Allstate Financial Services, LLC

REGULATION BEST INTEREST DISCLOSURE

EFFECTIVE DATE: January 31, 2022

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We provide this disclosure (the Reg BI Disclosure) to our retail customers to whom we make recommendations to inform them about the services we offer and our relationship with them to satisfy our obligation to make disclosures under Securities and Exchange Commission Regulation Best Interest. With respect to Regulation Best Interest, this regulatory 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.

We also provide this regulatory disclosure regarding the U.S. Department of Labor's Prohibited Transaction Exemption 2020-02 (PTE 2020-02) on the receipt of compensation paid in connection with fiduciary investment advice. With respect to PTE 2020-02, this regulatory disclosure acknowledges AFS's and our investement professional's fiduciary status under ERISA and/or the Internal Revenue Code, as amended, the services we proved, and material conflicts of interest.

This document also provides disclosures to meet the requirements imposed by various states.

1. Scope and Terms of Our Relationship with You

Allstate Financial Services, LLC (AFS) is registered with the Securities and Exchange Commission (SEC) as a broker-dealer. AFS ("we," "our," "us", and the "Firm"), ultimately is a subsidiary of Allstate Insurance Company and ultimately The Allstate Corporation. AFS is affiliated with Allstate Financial Advisors, LLC, a registered investment adviser ("AFA"). It is important for you to understand AFS's broker-dealer services and fees. Free and simple tools are available for you to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers and investing.

1.1. Our Capacity

All recommendations made by your financial professional regarding your broker-dealer accounts, as well as any investment fund, annuity and variable life insurance account directly held at a product provider, will be made in a broker-dealer capacity unless otherwise disclosed. Some of our financial professionals are only able to make recommendations about certain types of investments, such as mutual funds and insurance products. In addition, some of our financial professionals are only able to provide recommendations regarding your broker-dealer accounts, whereas other financial professionals may be able to provide investment advisory services through AFA, our investment adviser affiliate. Before our financial professionals make any recommendation to you, they will provide you with a supplemental disclosure at the outset of your relationship with us if they are limited to making recommendations of certain types of investments, and/or are limited to providing recommendations in a broker-dealer capacity only.

Broker-Dealer Capacity
As a broker-dealer, we can recommend and effect securities transactions for you, including buying and selling securities, including investment funds and insurance products. We offer many different options or account types, including accounts held with National Financial Services, LLC (NFS), our brokerage 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); retirement accounts (e.g., IRA accounts), where your investments will be held with the custodian of the IRA; and certain specialty accounts (e.g., margin accounts).

In addition, in the case of accounts held at NFS, we offer the option to hold cash in either money market mutual 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 broker-dealer accounts, but some of the investments you can purchase through us have minimum investment requirements. 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 certain types of investment products, subject to the material limitations discussed below in Section 1.2.1 Material Limitations.

Our financial professionals do not make investment decisions for you or manage your broker-dealer 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 broker-dealer 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 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. If your broker-dealer account is part of a formal retirement plan, we may also be subject to ERISA and/or the prohibited transaction provisions of the Internal Revenue Code of 1986, as amended (the "Code".)

Investment Adviser Capacity
We are affiliated with AFA, which is registered with the SEC as an investment adviser. Some of our financial professionals are associated with AFA and as associated persons of AFA can provide advisory services to you. These services will be provided pursuant to a written agreement between you and AFA that sets forth the investment advisory relationship and

AFA's obligations to you. However, you are receiving this disclosure because AFS is making a recommendation to you in AFS's capacity as a broker-dealer.

1.2. Type and Scope of Services

Our Investment Philosophy
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.

AFS's investment philosophy is based upon the investment objectives, risk tolerance, time horizon, goals and preferences of each customer as determined by the financial professional during the initial meeting(s) with the customer and documented on the Best Interest Document and other required paperwork. AFS offers an array of account types intended to address the different needs and objectives of its retail customers. Many of AFS's retail customers are middle market individuals; however, several of AFS's account types may be in the best interest of retail customers at various income levels. Middle income retail customers are often seeking to invest to meet retirement, education, and other similar funding goals. We offer investment funds and insurance products we believe to be in the best interest of our Firm's customer base.

