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September 29, 2023

## **Wrap Fee Brochure**

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This wrap fee program brochure provides information about the qualifications and business practices of Financial Engines Advisors L.L.C. ("FEA"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at 1-800-601-5957. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about FEA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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## **Item 2: Material Changes**

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This Brochure is being updated to reflect certain changes to our wrap fee investment advisory program. These changes relate mainly to the addition of certain new and expanded service offerings by the Firm.

Financial Engines Advisors L.L.C. has not had any material changes to this Brochure since the last annual update dated March 31, 2023.

### Item 3: Table of Contents

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Wrap Fee Brochure.....	2
Item 2: Material Changes .....	3
Item 3: Table of Contents .....	4
Item 4: Services, Fees and Compensation .....	5
I.    Services .....	5
II.   Trading Authorization.....	5
III.  Rebalancing .....	6
IV.  Reallocation .....	6
V.    Retirement Plans Division.....	6
VI.  Institutional Advisory Services.....	6
VII.  Fees and Compensation .....	7
Fees for Wealth Planning and TAMP Clients .....	7
Fees for Retirement Plans Division (RPD) Clients.....	7
Fees for Institutional Clients.....	8
Fee Calculation and Other Fees and Expenses for Wrap Fee Program Clients .....	8
VIII. Step-Out Trades.....	10
IX.   Best Execution .....	10
Item 5: Account Requirements and Types of Clients .....	10
I.    Account Requirements .....	10
II.   Types of Clients.....	10
Item 6: Portfolio Manager Selection and Evaluation.....	11
I.    Investment Strategy.....	11
II.   Methods of Analysis and Investment Selection.....	12
III.  Risk of Loss.....	12
IV.   Performance-Based Fees and Side-by-Side Management .....	14
V.    Voting Client Securities.....	15
Item 7: Client Information Provided to Portfolio Manager .....	15
Item 8: Client Contact with Portfolio Managers.....	15
Item 9: Additional Information.....	15
I.    Disciplinary Information.....	15
II.   Other Financial Industry Activities and Affiliations .....	15
III.  Code of Ethics .....	16
IV.   Related Person May Invest in the Same Securities .....	16
V.    Participation or Interest in Client Transactions and Personal Trading .....	17
VI.   Review of Accounts .....	17
VII.  Nature and Frequency of Client Reports .....	17
VIII. Client Referrals and Other Compensation.....	18
Turnkey Asset Management Program (TAMP) .....	18
Client and Custodial Referrals .....	18
Other Compensation .....	19
IX.   Financial Information.....	21

## **Item 4: Services, Fees and Compensation**

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### **I. Services**

This Brochure describes our wrap fee investment advisory program. The program includes model portfolios and custom models which feature diversified asset allocation appropriate for each client and their needs. We refer to the program as our “Wrap Fee Program”. Through the Wrap Fee Program, we offer a series of diversified asset allocation models which range from conservative to aggressive and can be used with both taxable and non-taxable accounts. These models address a variety of risk levels and differing equity targets. They utilize primarily a mix of mutual funds and ETFs as well as a mix of passive and active funds. They support both retirement and non-retirement objectives.

The securities, asset categories and portfolio weightings vary for each model. In order to determine the model most suited to a client's needs and circumstances, planners speak with clients to discuss their specific situation and review various information provided. Investment objectives and risk tolerance are the primary factors that help the planners recommend an appropriate model. Objectives are generally capital preservation, income, or growth, or a combination of these. Planners also consider other inputs, which can include, but are not limited to, the client's age, health, family circumstances, income, expenses, assets, debts, liquidity needs, goals, personal objectives, time horizon and other relevant factors. Tools are available to help clients choose appropriate models in appropriate situations. If a client's investment objectives, risk tolerance or financial situation changes, they are instructed to contact a planner.

Generally, if a client asks to place reasonable restrictions on the management of their wrap fee account the Firm will discuss those proposed restrictions with the client and, where appropriate and feasible, accommodate desired restrictions either within their wrap fee account or otherwise. Ultimately, a client will be placed in a model or account that is in their best interest and which allows for such reasonable restrictions as appropriate. A client cannot usually request that we buy specific holdings or types of holdings, although exceptions may be granted. We reserve the right, at our sole discretion, to close an account (or decline to open one) if overly restrictive restrictions are requested or the restrictions requested are incompatible with the client's objectives and/or the portfolio recommended.

