assesses a 5% front-end sales charge on your investment, you will pay a \$500 front-end sales charge and the remaining \$9,500 of your investment will be used to purchase Class A shares of the mutual fund.*

- Class C – This share class is characterized by a level asset-based sales charge that you pay annually as a percentage of your assets. It does not have a front-end sales charge like Class A shares, but does have a contingent deferred sales charge (also known as a CDSC). This CDSC means that you pay a sales charge when you sell your mutual fund shares. The amount of the CDSC is typically assessed as a percentage of your investment, and it declines over time and eventually is eliminated the longer you hold your shares. Most Class C shares generally eliminate the CDSC after one year.

*For example, if you purchase \$10,000 of Class C shares of a mutual fund with a 1% asset-based sales charge, you will not pay a front-end sales charge or a CDSC, so the entire \$10,000 investment will be used to purchase Class C shares of the mutual fund at the time of purchase. However, each year, your investment will be charged a 1% asset-based charge, so your initial \$10,000 investment will be reduced to \$9,900 after the first year as a result of the asset-based sales charge, assuming no appreciation or depreciation of the shares in that one-year period.*

- Class R – This share class is available to retirement investors purchasing shares in a mutual fund through employer-sponsored retirement plans, such as 401(k) plans. Class R

shares do not have a front-end sales charge or CDSC like Class A or Class C shares, but Class R shares do have ongoing fees and expenses such as 12b-1 fees intended to finance the distribution activities related to sales of the fund shares. These fees and expenses are deducted from your assets on an ongoing basis.

*For example, if you purchase \$10,000 of Class R shares of a mutual fund through your employer-sponsored retirement plan, you will not pay a front-end sales charge or a CDSC, so the entire \$10,000 investment will be used to purchase Class R shares of the mutual fund at the time of purchase. However, certain ongoing fees and expenses, such as 12b-1 fees, will be deducted from your investment. If the ongoing fees and expenses are 1%, your \$10,000 investment will be reduced to \$9,900 after the first year as a result of the ongoing fees and expenses assuming no appreciation or depreciation of the shares in that one-year period.*

#### *Fees and Costs – Breakpoints*

While it may make sense to own mutual funds from different mutual fund companies, it also may increase the total sales charges that you pay to purchase those mutual funds. Mutual fund companies often offer discounts or reduced sales charges based on the total amount you choose to invest with the mutual fund company. The investment levels needed to receive these discounts are known as "breakpoints." Mutual fund companies typically allow you to combine holdings with those of immediate family members to reach these breakpoints.

Set forth below are some common ways you can receive the benefits of breakpoints.

- *Rights of Accumulation:* "Rights of accumulation" allow you to combine your mutual fund purchase with your existing investment in the mutual fund company to reach a breakpoint.
- *Letter of Intent:* You can take advantage of breakpoints by agreeing to purchase a certain dollar amount in a mutual fund over a specified period of time. In most instances, this requires signing a "Letter of Intent" (LOI).

The prospectus of every mutual fund describes its breakpoint policies, including how you can reach breakpoints. You can request a copy of a mutual fund's prospectus from your financial professional.

#### *Fees and Costs – Ongoing Fees and Expenses*

In addition to the 12b-1 fees mentioned above, mutual funds typically also deduct other ongoing fees and expenses, such as management fees or servicing fees, from fund assets. These ongoing fees and expenses are typically used to pay for the mutual fund's continued annual operating expenses (these ongoing fees are sometimes referred to as the mutual fund's "expense ratio"), such as paying the mutual fund's investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses. In addition, as noted above, the ongoing fees and expenses include fees commonly referred to as 12b-1 fees, and these 12b-1 fees are intended to finance distribution activities intended primarily to result in the sale of additional shares of the mutual fund, and include marketing and advertising expenses.

These ongoing fees and expenses are typically charged daily as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. These payments, as well as the conflicts of interest associated with them, are described more fully below in this Reg BI Disclosure.

### More Information

More information on a mutual fund's sales charges, ongoing fees and expenses, and overall expense ratio is available in the mutual fund's prospectus. You can request a copy of a mutual fund's prospectus from your financial professional. We also encourage you to review carefully the Mutual Fund Disclosure Form that you will be provided at the time of recommendation. This form provides additional important information that you should know before purchasing a mutual fund.