Regulation Best Interest Standard of Conduct
Regulation Best Interest requires us and 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 retail customer is in the retail customer's best interest, and does not place the financial or other interest of us or our financial professional ahead of the interest of the retail customer at the time the recommendation is made.

In determining whether our financial professional's recommendation is in the retail customer's best interest, we consider the retail customer's individual investment profile. The information in the retail customer's investment profile includes, but is not limited to, the retail 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 retail customer may disclose to us or the financial professional in connection with a recommendation. We encourage you to let us know if any of the information you provide changes.

Fiduciary Acknowledgement
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 ERISA and/or Section 4975 of the Code, as applicable, which are laws governing retirement accounts. Our status as ERISA and/or Code fiduciaries means that we are subject to special rules designed to ensure that we are acting in your best interest but does not necessarily mean that we are acting as fiduciaries as that term is understood under other laws. This acknowledgement of fiduciary status does not confer any contractual rights or obligations on you, us or the financial professional.

Broker-Dealer Services
Our financial professionals can recommend, and we can effect securities transactions for you, including the buying and selling of securities (including investment funds and insurance products) that can be held in broker-dealer accounts with our clearing firm, directly held accounts, education accounts, IRA accounts, or margin accounts. In addition, our financial professionals can recommend various different account types.

In the case of accounts held at NFS, we also offer the option to hold cash in a cash sweep vehicle. In addition, the type and scope of the broker-dealer 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 broker-dealer services include recommendations concerning whether to buy, sell, or hold securities. Our services also include recommendations of investment strategies involving securities, which includes but is not limited to recommendations to rollover retirement plan assets to an IRA, transfer assets from one IRA to another IRA, and transfer assets between account types, such as a recommendation to transfer IRA assets from a fee-based advisory account to a commission-based broker-dealer account.. In addition, our broker-dealer services include certain margin account services, where you are extended credit (a loan) for the purpose of buying securities.

Account Types
In order to receive any of our broker-dealer services described above, you must first open an account with us. We offer an array of account types with different features and benefits that are intended to address different needs and objectives of our retail customers. When opening an account with us, you may choose between many different options or account types for your brokerage account held with our clearing firm; directly held accounts; education accounts (e.g., college savings plans); retirement accounts (e.g., IRA accounts); and certain specialty accounts (e.g., margin accounts).

In addition, accounts held at NFS, our clearing firm, 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. We also offer margin accounts.

More information about our available account options, including the key features and benefits of each available account option, is available at https://www.allstate.com/retirement/additional-disclosures.aspx. In addition, 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.

1.2.1. Material Limitations on the Services We and our Financial Professionals Provide

Notwithstanding the range of our broker-dealer services, there are certain material limitations on our services and the services our financial professionals provide, and these limitations are set forth below.

- Financial Professional Limitations: Not all of our financial professionals can provide the full range of investments and services we offer or that AFA offers. For instance, some of our financial professionals are licensed to provide broker-dealer services only, whereas some of our other financial professionals are licensed to offer both broker-dealer services through AFS and advisory services through AFA. In addition, some of our financial professionals are licensed to provide services only for certain types of investments, such as mutual funds, and are unable to provide services for the full range of investments we make available. Some financial professionals may be licensed to provide both broker-dealer and advisory services but may choose to offer only brokerage services or only advisory services. Before our financial professionals make any recommendation to you, they will provide you with a supplemental disclosure at the outset of your relationship with us if they are limited to making recommendations of certain types of investments, and/or are limited to providing recommendations in a broker-dealer capacity only.
  - This is a material limitation on the securities or investment strategies that your financial professional can 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 http://brokercheck.finra.org.

