

## Regulation Best Interest Disclosure

### Your brokerage relationship with AE Financial Services, LLC

Regulation Best Interest (“Reg BI”) establishes a standard of conduct for broker-dealers and its associated persons when making recommendations to retail investors involving securities transactions or strategies. This AE Financial Services, LLC (“AEFS” or “we” or “our”) Regulation Best Interest Disclosure (“Disclosure”) provides information about the scope and terms of the relationship and business practices of AEFS with clients in addition to any material conflicts of interest. This Disclosure provides an overview of items you may wish to consider when deciding whether to work with AEFS and its registered representatives (“RR(s”).

### Best interest obligation

When we recommend any securities transaction, investment strategy, or account type, we will act in your best interest. We must have a reasonable basis for believing the recommendation or investment strategy—including hold recommendations—is appropriate and in your best interest at the time of the recommendation based on your investment profile and the risks, benefits, costs, and fees associated with the recommendation. We will not put our financial interests ahead of yours when making recommendations.

### Scope of services

AEFS is registered as a broker-dealer with the U.S. Securities and Exchange Commission and is also a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). In our capacity as a broker-dealer, we offer the buying and selling of investments and variable annuity and insurance products on a transactional basis. Neither AEFS nor your RR provides ongoing monitoring of your brokerage account or variable insurance products. We do not make investment decisions for you or exercise discretion in your brokerage account; we will only place transactions in your account at your direction and/or with your approval following your RR’s recommendation.

### Fees and costs

Our fee schedule provides important information regarding the material fees and costs associated with your brokerage account. The commission and costs vary depending on the product type. Regardless of which investment(s) you choose, the commission, investment expenses, or purchase charges will be detailed in the investment’s prospectus or private placement memorandum (“PPM”). If you have questions regarding fees and costs, you should discuss them with your RR. Our fee schedule can be found at [ae-fs.com/disclosures](http://ae-fs.com/disclosures).

### Conflicts of interest

A conflict of interest is defined as an interest that might incline a firm or RR, consciously or unconsciously, to make a recommendation that is not disinterested. AEFS has identified conflicts of interest which can be found in the AEFS Client Relationship Summary (“Form CRS”). This Disclosure provides additional information related to conflicts of interest between or among you, AEFS, and your RR.

### Conflicts related to product and services

**Limited product offerings.** We do not primarily recommend one type of security to clients. Instead, we recommend investment products designed to be in the best interest of each client, relative to that client’s specific circumstances and needs. AEFS’ RRs may only offer those products made available on our custodial platform and our approved products list. Therefore, there are products and services available at other financial services firms that are not available through AEFS. Additionally, you may pay more to AEFS than if you purchased similar products and services through other financial services firms.

**Brokerage and directly held accounts.** If an account is held directly with a product issuer, both AEFS and your RR receive compensation when transactions are executed for such accounts. The compensation AEFS receives depends on the type of security, the nature of the transaction, the amount invested, how the transaction is executed, and who pays the compensation. AEFS and its RRs earn compensation that differs from one transaction or type of security to the next.

**Fixed income securities.** RRs may apply mark-ups or mark-downs on the purchase or sale of fixed-income securities. Fixed-income products include brokered certificates of deposit, municipal bonds, corporate bonds, mortgage-backed securities, and government agency bonds/notes. Your RR is compensated either by commission or through a mark-up/mark-down. A mark-up/mark-down is the difference between the prevailing market price for the bond and the price that you will pay or receive. A mark-up/mark-down represents the total compensation earned by a dealer (i.e., AEFS) for executing the trade on your behalf.

**Ticket charges.** Depending on the product, there may be different transaction charges. Some products have ticket charges. In some instances, RRs bear additional costs for ticket charges that could incentivize them to sell products without ticket charges or with lower ticket charges.

### Conflicts related to compensation

#### Affiliated Companies and Registrations

Your RR may also be an investment adviser representative (“IAR”) registered with AE Wealth Management, LLC (“AEWM”) or another registered investment adviser firm. In their separate capacity as an IAR, your RR can receive an ongoing management fee based on the assets in your accounts under the IAR’s management. As such, your RR may be motivated by the ongoing management fees they receive for recommending an advisory account to you. Consequently, the objectivity of the advice rendered is biased due to the receipt of an ongoing fee in lieu of one-time commissions, which may not be in your best interest. We address this conflict by disclosing it to you and requiring your RR to document and implement which type of financial relationship is most appropriate for your situation and in your best interest. Additionally, as noted below, AEFS is under common control with Advisors Excel, LLC (“AE”). AEWM and AE, as affiliate companies, have initiated a cash incentive plan in which your RR is eligible to receive cash payments based on a combination of the sale of insurance products through AE and the value of securities managed by AEWM. To be eligible, your RR must also be an insurance producer with AE and an investment adviser representative registered with AEWM. The methodology used to calculate the cash payment is weighted in favor of insurance products. As a result, your RR is incentivized to recommend insurance products. AEWM and AE also offer business loans to RRs on a case-by-case basis. At times, either of these affiliate companies may forgive a portion or all of such loans based on certain factors, such as the RR agreeing to remain with one or more of the affiliate companies for a specified time period. Additionally, our representatives may also serve as licensed insurance agents with AE or other unaffiliated marketing organizations and receive commissions, incentives, bonuses, and other economic incentives for selling insurance products, and “non-cash” compensation for sales of insurance products, including reward trips. The receipt of such compensation creates a conflict of interest.

**Mutual fund share class differential compensation.** Mutual funds offer multiple share classes with varying expense structures. Each share class invests in the same portfolio of securities and has the same investment objectives and policies. However, each class has different expense structures. The appropriate mutual fund share class for you depends on several factors, including your investment objectives, investment time horizon, and liquidity needs. AEFS and its RRs receive different compensation based on the mutual fund share class you invest in.