### Exchange-Traded Funds

#### *Characteristics*

The Firm offers a wide range of exchange-traded funds (ETFs). ETFs are investment funds that are listed for trading on a national securities exchange and can be bought and sold in the equity trading markets. Shares in the ETF represent an interest in a portfolio of securities.

ETFs possess characteristics of both mutual funds and closed-end funds. Similar to mutual funds, an ETF pools assets of multiple investors and invests those pooled assets according to its investment objective and investment strategy. ETFs also continuously offer their shares for sale like mutual funds. In addition, ETFs share certain characteristics with closed-end funds, namely that the fund's shares trade on a secondary market and may trade at prices higher or lower than the fund's NAV.

However, ETFs do not sell or redeem individual shares. Instead, certain "authorized participants" have contractual arrangements with the ETF to purchase and redeem ETF shares directly from the ETF in blocks called "creation units" and "redemption units," respectively, where each creation or redemption unit typically represents 50,000 shares of the ETF. After purchasing a "creation unit," the authorized participants generally sell the ETF shares in the secondary trading market.

This creation and redemption process for ETF shares provides arbitrage opportunities designed to help keep the market price of ETF shares at or close to the NAV per share of the ETF. For example, if ETF shares are trading at a price below the NAV (generally referred to as a "discount"), an authorized participant can purchase ETF shares in secondary market transactions, and – after accumulating enough shares to compose a "redemption unit" – redeem them from the ETF for the more valuable underlying securities. The authorized participant's purchase of ETF shares in the secondary market would create upward pressure on ETF share prices, which would bring them closer to the NAV per share of the ETF.

#### *Fees and Costs*

You will typically pay a commission every time you buy or sell shares in an ETF. You will pay this commission in addition to the amount of the ETF you choose to buy or sell. This commission is a one-time fixed fee, which varies depending on the amount you invest in an ETF.

*For example, if you invest \$10,000 in an ETF, you will typically pay a \$91 commission.*

ETFs also deduct ongoing fees and expenses, such as management fees, from ETF assets. These ongoing fees and expenses are typically used to pay for the ETF's continuing operations, such as paying the ETF's investment manager, accounting and auditing expenses, legal expenses, and recordkeeping expenses. However, ETFs generally have lower expense ratios than mutual funds because most ETFs are not actively managed and, therefore, do not incur the internal costs of buying and selling the underlying portfolio securities.

These ongoing fees and expenses are typically charged annually as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. We may receive payments from the legitimate profits of the ETF's investment adviser, where such payments are generally referred to as "third-party payments" or "revenue sharing." These payments, as well as the conflicts of interest associated with them, are described more fully below in this Reg BI Disclosure.

#### *More Information*

More information about ETFs, including their ongoing fees and expenses and overall expense ratio, is available in the ETF's prospectus. You can request a copy of an ETF's prospectus from your financial professional.

### Unit Investment Trusts

#### *Characteristics*

The Firm offers a number of unit investment trusts (UITs). UITs are pooled investment vehicles in which a portfolio of securities is selected by the trust's sponsor and deposited into the trust for a specified period of time. The UIT's portfolio of securities is not actively traded, as the trust generally follows a "buy and hold" investment strategy. The portfolio will generally remain fixed until the termination of the trust. UIT term lengths vary, but generally speaking, they have a maturity date that is between 15 to 24 months from the initial offering date.

At the UIT's maturity, an investor typically has three options. One is to receive the proceeds based on the value of the investment. An investor could also roll over into a newly issued UIT. Another option that may be available to investors in limited circumstances is to receive proportionate shares of the securities held in the portfolio.

The UIT's portfolio is generally designed to follow an investment objective over a specified period of time. A UIT is formed by the trust sponsor, who enters into an agreement with the trustee. When the trust is formed, several investment terms and conditions are set forth in the trust agreement, such as the trust objective, what securities will be placed in the trust, when the trust will terminate, and what fees and expenses will be charged to the trust's assets. These terms and conditions of the trust will be listed in the prospectus.

#### *Fees and Costs*

You will typically pay a sales charge when you buy units in a UIT's initial offering, or a commission when you buy or sell units in a UIT in a secondary trading market. You will pay this sales charge or commission in addition to the amount of the UIT you choose to buy or sell. We receive a portion of this sales charge for our efforts and the efforts of our registered representatives in selling shares of the UIT.