- Investment Limitations: When acting in a broker-dealer capacity, we make available a wide range of investments, including investment funds and insurance products. However, there are restrictions on the types of investments we offer. The investments we make available are limited to a specific menu of investment company, life insurance and annuity products and are subject to state availability. While our Firm can facilitate transactions in equity and fixed income securities, our financial professionals may not recommend (solicit) those transactions. Additionally, our Firm will not accept purchase orders for micro-cap stocks or leveraged exchange traded funds. Finally, our Firm does not conduct any business in private placements, alternative investments, or non-exchange traded real estate investment trusts.

- No Account Monitoring: When acting in a broker-dealer capacity, while we remain available to assist you, after effecting a securities transaction for you (including those we recommend to you), AFS does not monitor your account. This is a material limitation on our services and the services of our financial professionals.

- No 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.

1.3. Fees and Costs

This section provides information about the material fees and costs associated with your account, transactions, and holdings. Because these fees and costs 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 Accounts

You must first open an account with us to use our broker-dealer services. We offer an array of account types with different features and benefits that are intended to address the different needs and objectives of our retail customers. When opening an account with us, you may choose between many different options or account types, including broker-dealer accounts held with our clearing firm; directly held accounts; education accounts (e.g., college savings plans); retirement accounts (e.g., IRA accounts); and certain specialty accounts (e.g., margin accounts).

If you choose to open an account that is held with NFS, our clearing firm or an IRA account that is held with a custodian, you will pay certain fees and costs associated with your account and the holdings in it. Unlike the transaction-based fees described below, the fees associated with your account are typically charged annually, although some account-based fees are associated with specific transactions. Typically, the fees and costs associated with your account and holdings are charged by third-parties, such as custodial firms or clearing firms, and then deducted from your account. Charges are subject to change.

Highlighted below are the material fees and costs associated with brokerage accounts held with our clearing firm:

- Annual Maintenance Fees – Our clearing firm charges an "annual maintenance fee" for IRA, Roth IRA and similar retirement accounts. This fee compensates our clearing firm for the operational expenses that they incur for tax reporting and documentation. This fee ranges between $10 and $35 and is charged annually. No "annual maintenance fee" is assessed on non-retirement accounts, however these accounts are subject to an "inactive account fee" if no transactions occur for a full calendar year. This fee is typically $30.

- Account Termination Fees – Our clearing firm charges an "account termination fee" for IRA, Roth IRA and similar retirement accounts. This fee reimburses them for the costs associated with terminating your account and any fees associated with the Automated Customer Account Transfer System, commonly referred to as the ACAT fee. This fee is $125 and is only charged when you terminate your retirement account.
- Account Transfer Fees – Our clearing firm does not typically charge an "account transfer fee." However, a transfer fee will be assessed on any non-retirement account that is terminated due to an outgoing transfer request. This fee reimburses the clearing firm 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 $50 and is paid when you initiate the transfer of your account to another broker-dealer.
- Margin Fees – Our clearing firm generally charges you for margin services, where they extend credit (a loan) to you for the purpose of buying securities. Margin fees, which are typically the interest associated with the margin loan, compensate our clearing firm for the cost and risk of lending money to you.
- Wire Transfer Fee – Our clearing firm generally charges you a one-time "wire transfer fee" to wire cash from your account to another account held outside our Firm. The wire transfer fee range is $15-$20. This wire transfer fee is in addition to any fees charged by the financial institution receiving the wire from your account.

IRA custodial account fees are typically charged if you choose an IRA account that is held with a custodian other than our clearing firm, NFS. The IRA custodial account fee varies by account and can be found in the prospectus for the underlying IRA investment. You will receive a copy of the prospectus for the underlying IRA investment your financial professional recommends to you.

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. More information about the fees and costs associated with your account is also available on our website at https://www.allstate.com/retirement/additional-disclosures.aspx.