The internal operating expenses assessed by a mutual fund, as well as the timing and amount of compensation received by AEFS, will vary between the different share classes and may affect the overall performance of your investment. Class A shares assess a higher front-end sales charge. This sales charge may decrease when larger investments are made to the fund, which is known as a breakpoint discount. Class C shares assess a contingent deferred sales charge. Both Class A and C shares have higher operating expenses than institutional shares, which may only be available to fee-based investment advisory accounts or qualified retirement plan accounts and/or subject to minimum investment restrictions. Additional information regarding mutual fund share class expenses can be found in the applicable mutual fund prospectus.

**Variable annuity and insurance product compensation.** Variable annuity and insurance products typically have annual fees and expenses in addition to potential sales and surrender charges and early withdrawal penalties. The annual fees and expenses can include mortality and expense risk charges, administrative fees, underlying fund expenses relating to the investment subaccounts, and charges for special features, such as enhanced death benefits, guaranteed minimum income benefits, principal protection, etc.

Insurers may offer variable annuity and insurance products with different share classes (e.g., A/B/C/L/X shares). The principal difference between the share classes is that you will be charged different fees and charges depending on the class you choose. Typically, share classes with shorter surrender periods will carry higher charges and fees than share classes with longer surrender periods. It is important to select the most appropriate share class based on how long you expect to own the product, your need to access funds, whether you desire living benefits and/or enhanced death benefits and other important factors. Since fees are paid from the amount you invest, they can reduce your potential investment return. Variable annuity and insurance products pay AEFS and its RRs different levels of commissions depending on the product or share class recommended. Refer to the product’s prospectus for important information about the contract or policy, including fees and charges, investment options, death benefits, and annuity payout options.

**Investment product differential compensation.** AEFS and its RRs receive higher or lower commission compensation depending on the investment product being recommended. For example, a variable annuity product may pay a higher commission than a mutual fund product. Generally, the investment products that result in higher compensation to AEFS will also have higher operating expenses. The appropriate investment product type for you will depend on several factors as determined by your particular situation and stated investment objectives.

**Forgivable loans.** If your registered representative qualifies for a forgivable loan offered by our firm, it will not increase the cost of fees charged to you. Your RRs can qualify for a forgivable loan due to their transition from another firm, production level, or length of service. Any transition loan received by a RR is forgiven over a period of years, based on the RR remaining associated with AEFS.

#### Conflicts related to third-party payments

AEFS sometimes will receive additional compensation from certain third parties, including issuers of mutual funds and variable annuity and insurance products, custodians, brokers, and 529 plan providers. These payments, referred to as “third-party payments,” include variable product sales charges; gross dealer concessions; revenue sharing payments; 12b-1 fees; distribution, volume-based fees; fees for seminars and educational programs; and any other compensation, consideration, or financial benefit provided to AEFS by a third-party as a result of a transaction involving your account. These third-party payments are not paid by you. They are paid by the Third-Party Payor in addition to the standard fees and transaction-based commissions paid in connection with account investments and will vary based upon AEFS’ agreement with the Third-Party Payor.

AEFS uses the third-party payments to offset costs associated with conducting due diligence, operations and marketing, certain educational conferences and seminars about investment products for its RRs, and as general revenue. Except for 12b-1 fees and the commission compensation mentioned above, AEFS does not share third-party payments directly with RRs.

In exchange for third-party payments, Third Party Payors receive additional access to RRs, which sometimes includes being invited to firm conferences or seminars. This access to RRs provides product issuers additional opportunities for marketing, education, and training on their investment products. RRs do not directly receive or share in these payments; however, they receive an indirect benefit of additional education and training related to the product issuers’ products and services.

**Gifts and Entertainment.** RRs may also receive gifts and entertainment from product issuers, as allowed within the scope of applicable securities laws, rules, regulations and AEFS’ policies and procedures. Gifts and entertainment may include an occasional meal, tickets to a sporting event or show, or other similar entertainment or promotional items.

#### Entities Under Common Control and Ownership

As noted above, AEFS is under common control and ownership with AE Wealth Management, LLC (“AEWM”). AEWM is an investment adviser registered with the Securities and Exchange Commission. AEFS RRs, in their separate capacities as investment adviser representatives (“IAR(s)”), may be registered with AEWM, through which they can provide investment advisory services to clients. When your RR recommends an investment advisory account to you, the principal owners of AEFS will benefit. We address this conflict of interest by disclosing it to you in this Regulation Best Interest Disclosure as well as prohibiting both the collection of a retail commission and the assessment of an ongoing management fee on the same security.

Again, as noted above, AEFS is under common control and ownership with Advisors Excel, LLC (“AE”). AE is an insurance agency that markets/wholesales life and health insurance and fixed annuities to third-party insurance agents in exchange for a marketing and/or override fee from the issuer of such products. AEFS RRs, in their separate capacities as insurance agents, may utilize AE’s marketing and wholesaling services. When your RR sells you an insurance product through AE, the principal owners of AEFS will benefit. We address this conflict of interest by disclosing it to you in this Regulation Best Interest disclosure as well as prohibiting any additional compensation on the sale of insurance products or collecting of any advisory fees on the same product.

AEFS is under common control and ownership with Innovation Design Group (“IDG”). IDG is an insurance agency that designs and distributes annuities. When your RR, in their separate capacity as an insurance agent, sells you an annuity designed by or distributed through IDG, the principal owners of AEFS benefit.

#### Additional information

Additional information about AEFS can be found at [ae-fs.com](http://ae-fs.com). A copy of the AEFS Client Relationship Summary is available at [ae-fs.com/disclosures/](http://ae-fs.com/disclosures/) or we can be reached by phone at (866) 363-9595.