In most instances, collection of all or part of a sales charge is deferred over a period subsequent to the settlement date for the purchase of units. Typically, the deferred sales charge is deducted from the unitholder's distributions on the units during the collection period until the total amount of the sales charge is paid.

*For example, if you invest \$10,000 in a UIT's initial offering that assesses a 2.75% sales charge, the sales charge will be deducted from your investment during selected periods for the duration of your investment.*

Repeatedly selling UITs before their maturity date followed by the purchase of a newly issued UIT will cause you to incur sales charges with greater frequency.

UITs also deduct other fees and expenses from trust assets, such as organizational and operating expenses. These fees and expenses include portfolio supervision, recordkeeping, administrative fees,

and trustee fees. UITs also charge creation and development fees, which compensate the sponsors for creating and developing the trusts. However, UITs generally do not deduct a separate management fee because the portfolio is not actively managed.

#### *More Information*

More information about UITs, including their sales charge and ongoing fees and expenses, is available in the UIT's prospectus. We also encourage you to review carefully the Unit Investment Trusts (UIT) Disclosure Form which will be provided to you at the time of recommendation.

### College Savings Plans

#### *Characteristics*

The Firm offers various college savings plans, which are a type of "529 plan." 529 plans are tax-advantaged and state-sponsored investment programs designed specifically for education savings and named after the section of the Internal Revenue Code that authorized them.

College savings plans are securities that allow investment earnings to grow tax-deferred, and withdrawals are exempt from federal taxation when used for qualified educational expenses. College savings plans generally operate through state-sponsored trusts and permit investors to allocate contributions to one or more trust portfolios or "investment options" offered in the plan.

College savings plan contributions are generally invested in certain underlying investment options, such as mutual funds, that support the plan. The contributions will fluctuate in value as the underlying investment options increase or decrease, and there is no guarantee that the amount contributed to the college savings plan will equal the amount necessary for future education expenses. Although similar to mutual funds in certain ways, college savings plans are issued by state governments, and are not directly regulated or registered under the federal securities laws.

An important aspect of investing in college savings plans is to read the offering document (often called a program description or "official statement") carefully before investing. Each program description contains important information that will help you make an informed decision about an investment in a college savings plan. In deciding whether to invest in a college savings plan, you should consider several different factors, including each investment option's past performance, investment objective, investment strategy and risks, the investment adviser responsible for advising the state issuer, and the fees and expenses associated with an investment in a particular investment option. While past performance of an investment option is not indicative of future results, an investment option's long-term performance record may be an important factor in deciding to invest.

#### *Fees and Costs*

You often will typically pay a sales charge when you purchase a college savings plan. We receive a portion of this sales charge for the sales and related services we provide to the primary distributor of the college savings plan.

Most college savings plans offer multiple units (often called share classes), similar to the share class structure offered by many mutual funds. Though there are several types of college savings plan share classes, the most common share classes are Class A, Class B, and Class C. We do not offer B shares. Each class typically has different fees and expenses, and therefore investment option performance results will differ as those fees and expenses reduce performance across share classes. You should also note that the amount of time you expect to hold your investment in a college savings plan may play an important role in determining which share class is most appropriate for you, and you should discuss this consideration with your financial professional.

While there are no standard definitions for these share classes, and each college savings plan defines its share classes in its offering document, set forth below are some basic descriptions of the most common share classes available to you:

- Class A – This share class usually carries a front-end sales charge, which is typically assessed as a percentage of each contribution. The net amount of your contribution after the deduction of the sales charge is invested in shares of the college savings plan investment option(s) that you select. Class A shares typically have lower operating expenses compared to the other share classes of the same investment option. This means that ongoing costs will typically be lower than ongoing costs associated with other share classes of the same investment option. Many college savings plans also offer “breakpoint” discounts for large investments in Class A shares of investment options, which means that the front-end sales charge decreases as the investment increases. These breakpoints are described in the college savings plan’s offering document.

*For example, if you purchase \$10,000 of Class A shares of an investment option for a college savings plan that assesses a 5% front-end sales charge on your investment, then you will pay a \$500 front-end sales charge and the remaining \$9,500 of your contribution will be used to purchase Class A shares of the investment option.*

- Class C – This share class is characterized by a level asset-based sales charge that you pay annually as a percentage of your assets in an investment option. It does not have a front-end sales charge like Class A shares, but does have a contingent deferred sales charge (or CDSC). This CDSC means that you pay a sales charge when you redeem shares from your investment option. The amount of the CDSC is typically assessed as a percentage of the investment option, and it declines over time, meaning that the longer you hold your investment options shares, the less you will pay in CDSC. The CDSC for Class C shares is generally eliminated after a short period of time (usually one year).