1.3.2. Fees and Costs Associated with Transactions and Holdings

You typically are charged a fee each time you trade in your broker-dealer account or make a new investment. This fee is typically called a "commission," but it may also be called a "sales charge" or a "markup." You are also typically charged a ticket charge on equity trades and certain asset transactions as an administrative fee for each trade. These kinds of payments present 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. More information about commission payments on equity and fixed income transactions, including the commission schedules we use, is available at https://www.allstate.com/retirement/additional-disclosures.aspx.

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 that we and our financial professionals recommend to our retail customers.

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

Mutual Funds

Characteristics
Our Firm offers a range of mutual funds from different mutual fund companies that your financial professional can recommend to you. Below is general information about mutual funds. Information about the particular features, benefits, fees and costs for a specific mutual fund can be found in the prospectus for the mutual fund. You will receive a copy of the prospectus for the mutual fund that your financial professional recommends to you.

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 that our financial professionals recommend. The sales charge is established by the 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 through our financial professionals are Class A and Class C. Each class typically has different fees and costs, and therefore fund performance results will differ depending on the amount of those fees and expenses. 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 have an ongoing fee commonly referred to as 12b-1 fees, generally intended to cover distribution and shareholder servicing. The range of sales charges for Class A shares is typically 0% to 5.75%. 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 5.75% front-end sales charge on your investment, you will pay a $575 front-end sales charge and the remaining $9,425 of your investment will be used to purchase Class A shares of the mutual fund. Your investment will bear the fund operating expenses for the Class A shares, including any 12b-1 fee.

- Class C – This share class is characterized by a higher ongoing 12b-1 fee, rather than a front-end sales charge like Class A shares, but typically has 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, so the entire $10,000 investment will be used to purchase Class C shares of the mutual fund at the time of purchase. However, your investment will be charged an ongoing 12b-1 fee at an annualized rate of 1%, so your initial $10,000 investment will be reduced by $100 by the end of the first year as a result of this fee, assuming no appreciation or depreciation of the shares in that one-year period.

When you purchase mutual fund shares through us, we typically receive a portion of the sales charge and/or the 12b-1 fee applicable to the class of shares purchased. Conflicts of interest associated with payments we receive from the funds are described more fully below in this Reg BI Disclosure.

Fees and Costs – Breakpoints for Class A Shares
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 in the case of Class A shares. 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. You can also access prospectuses for mutual funds directly from the mutual fund company.

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 other 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 along with the 12b-1 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. The range of ongoing fees and expenses based on the prospectus net expense ratio for mutual funds is typically .3% to 3.39% for Class A shares and 1.06% to 4.14% for Class C shares.

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.

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.

Unit Investment Trusts

Characteristics
Our Firm offers a range of unit investment trusts (UITs) that your financial professional can recommend to you. Below is general information about UITs. Information about the particular features, benefits, fees and costs for a specific UIT can be found in the prospectus for the UIT. You will receive a copy of the prospectus for the UIT that your financial professional recommends to you.

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 13 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 new 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. The sales charge is established by the UIT. The range of sales fees is typically 1.85% to 2.75% depending on the maturity length of the UIT. You will pay this sales charge as a deduction from the amount you choose to buy or sell.

For example, if you invest $10,000 in a UIT's initial offering that assesses a 1.85% sales charge, then a $185 sales charge will be deducted and the remaining $9,815 of your investment will be invested in units of the UIT.

In some instances, collection of all or part of a sales charge is deferred and deducted from any distributions until the total amount of the deferred sales charge is paid. 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.

While it may be possible to buy and sell UIT shares in the secondary trading markets, our financial professionals do not make recommendations to retail customers to buy and sell UIT shares in the secondary trading markets and limit their recommendations to the purchase of UIT shares in the initial offering context and the disposition of UIT shares when the UIT matures.

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. We may receive a portion of these fees and expenses, 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 UITs, including their sales charge and ongoing fees and expenses, is available in the UIT's prospectus.

College Savings Plans

Characteristics
Our 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. Below is general information about college savings plans. Information about the particular features, benefits, fees and costs for a specific college savings plan can be found in the offering document for the plan. You will receive a copy of the offering document for the college savings plan that your financial professional recommends to you.

