Betterment Advisor Solutions

THIS GUIDANCE IS INTENDED TO PROVIDE INFORMATION ABOUT THE BETTERMENT ADVISOR SOLUTIONS PLATFORM AND ITS SERVICES, AND ITS FEES TO HELP YOU DISCLOSE THIS INFORMATION. THIS GUIDANCE PROVIDES INFORMATION ABOUT THE SERVICES THAT BETTERMENT ADVISOR SOLUTIONS GENERALLY MAKES AVAILABLE TO INVESTMENT ADVISORS THAT USE ITS PLATFORM AND ASPECTS OF THE SERVICES BETTERMENT PROVIDES TO CLIENTS. IT DOES NOT, HOWEVER, DESCRIBE THE EXTENT AND MANNER IN WHICH YOU USE BETTERMENT ADVISOR SOLUTIONS, INCLUDING WHETHER YOU USE IT FOR ALL OF YOUR CLIENTS, OR FOR ALL ASSETS OF PARTICULAR CLIENTS, OR YOU USE ALL OF OR A SUBSET OF THE SERVICES AND FEATURES. IF YOU USE SUB-ADVISORS, CUSTODIANS, OR BROKERS OTHER THAN BETTERMENT AND BETTERMENT SECURITIES, YOU WILL NEED TO DESCRIBE THOSE SERVICES SEPARATELY.

THIS INFORMATION WILL NEED TO BE ADAPTED SO THAT IT REFLECTS YOUR PARTICULAR CIRCUMSTANCES, INCLUDING YOUR RELATIONSHIPS WITH YOUR CLIENTS AND YOUR BUSINESS RELATIONSHIP WITH BETTERMENT ADVISOR SOLUTIONS. YOU SHOULD NOT DISCLOSE ANY INFORMATION INCLUDED IN THIS DOCUMENT THAT DOES NOT ACCURATELY REFLECT THE SERVICES YOU AND YOUR CLIENTS RECEIVE FROM BETTERMENT ADVISOR SOLUTIONS OR THE FEES FOR THOSE SERVICES.

PLEASE BE AWARE THAT STATE REGULATORY AUTHORITIES MAY REQUIRE ADDITIONAL DISCLOSURE NOT INCLUDED IN THIS DOCUMENT AND THAT THIS DOCUMENT DOES NOT ATTEMPT TO ADDRESS ANY SUCH REQUIREMENTS.

THE BELOW IS INTENDED TO PROVIDE CLARITY TO OUR ADVISOR PARTNERS ON COMMON COMPLIANCE QUESTIONS AND BETTERMENT PRACTICES. THIS GUIDANCE SHOULD NOT BE CONSIDERED LEGAL OR TAX ADVICE; PLEASE CONSULT A LICENSED PROFESSIONAL FOR ADVICE SPECIFIC TO YOUR FIRM'S CIRCUMSTANCES.

Trade execution

Under the Sub-Advisory Agreement between Betterment LLC and each Client, Betterment has the authority to manage each Client's account on a discretionary basis and to buy, sell and otherwise effect investment transactions on the Client's behalf in accordance with the IPS (as defined in Betterment's Sub-Advisory Agreement) and any other elections or instructions provided by Clients and Advisors on their behalf via Betterment's website.

Consistent with its discretionary authority, Betterment places trading orders with Betterment Securities. Trades are generally generated to rebalance Client accounts, in response to new cash flows (including deposits, withdrawals, and dividends), and in response to changes in a Client's investment directions (which may include to adjust their portfolio strategy or allocation, or to allocate automated services like tax loss harvesting).

Consistent with this authority, Betterment has discretion to determine when to trade on behalf of its Clients. Betterment places all orders for Client accounts with Betterment Securities, Betterment's affiliated broker-dealer. Orders for the purchase or sale of securities are routed by Betterment Securities to Apex Clearing Corporation ("Apex"), the clearing broker used by Betterment Securities, for execution.

As discussed in its Best Execution Policy, Betterment Securities uses reasonable diligence to ascertain the best market for the subject security reasonably available under the circumstances, and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Betterment Securities considers a number of factors consistent with regulatory guidance and certain metrics (e.g., effective spread; price improvement, percentage of orders executed at or better than prevailing NBBO) to evaluate execution quality. These metrics are assessed at least quarterly by a Betterment committee that oversees trading.

Client agreements

All Client accounts are opened via an online signup process. Clients must complete a questionnaire, or the advisor must do so on the client's behalf, that includes the following information: email address, first and last name, address, phone number, social security number, date of birth, gender, employment status, occupation, employer, tax filing status, reported annual income, investable assets, whether subject to backup holding per IRS notice, whether a 10% insider of a publicly traded company, and whether associated with a broker-dealer.

At the end of the process, the Client is presented with the Betterment Advised Client Agreements (which includes the Sub-Advisory Agreement, Brokerage agreement, and consent to electronic delivery of documents, among other items) between Betterment and the Client, as well as Betterment's Privacy Notice, Form ADV, and Form CRS. The Advised Client Agreements is updated from time to time, and is available at https://www.betterment.com/advisedcustomeragreement. The Client indicates acceptance of the Betterment Advised Client Agreements and other documents by checking a box and clicking a button to agree.

Advisors may, but are not required to, also present their own advisory agreement, privacy policy, Form ADV, and Form CRS for agreement by the Client at this time. This process is described in more detail here. Betterment collects a record of the date and time the Client accepted the agreements, and stores such records in its database. Betterment also maintains a record of information provided by the Client during the onboarding process.