*For example, if you purchase \$10,000 of Class C shares of an investment option of a college savings plan with a 1% asset-based sales charge, you will not pay a front-end sales charge or a CDSC, so the entire \$10,000 contribution will be used to purchase Class C shares of the investment option at the time of purchase. However, each year, your contribution will be charged a 1% asset-based charge, so your \$10,000 contribution will be reduced to \$9,900 after the first year, assuming no appreciation or depreciation of the shares in that one-year period.*

In addition to these sales charges, college savings plans typically deduct certain ongoing fees and expenses from each investment option, such as program management fees, from assets in the investment options. Although these ongoing fees and expenses may vary based on your college savings plan, some of the more common ones are set forth below:

- Program Management Fee – College savings plans generally deduct a program management fee to pay the program manager for providing investment advisory, accounting, and other services to the plan. This fee is typically charged annually as a percentage of your assets, and is reflected in the NAV of the plan’s investment options.
- Maintenance Fee – Most college savings plans charge an annual maintenance fee. This fee, which compensates the plan sponsor for costs of maintaining the plan, may be waived in certain circumstances, such as when your plan assets exceed certain thresholds.
- Underlying Mutual Fund Expenses – Most college savings plan investment options invest in one or more mutual funds and bear a portion of the fees and expenses of these underlying funds. The underlying mutual fund expenses are deducted from fund assets and reflected in the NAVs of the underlying mutual funds, which means they are also reflected in the NAV of the college

savings plan's investment options. More information on the mutual funds that underlie the plan's investment options is available in the college savings plan's offering document. In addition, more information on the underlying mutual funds, including their ongoing fees and expenses and overall expense ratio, is available in the funds' prospectuses.

You pay these fees and expenses indirectly as they are deducted from your investment option assets, or the assets of underlying mutual funds, on an ongoing basis.

#### *More Information*

More information on the sales charges and ongoing fees and expenses is available in the college savings plan's offering document, which you can request from your financial professional. We also encourage you to review carefully the 529 College Savings Plans Disclosure Form that will be provided to you at the time of recommendation.

### Equities

#### *Characteristics*

The Firm offers a wide range of equity securities, which give stockholders a share of ownership in a company. Stocks usually are one part of an investor's holdings. Before deciding to buy or sell an equity security, such as a publicly traded company, it is important for you to evaluate the risks associated with the company. As part of this evaluation, you will want to carefully review the company's relevant disclosure documents, such as its initial registration statement and prospectus in the case of an initial public offering, or its most recent audited financial statement in the case of a secondary market transaction. Stocks in public companies are registered with the SEC and in most cases, these companies are required to file reports with the SEC quarterly and annually.

#### *Fees and Costs*

Buying and selling stocks entails fees. You will typically pay a commission every time you buy or sell an equity security. You will pay this commission in addition to the price you pay for the equity security you choose to buy or sell. This commission is a one-time fee, which increases as the overall transaction increases. Our firm is not a "discount" broker-dealer; discount broker-dealers generally offer lower commission rates.

*For example, if you purchase 100 shares in a public company selling for \$10 per share, you will typically pay a \$91 commission.*

#### *More Information*

You may also obtain information about equity securities generally by visiting the SEC's website at <https://www.investor.gov/introduction-investing/investing-basics/investment-products/stocks>.

### Bonds

#### *Characteristics*

Upon your request, we can offer access to a variety of bonds, such as corporate bonds, government bonds, and municipal bonds. Bonds are debt securities issued by corporations, governments, or other entities that pay fixed or variable interest rates to investors for a specific period of time. When the bond reaches maturity, the bond issuer generally returns the principal amount of the bond to investors. There are many types of bonds and the features, characteristics, and risks associated with bonds can vary significantly.

## *Fees and Costs*

You will typically pay a “markup” as a transaction cost to the clearing firm when you buy a bond. With new issues of bonds, the broker-dealer’s markup generally is included in the par value, so you do not pay separate transaction costs. Everyone who buys a new issue pays the same price, known as the offering price.

When you buy bonds through a broker-dealer on the secondary market, the broker-dealer will charge a markup that represents the difference between the price a broker-dealer pays for a bond and the price at which it is sold to you by the broker-dealer.