There are two general types of 529 plans: college savings plans and prepaid tuition plans. 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. Prepaid tuition plans allow investors to "lock in" tuition rates at certain specified educational institutions. Every state offers at least one type of these 529 plans, and some states offer both types of 529 plans.

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 – Sales Charges
You will typically pay a sales charge when you purchase a college savings plan. The sales charge is established by the college savings plan. We receive a portion of the 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 available to you through our financial professionals are Class A, Class B, and Class C. 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 your investment. This means that a sales charge is deducted from your investment each time you purchase shares in an investment option. The range of sales charges for the college savings plan underlying mutual funds is typically 0% to 5.75%. 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. 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 5.75% front-end sales charge on your investment, then you will pay a $575 front-end sales charge and the remaining $9,425 of your contribution will be used to purchase Class A shares of the investment option. Your investment will bear the fund operating expenses for the Class A shares, including any 12b-1 fee.

- Class B – This share class is characterized by a back-end or contingent deferred sales charge (or CDSC) but has no front-end sales charge like Class A shares. 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 the longer you hold your investment option shares and eventually is eliminated. The period of decline typically lasts anywhere from five to eight years depending on the particular college savings plan and investment option. Once the CDSC is eliminated (typically at the end of that five-to-eight-year period), Class B shares usually convert to Class A shares. Until this conversion takes place, Class B shares will typically have higher ongoing operating expenses than Class A shares.

For example, if you purchase $10,000 of Class B shares of an investment option of a college savings plan that assesses a CDSC, you will not pay a front-end sales charge and the entire $10,000 contribution will be used to purchase Class B shares of the investment option at the time of purchase. However, if you decide to redeem those same Class B shares two years later, you will pay a $400 CDSC and receive the remaining $9,600 from the investment option assets, assuming no appreciation or depreciation of the shares in that two-year period after deduction of ongoing operating expenses.

- Class C – This share class is characterized by a higher ongoing 12b-1 fee, rather than a front-end sales charge like Class A shares, but typically has 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. Class C shares typically have higher ongoing operating expenses.

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, your investment will be charged an *ongoing 12b-1 fee at an annualized rate of 1%, so your initial $10,000 investment will be reduced by $100 by the end of the first year, assuming no appreciation or depreciation of the shares in that one-year period after deduction of ongoing operating expenses.*

Fees and Costs – Breakpoints for Class A Shares
Some 529 plans with Class A shares offer discounts or reduced sales charges based on the total amount you choose to invest with the mutual fund company whose funds are available as investment options for your plan. The investment levels needed to receive these discounts are known as "breakpoints." Specific rules for achieving breakpoints will vary from plan to plan and among the mutual fund companies whose funds are investment options. Some of the mutual fund companies available as investment options allow you to combine holdings you make directly in their mutual funds (outside the 529 plan) as well as 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 529 plan purchase invested in a particular mutual fund with your existing investments 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 through a 529 plan over a specified period of time. In most instances, this requires signing a "Letter of Intent" (LOI).

The offering documents for 529 plans describe their breakpoint policies, including how you can reach breakpoints. You can request a copy of the offering document for the 529 plan you're considering from your financial professional.

Fees and Costs – Other Ongoing Fees and Expenses
In addition to the sales charges described above, college savings plans typically deduct certain ongoing fees and expenses, such as program management fees, from assets in each investment option. The range of ongoing fees and costs for the college savings plan (including for the underling mutual funds) is typically .2% to 1.9% for Class A shares and .2% to 2.55% for Class C shares. Although these ongoing fees and expenses can 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 thus bear the fees and expenses of these underlying funds. 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. 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.

Variable Products

Characteristics
Our Firm offers variable annuities and variable life insurance policies (variable products) that your financial professional can recommend to you. Below is general information about variable products. Information about the particular features, benefits, fees and costs for a specific variable product can be found in the prospectus for the variable product. You will receive a copy of the prospectus for the variable product that your financial professional recommends to you.