Betterment records and retains a record of the date and timestamp in its database reflecting the time when the Client clicked the button to agree to the Betterment Advised Client Agreements and create their account. This record, along with the PDF of the actual agreement presented to the Client, constitutes the final record evidencing Client consent to the agreement via electronic signature process. The electronic signature process used is designed to comply with the requirements of the Uniform Electronic Transactions Act (UETA) and similar applicable regulations.

A record of Clients' electronic signatures is stored in the Agreements tab of the advisor dashboard. Betterment can also provide a report with electronic signature information for your Clients upon request.

Client suitability

Advisors on the Betterment Advisor Solutions platform are responsible for ensuring that the information they provide to Betterment is accurate and that investments are suitable for their Clients' individual investment objectives. While Betterment offers a host of tools and investment options, it is the responsibility of the Advisor to ensure that a Client's investment profile is set up in line with their goals.

For further detail, please refer to "Tailored Services and Investment Restrictions" under Item 4 of the Sample ADV Guidance.

Custodians and broker-dealers

Traditional Investment Brokerage Services & Custody: Brokerage services are provided to Clients of Betterment LLC by Betterment Securities, an SEC-registered broker-dealer and member of FINRA /SIPC, and Apex Clearing Corporation, a third-party SEC registered broker-dealer and member FINRA/SIPC. Millennium Trust Company, LLC is the custodian of Betterment IRA accounts.

Digital Asset Trading Services & Custody: Digital asset trading services and custody are provided by Gemini Trust Company, LLC. For further details regarding the custody of assets, including cash, held at Gemini Trust Company, please see the Gemini user agreement.

Fees

Betterment calculates and accrues management fees daily using the Client's end of day balance, and then debits Clients' accounts monthly or quarterly (depending on which frequency your Firm chooses) in arrears.

If Advisors choose to bill Clients for their services through the Betterment platform, they can set up billing plans in the Billing tab of the Advisor Dashboard and assign them to Client households as desired. Betterment will then collect its own management fees, as well as advisory fees on behalf of the Advisor from the Client and remit the fees to the Firm bank account on file.

Betterment will provide your Firm with a monthly or quarterly fee statement (depending on which frequency your Firm chooses) via the Reports tab of the Advisor Dashboard a few business days after the close of the billing period. This report will show a fee breakdown for each Client by legal account, and will show a Client total and grand total of the management fees that will be remitted to your Firm. The Reports tab also contains fee accrual reports, which show the daily fee accrual amount and applicable advisory fee for each Client.

On the day that fees are assessed, a PDF is generated in the Activity tab of the clClientient portal showing the amount of the fee and any investments sold to cover the fee. We will also note on the Client's account statement the total fee debited, which includes your Firm's management fee (if applicable) and Betterment's platform fee. Some states may require advisors to provide separate fee invoices to their Clients; it is the Firm's responsibility to determine if a requirement of this sort applies to them, and to create and disseminate appropriate documentation if required.

Generally, management fees are remitted to your Firm's bank account on file approximately 3 weeks after the close of the billing period.

Advisors are responsible for maintaining their Firm's billing plans in the Billing tab of the Advisor Dashboard and billing plans for their Clients. If an Advisor updates the billing plan for a Client household, Betterment does not notify the Client; it is the Firm's responsibility to notify the Client if necessary.

Form ADV Part 1 Section 7A

Please note that in completing your Firm's Form ADV, Betterment does not fall under the definition of a Related Person. As such, it would be inaccurate to list Betterment in Section 7A.

For additional guidance on Form ADV, please reach out to our team for Sample guidance.

Form 1099-NEC

Form 1099-NEC reports Client management fee income that Betterment sent to your Firm during the tax year. While reporting this income is generally required for all Firms, not all Firms will receive a 1099-NEC form from Betterment.

Firms will receive a 1099-NEC tax form if both of these conditions are met:

- The Firm's Tax Entity Type (Federal Tax Classification) is one of the following:
  - Individual/sole proprietor or single member LLC
  - Partnership
  - Trust/Estate
  - Limited Liability Company (P/Partnership)
- Client management fee payments from Betterment are $600 or more for the year

Firms will not receive a 1099-NEC tax form if either of these conditions are met:

- The Firm's Tax Entity Type (Federal Tax Classification) is one of the following:
  - C Corporation
  - S Corporation
  - Limited Liability Company (who elected to be C/C Corporation or S/S Corporation)
- Client management fee payments from Betterment are less than $600 for the year

If your Firm's Entity Type changes during the course of the year, please contact support@bettermentadvisorsolutions.com for assistance with making an update.

Securities-based lending

Betterment does not support securities-based lending.

Requests from regulators

If your Firm receives a request from a regulator, Betterment Advisor Solutions is able to provide support on the items relevant to our relationship with you.

The most common request items are Client lists, trade blotters, and holdings reports, but regulators may ask for more detailed information on other topics, such as Client agreements and fees.

Please reach out to support@bettermentadvisorsolutions.com with a list of items that you need from Betterment and a clear deadline for returning the requested materials. Please note that while our team will make every effort to expedite your request, the typical turnaround time for requests is 5-7 business days.

Leaving the Betterment Advisor Solutions platform

If you or your Firm are no longer interested or able to maintain your use of the Betterment Advisor Solutions platform, we kindly request that you reach out to our team at support@bettermentadvisorsolutions.com to request that your Firm's profile be deactivated.

When you reach out, the first step will be to move your Clients to the Betterment Retail platform. Your Firm cannot be fully deactivated until all Client accounts are no longer under the Firm's advisory. Please note that it is your responsibility to notify your Clients of this change and how it may impact them.

Additional resources

- Betterment Legal Agreements, Policies & Disclosures
- Betterment Product and Services Disclosures
- Client Agreement Automation Overview
- Common Questions about Billing Your Clients

Questions?

Please reach out to support@bettermentadvisorsolutions.com for assistance.