If you sell a bond before it matures, you may receive more or less than the par value of the bond. Either way, the clearing firm will mark down the price of your bond, paying you slightly less than its current value (and will then mark up the price slightly upon resale to another investor). This is how broker-dealers are compensated for maintaining an active secondary market.

The amount of a markup/markdown charged on a bond transaction will depend on a number of factors and particular circumstances for each transaction, including the type of bond (corporate, government, or municipal), transaction size, credit quality, unit price, maturity, liquidity, and market scarcity.

*For example, if you purchase \$10,000 worth of corporate bonds on the secondary market priced at \$100 per bond, and a par value of \$1,000 and the broker-dealer’s markup is 1% per bond, you would pay \$100 for the market price of the bond and then an additional \$10 markup, which means you would pay a total markup of \$100 and pay \$10,100 in total to purchase the corporate bonds, which does not include accrued interest if applicable.*

## *More Information*

More information describing a specific bond’s features and risks is available in the bond’s offering document. In addition, more information about government bonds is available on the Municipal Securities Rulemaking Board’s (MSRB) website at [www.msrb.org](http://www.msrb.org), and the MSRB’s Electronic Municipal Market Access website at emma.msrb.org.

## **2. Conflicts of Interest**

We have identified certain conflicts of interest (conflicts) that relate to the recommendations we and our financial professionals make. A conflict arises when an economic benefit incentivizes either us or a financial professional to put our interests and/or the interests of the financial professional ahead of the interests of a customer. Some of these conflicts exist between customers and both our firm and financial professionals, while others exist between customers and our firm alone or between retail customers and financial professionals alone. The section below discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation a financial professional provides you.

### **2.1. Conflicts for Both Our Firm and Financial Professionals**

Conflicts between customers and both our firm and financial professionals may be caused by a variety of arrangements, including the role we play in a transaction, compensation arrangements, or trading arrangements. The material facts relating to these conflicts are as follows:

- ✓ *We and our financial professionals get paid when you trade or invest based on our recommendations.* We are paid each time you purchase a package product, trade in your brokerage account, or make a new investment. We also pay our financial professionals a portion of the transaction-based payments that we receive. These transaction-based payments, usually called commissions, incentivize us and your financial professional to

encourage you to trade more and purchase additional investments that result in additional revenue for our firm and your financial professional.

- ✓ *For some package products you purchase based on our recommendation, we receive payments from a third-party that are in addition to the transaction-based payments described above.* This is typically the case when you purchase mutual funds, college savings plans, and variable products. For example, certain issuers make ongoing payments to us based on invested assets (and not just new investments), such as 12b-1 fees, shareholder servicing fees or trail compensation. These third-party payments are described in further detail in the prospectus or offering materials for the investment, which will be made available to you in connection with any purchase. All of these third-party payments incentivize us and your financial professional to sell you or recommend you hold investments that entail these payments rather than investments that do not entail these payments or entail comparatively lower payments.
- ✓ *For investments with multi-share class structures, we generally receive comparatively more compensation when we recommend you purchase or hold a share class that is likely to be more costly for you.* Some investments, such as mutual funds, college savings plans, and variable annuities, offer multiple share classes, and depending on the share class in which you are invested, we may earn higher commissions, ongoing payments and/or other compensation. These comparatively higher commissions, ongoing payments and other compensation incentivize us and your financial professional to sell you or recommend you hold the share class in a multi-share class structure that results in the most compensation for us and is likely to be more costly for you. Please note, however, that where issuers have multi-share class structures, the lowest-cost share classes may not be available to investors, due to high minimum investment amounts or account type requirements (e.g., a retirement account or an advisory account). You can find more information about the compensation paid on different share classes in the prospectus for the investment, or by asking your financial professional.
- ✓ *We get paid when you engage in a rollover transaction.* We can recommend that you roll over assets from your workplace retirement plan into an IRA account. When you engage in a rollover to an IRA, we and your financial professional will receive compensation in connection with the investments you hold in your IRA account. IRA rollover recommendations incentivize us and your financial professional to encourage the purchase of investments that result in additional compensation for us and your financial professional.
- ✓ *We have an incentive to recommend the account type that pays us the most compensation.* We can recommend that you invest through different account type arrangements, such as through a brokerage account, an account directly held with the issuer of the investment (or its transfer agent), or an advisory account. Depending on factors such as the type and level of services you require as well as the frequency of trading in your account, one of these account types may be more cost-effective for you than the others. The availability of different account types incentivizes us and our financial professional to recommend the account type that results in the most compensation for us and your financial professional.
- ✓ *Certain investment firms receive access to our financial professionals based on payments they make to subsidize meetings, events and conferences.* Some of the issuers of products and providers of services pay us compensation for their personnel to attend and/or present at meetings, events and conferences that our financial professionals attend. Because only the investment firms that make these payments receive access to our financial professionals at these meetings, events and conferences, these arrangements can influence which products and services our financial professionals recommend to you.