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 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.

Variable Annuities
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. Not all annuity share classes and optional riders are available in all circumstances.

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

Variable Universal Life
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. The variable life insurance policy we offer allows 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. The variable life insurance policy offers riders and other options, such as accelerated death benefits.

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

There is a minimum requirement on the initial premium. You will be required to make premium payments to keep the policy in force. While you have some flexibility in the amount or timing of these 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.

The cost of insurance fees charged on variable life insurance is based on multiple factors, including, but not limited to, the insured's sex, issue age, policy year, payment class, and face amount. The cost of insurance fees will never be more than the guaranteed maximum rates shown in the policy. These fees are deducted from your cash value on an ongoing basis.

Variable Products - Fees and Costs

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 can also cover 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, and around 10-15 years for a variable universal life insurance policy.

The surrender charges also vary by variable product. The VUL surrender charges are calculated based on the face amount of the life insurance policy; a policy specific surrender charge factor that is based on the insured's characteristics, for example, the insured's age, sex, and/or underwriting class; and a percentage that changes each policy year during the surrender charge period. In year one of a policy with a 15 year surrender period, typically the surrender charge percentage starts at 100% and for each year after through policy year 15, the surrender charge percentage decreases. In policy year 16, there is no longer a surrender charge. The policy will provide the specific surrender charge for your policy. The variable annuity surrender charges typically range from 1% to 5% of the cash value 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.

Fees and Costs – Ongoing Fees and Expenses
Insurance companies deduct fees and expenses from your cash value to cover fees and expenses. 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. However, some fees, such as administration or transaction fees, are fixed amount fees charged annually or when specific transactions occur and are deducted from your cash value. 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 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.

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 sub-account's management fees, servicing fees, and 12b-1 fees, and are typically charged as an annualized rate against fund assets.

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 Commissions
When you purchase a variable product, the issuing insurance company will pay a commission to us. We share a portion of this commission with your financial professional. While you do not pay this commission directly, the insurer factors this commission into the product's fees and costs in the case of variable products.

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 between 2% and 7% commission for a variable annuity sale, and 100% of first year premium as a commission for a variable life insurance sale.

For example, if you purchase a $10,000 variable annuity from an insurer that pays us a 7% commission, we will receive, and you will indirectly pay, an initial commission of $700. If you contribute another $1,000 to your variable annuity contract as an additional payment, we will receive, and you will indirectly pay, a subsequent commission of $70.

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 sub-accounts underlying the variable product's investment options, including the sub-account's ongoing fees and expenses and overall expense ratio, is available in the sub-account prospectuses. You can request a copy of underlying sub-account prospectuses from your financial professional.

Non-Registered Annuities

Characteristics
In addition to variable products, AFS also offers insurance products that are not considered to be securities and thus are not registered with the SEC, including fixed annuities and fixed indexed annuities.

Fixed Annuities
Fixed annuity contracts are issued by insurance companies and allow for principal to grow on a tax-deferred basis through the crediting of interest at a guaranteed interest rate for a specified term, while also guaranteeing the principal amount. A fixed annuity can be annuitized to provide the customer with a guaranteed income payout for life or a variety of specified terms.

Fixed Indexed Annuities
Fixed indexed annuities are also offered by insurance companies, are tax-deferred, and provide principal protection but can offer more growth potential than traditional fixed annuities. The amount credited to the principal is typically based on the performance of a specified market index, such as the S&P 500. The amount can be limited due to multiple factors such as fees, market performance, participation rates, caps, and floors. The participation rate is how much of an index increase will be credited to your annuity contract's value. The higher your participation rate, the more of an index increase will be credited to your annuity's value. Most indexed annuities have a maximum participation rate, or cap. Fixed indexed annuities may also offer "floors" that limit reductions in the amount credited to your contract should the index decrease.

Fixed and Fixed Indexed Annuities – Fees and Costs

Fees and Costs – Premium Payment Deductions
In the case of some fixed and fixed indexed annuities, the insurance company deducts a fee from your premium payment, with the effect that only the net premium amount is invested or allocated.