### **II. Trading Authorization**

Once a model has been selected, Edelman Financial Engines has limited discretionary authority to invest the assets in the account in accordance with the model selected by the client through relevant custodians. Such discretionary authority includes the ability to select (and modify) the investments underlying each model. Wrap fee clients must establish brokerage accounts with one of the custodians associated with Edelman Financial Engines, which currently include Fidelity, Axos Advisor Services, and Charles Schwab & Co., Inc. (“Schwab”). The majority of Edelman Financial Engines client assets are custodied at Schwab. While Edelman Financial Engines has arrangements established with these custodians, it does not select which ones to use to effect trades or determine commissions paid by clients, although in some cases the choice of custodian may be driven by services selected.

When Edelman Financial Engines transacts purchases or sales for a Wrap Fee Program account through a custodian, the transaction costs associated with such trading activity are covered by the wrap fee. The custodians perform all of the necessary brokerage services for accounts maintained with them and provide custody services of client assets. On occasion, Edelman Financial Engines may direct a transaction to a broker-dealer other than one of the custodians for execution, as discussed further in “Step-Out Trades” below. In these

instances, clients will incur transaction costs in addition to the wrap fee. In such cases, the broker-dealer is acting as an executing broker-dealer and delivers the transaction to the applicable custodian for allocation to client accounts.

### **III. Rebalancing**

Each Wrap Fee Program account is invested in accordance with the client's chosen model. At the inception of an account, account assets are invested in specific asset types, including mutual funds, ETFs, fixed income or cash instruments. Amounts invested in each fund are determined in accordance with the set asset allocation targets associated with the client's model. Afterwards, as markets fluctuate, and values change, amounts originally allocated to a fund will either exceed or fall below the target allocations. Accounts of wrap fee clients who interact with Edelman Financial Engines planners directly are typically reviewed daily for rebalancing; other accounts are generally reviewed periodically.

### **IV. Reallocation**

In a reallocation, we change the target percentages of some or all of the asset classes or types of assets within a model relative to the total model. Models and accounts are monitored on an ongoing basis and assets reallocated based on market or other conditions as warranted. Changes in the model are made for a variety of reasons, including but not limited to changes related to the economic, financial, or political climate and the management of the underlying securities used by the model. The Firm may replace a particular security (or securities) if its risk, return and costs, in the context of the portfolio and/or in comparison to similar securities suggest a change is appropriate, or if there is a different security that, in our opinion, would be better suited for the model portfolio.

### **V. Retirement Plans Division**

The Retirement Plans Division – Small Business (“RPD”) is available to plan sponsors of 401(k), profit-sharing, non-qualified deferred compensation and retirement plans (“Plans”). These Plans include both participant-directed and trustee-directed Plans. Through RPD, Edelman Financial Engines creates and maintains model asset allocation portfolios for Plans.

Edelman Financial Engines offers Plan sponsors the option of delegating discretionary authority to Edelman Financial Engines with respect to the selection of models on behalf of the Plans in RPD. In such cases, Edelman Financial Engines will select the underlying asset classes for the models and the underlying investment securities for each underlying asset class. Usually, the investment securities consist of funds including, but not limited to, mutual funds and ETFs. The Plan sponsor (or other plan fiduciary or agent) approves models to be used for the Plan's assets, and then Edelman Financial Engines invests pursuant to those models on behalf of the Plan. Edelman Financial Engines is not responsible for the administration of the Plan. The responsibility is designated to a third-party administrator.

### **VI. Institutional Advisory Services**

Utilizing Wrap Fee Program models, planners provide investment management services to a variety of small and mid-sized companies, organizations, endowments and associations. The services offered can include drafting an investment policy statement, developing an asset allocation model, preparing a financial profile and/or providing investment management services.

## VII. Fees and Compensation

Wrap Fee Program clients will be assessed fees according to the fee schedules below. Any changes to these fee schedules will be communicated, as appropriate, per the terms of the agreements governing the accounts. In certain circumstances where clients are referred to Edelman Financial Engines, or where different fee structures are negotiated, different rates could apply.

### Fees for Wealth Planning and TAMP Clients

Wealth planning clients generally pay fees pursuant to the fee schedule below. Legacy Financial Engines clients, as well as clients who initiated relationship with firms acquired by the Firm, have rates as negotiated with those firms and as outlined in their client agreements. Unless a separate agreement to the contrary is negotiated and outlined in a written agreement, no clients who receive discretionary investment management through the Firm will pay a fee more than the 1.75% annual fee outlined below.