## **2.2. Conflicts for Our Firm**

Conflicts between customers and our firm may be caused by a variety of arrangements, including the role we play in a transaction, compensation arrangements, trading arrangements, or customer-specific arrangements. The material facts relating to these conflicts are as follows:

- ✓ *Many issuers of the variable products our financial professionals recommend periodically pay us based on the total amount of sales we make of their investments or the total amount of customer assets we direct to them.* These payments are sometimes called “revenue sharing” payments. Revenue sharing payments incentivize us to sell you or recommend you hold investments that entail such payments rather than investments that do not entail these payments or entail comparatively lower payments. Also, some of the variable products for which we receive revenue sharing are more expensive than similar products for which we do not receive revenue sharing. Many issuers or their affiliates also make payments to us to cover the costs associated with certain educational conferences or training seminars we host for our financial professionals. These payments are flat and are not tied to total sales or customer assets. These flat payments incentivize us to sell you or recommend you hold investments issued by issuers that make these flat payments rather than investments of issuers that do not make these payments or make comparatively lower payments. Please refer to the additional disclosure on our website at [www.tfaconnect.com](http://www.tfaconnect.com) regarding the specific issuers with whom we have arrangements for revenue sharing payments and flat payments for conferences.
- ✓ *Our clearing firm also makes revenue sharing payments to us.* Our clearing firm makes periodic payments to us based on the amount of our total customer assets invested in certain investments as of certain dates, including balances held in cash sweep accounts. These payments incentivize us to sell you or recommend you hold investments that entail such payments rather than investments that do not entail these payments or entail less of these payments.
- ✓ *Some of the insurance and annuity products and mutual funds that we make available are proprietary products.* Some of the products we make available are “proprietary products” meaning they are issued by one of our affiliated companies. In addition to any commission associated with purchasing the product, we and/or our affiliates receive additional fees and compensation related to proprietary products that we do not receive in connection with non-proprietary products, such as management fees, mortality and expense charges, and administrative fees. Because we and/or our affiliates make additional money when we sell proprietary products, we have an incentive to recommend these proprietary products over similar non-proprietary products

## **2.3. Conflicts for Financial Professionals**

Conflicts between customers and our financial professionals may be caused by a variety of arrangements, including compensation arrangements, customer-specific arrangements, or outside business activities. The material facts relating to these conflicts are as follows:

- ✓ *Your financial professional's compensation is tied to meeting sales targets.* Firm- and affiliate-paid cash and non-cash compensation, incentives, contests, promotions, and bonuses for financial professionals are tied to factors including asset accumulation or growth, total sales, and recruiting activities. These arrangements incentivize your financial professional to encourage more trading and the purchase of additional investments, including proprietary investments, that result in your financial professional meeting his or her sales targets. This conflict is especially acute as your financial professional approaches the deadline for meeting sales targets.
- ✓ *Your financial professional can receive non-cash compensation from product issuers and service providers.* In addition to the compensation we provide to your financial professional, certain product issuers and service providers can provide your financial professional non-cash

compensation in the form of gifts, business meals, entertainment, travel expenses, and seminar and other educational meeting expenses. The receipt of this non-cash compensation presents a conflict because it creates an incentive for the financial professional to recommend those investments or funds whose issuers or sponsors offer these forms of compensation.