Fees and Costs – Surrender and Withdrawal Charges
Most non-registered annuities impose a surrender charge if you surrender your non-registered annuity or make a withdrawal during the surrender charge period. This surrender charge and the surrender period are described in the annuity contract. Surrender charge periods vary by contract. 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 non-registered annuities made before age 59½.

Fees and Costs – Our Commissions
When you purchase a fixed or fixed indexed annuity, the issuing insurance company will pay a commission to us. We share a portion of this commission with your financial professional. While you do not pay this commission directly, the insurer factors this into the crediting rate and guarantees offered under the contract. Insurance commissions we receive vary based on the non-registered annuity and insurance company, and we receive higher commissions for some types of non-registered annuities than for others, which creates a conflict of interest for us. Although insurance commissions vary, we typically receive between .4% and 3.5% commission for a fixed annuity sale, and between 1.05% and 6% commission for a fixed indexed annuity sale.

More information about fixed and fixed indexed annuities is available in the annuity contract.

2. Conflicts of Interest

AFS recognizes that its business model presents actual and potential conflicts of interest associated with recommendations to retail customers. 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 retail customer.

Some conflicts exist between retail customers and both our Firm and financial professionals, while others exist between retail 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 retail 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 trade in your broker-dealer 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 investments 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 retail 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 can recommend that you roll over assets from your workplace retirement plan into an IRA account. When you roll over assets from your retirement plan into an IRA account, we and your financial professional will receive compensation in connection with the investments you purchase for your IRA account. This compensation incentivizes us and your financial professional to encourage the rollover and 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 broker-dealer account, an account directly held with the issuer of the investment 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 differences in compensation among 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.

2.2. Conflicts for Our Firm

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

- Many issuers of the investments 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. 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 https://www.allstate.com/retirement/additional-disclosures.aspx 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. 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. Please refer to the additional disclosure on our website at https://www.allstate.com/retirement/additional-disclosures.aspx regarding the specific issuers whose investments entail payments from our clearing firm.

2.3. Conflicts for Financial Professionals

Conflicts between retail customers and our financial professionals may be caused by a variety of arrangements, including compensation arrangements, retail 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-paid cash and non-cash compensation, incentives, contests, trips, awards, quotas, and bonuses for financial professionals are tied to factors including asset accumulation or growth, and total sales. These arrangements incentivize your financial professional to encourage more trading and the purchase of additional 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, which is typically a quarterly bonus, and at the end of the calendar year. Additionally, your financial professional is required to meet a minimum production requirement by June 30th of each year.
- The amount of compensation we share with your financial professional depends on the investments recommended to and accepted by 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. Because our grid is not investment-neutral, our 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 scales 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 annually depending on your financial professional's total sales and overall performance. These thresholds, scales 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, which is typically June 30th of each year.
- Managers and supervisors are paid, in part, based on the performance of the regions they supervise. Our managers and supervisors oversee the sales and marketing activities of our Firm. The compensation of our managers and supervisors is tied to the production levels of the regions over which they have managerial or supervisory responsibility. The tying of managers' and supervisors' compensation to the production of the regions they supervise incentivizes them to spend more time on increasing production levels in a given branch or region than on their supervisory responsibilities.
- 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. In the case of certain investment funds and insurance products, the issuer or the sponsor provides financial professionals other forms of compensation, including business entertainment, expense reimbursement for travel associated with educational or similar business meetings, financial assistance in covering the cost of marketing and sales events, and small gifts. 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 provide such training and services, or issuers that provide comparatively lower levels of training and services.
- Some of our financial professionals' marketing efforts are subsidized by wholesalers. Some of our financial professionals receive reimbursements 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, they incentivize your financial professional to recommend investments that entail these wholesaler reimbursements or payments over investments that do not.
- Some financial professionals have outside business activities that compete for their time. 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 https://brokercheck.finra.org.