- ✓ *Certain of our financial professionals also receive override compensation relating to commissions and fees earned by other financial professionals with TFA.* Certain of our financial professionals receive override compensation relating to commissions and fees and earned by other financial professionals with TFA. This additional compensation may be paid because of supervisory responsibilities (see below regarding this issue) or recruiting activities. To the extent this additional compensation relates to recruiting activities, this compensation provides an incentive for the financial professional to spend time engaging in recruiting activity rather than on his or her brokerage relationship with you.
- ✓ *Part of the compensation paid to branch office supervisors is override compensation which is based on the performance of the branches or regions they supervise.* Our branch office supervisors help oversee the sales and marketing activities of our firm. Part of the compensation paid to our branch office supervisors is override compensation and is tied to the production levels of branches or regions over which they have supervisory responsibility. The tying of a portion of supervisors' compensation to the production of the branches they supervise incentivizes them to spend more time on increasing production levels in a given branch or region than on their supervisory responsibilities.
- ✓ *The amount of compensation we share with your financial professional depends on the investments recommended to you and your financial professional's sales volume.* The amount of commissions, fees, transaction-based payments, ongoing payments, and other forms of compensation we share with financial professionals is dictated by a compensation grid. Our compensation grid is not investment neutral, meaning that the percentage of the compensation for any given transaction that your financial professional receives varies based on the investment recommended. Our non-investment-neutral grid incentivizes your financial professional to recommend to you the investment that results in the highest net payout for your financial professional. In addition, our compensation grid has thresholds or bands that enable your financial professional to increase his or her compensation through an incremental increase in sales. Moreover, your financial professional's payout percentage can be adjusted depending on your financial professional's total sales and overall performance. These thresholds, bands and payout percentage adjustments incentivize your financial professional to encourage more trading and the purchase of additional investments that result in your financial professional meeting certain sales targets and other metrics. This conflict is especially acute as your financial professional approaches a sales threshold or the deadline for meeting sales targets.
- ✓ *Some of our financial professionals receive additional training and support from certain issuers.* Certain issuers and their affiliates provide some of our financial professionals with more training and administrative support services than others. If your financial professional receives this additional training and support, his or her use of these issuers' higher level of training and administrative support services incentivizes your financial professional to recommend investments issued by issuers that provide such training and services over issuers that do not, even if such investments are not necessarily in your best interest.
- ✓ *Some of our financial professionals' marketing efforts are subsidized by wholesalers.* Some of our financial professionals receive reimbursements or direct payments from the wholesalers of certain investments for marketing expenses they incur in connection with the distribution of wholesalers' investments. If your financial professional receives these wholesaler reimbursements or direct payments, they incentivize your financial professional to recommend investments that entail these wholesaler reimbursements or payments over investments that do not, even if such investments are not necessarily in your best interest.

- ✓ *Some of our financial professionals have outside business activities that compete for their time.* Some of our financial professionals engage in outside business activities. If your financial professional engages in any outside business activities, these activities can incentivize your financial professional to spend more time on the outside business activity rather than on his or her brokerage relationship with you. You may research any outside business activities your financial professional may have on FINRA's BrokerCheck website at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).
- ✓ *Some of our financial professionals dedicate a significant amount of time to the sale of fixed insurance products.* Some of our financial professionals engage in the sale of fixed insurance products as an outside business activity. Many of these financial professionals do so through one of our affiliates. These activities involve sales contests, non-cash compensation incentives, and compensation incentives that may incentivize our financial professional to sell you fixed insurance products instead of investments through us.
- ✓ *Certain products pay advance commissions.* The issuers of certain life insurance products that we sell pay advance commissions. If our financial professional sells you a product that pays advance commissions, he or she will receive compensation sooner than if the financial professional sells you a product that does not pay advance commissions. This compensation arrangement incentivizes your financial professional to recommend life insurance products with advance commissions over life insurance products and other investments that do not entail such advance payment.
- ✓ *Certain financial professionals have licensing limitations that prevent them from recommending the full array of investments and services we make available.* As noted above, not all of our financial professionals can offer the full range of investments and services we make available. For instance, some of our financial professionals are licensed to offer brokerage services only, whereas some of our other financial professionals are licensed to offer both brokerage and advisory services. In addition, some of our financial professionals are licensed to offer only certain types of investments that are commonly referred to as package products, such as mutual funds, unit investment trusts and variable products, and are unable to offer the full range of investments we make available. Thus, a financial professional who is not licensed as an investment adviser representative will have an incentive to recommend brokerage accounts in which you will incur transaction costs with each trade, as he or she cannot recommend fee-based advisory accounts. Similarly, a financial professional whose securities license only allows him or her to recommend package products will have an incentive to recommend variable products unit investment trusts, and mutual funds, as he or she cannot recommend any other securities.

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