Client Fee Schedule	
Assets	Annual Fee
\$0-400,000	1.75% on the first \$400,000
\$400,001-750,000	1.25% on the next \$350,000
\$750,001-1,000,000	1.00% on the next \$250,000
\$1,000,001-3,000,000	0.75% on the next \$2,000,000
\$3,000,001-10,000,000	0.60% on the next \$7,000,000
\$10,000,001-25,000,000	0.50% on the next \$15,000,000
\$25,000,000 +	Negotiable

Clients who are referred to planners by our Engagement Center, who have a certain amount of AUM, and/or come to an agreement on a different rate with the Firm or their planner may receive a discount on the above rates. Edelman Financial Engines employees and their spouses/households are also eligible for a discounted fee. In all such cases the applicable fee will be disclosed in writing.

The Firm's TAMP program makes Wrap Fee Program models available to clients of select unaffiliated investment advisers ("TAMP Advisors"). The wrap fee, per the above fee schedule, is shared between Edelman Financial Engines and the independent TAMP Advisors on a negotiated basis. The client does not pay a higher advisory fee to Edelman Financial Engines because of this arrangement. Edelman Financial Engines pays a negotiated percentage of 60% of the annual account fee, to TAMP Advisors on Wrap Fee Program accounts initiated and serviced by TAMP Advisors. Clients will pay the same fee to Edelman Financial Engines, regardless of whether the client selects a model through an Edelman Financial Engines planner or a TAMP Advisor. Also, at no additional cost to the client, Edelman Financial Engines may occasionally pay additional basis points to a TAMP Advisor.

### Fees for Retirement Plans Division (RPD) Clients

The Retirement Plans Division (RPD) charges asset-based fees at the plan level. Fees may vary based on the scope of the investment fiduciary and retirement plan consulting services being offered, as well as the size and complexity of the plan. There is a flat fee of \$3,500 on plan assets under management of less than \$350,000. Fees will not exceed 1.00% of AUM for plan assets of \$350,000 or more and flat fees are also negotiable.

Except as otherwise agreed to by the Plan sponsor (or other Plan fiduciary or agent) and Edelman Financial

Engines, the Plan's recordkeeper, custodian or other service provider will deduct the wrap fee from Plan accounts and remit such amounts to Edelman Financial Engines. The fee is based on the balance of the total assets of the Plan accounts invested in the models and underlying funds as of the end of each calendar quarter and does not include Plan assets that are invested in other options (such as those available through self-directed brokerage windows or funds or securities other than the underlying funds). The first payment is prorated for assets that are placed in Plan accounts during a calendar quarter. Subsequent fees will be determined based on the last day of each quarter. Fees are typically deducted from the client's account no later than the thirtieth (30th) day after the end of each quarter, in arrears. If an account is terminated prior to the end of a calendar quarter, the terminating client will pay prorated fees due up to the termination date.

If a Plan sponsor (or other Plan fiduciary or agent) is introduced to RPD through an unaffiliated registered investment adviser, Edelman Financial Engines' services will be limited to discretionary management of the models. In such cases, Edelman Financial Engines charges an annual fee of 0.35% of Plan assets invested in the models and underlying funds. The unaffiliated adviser is not paid any portion of the wrap fee and may charge a separate fee for its services that is in addition to the Edelman Financial Engines fee.

### **Fees for Institutional Clients**

Edelman Financial Engines charges a variety of small and mid-sized companies, organizations, endowments, and associations advisory fees for the provision of various investment management services. These institutional clients pay fees as follows on their Wrap Fee Program account:

<b>Institutional Fee Schedule</b>	<b>Fee</b>
Up to \$999,999	1.40%
\$1 million to \$1,999,999	1.00%
\$2 million to \$4,999,999	0.75%
\$5 million to \$9,999,999	0.60%
\$10 million to \$24,999,999	0.50%
\$25 million +	negotiable

Institutional client fees are not negotiable other than as disclosed in the fee schedule above. The above advisory fee schedule is based on the assets under management the client invests in the program and are not dependent on the amount of trading in the account or the advice given in any particular time period. Lower fees for comparable services may be available from other sources.

### **Fee Calculation and Other Fees and Expenses for Wrap Fee Program Clients**

When calculating advisory fees, household accounts that are managed as one relationship are aggregated for tiered advisory fees per the relevant fee schedule. Also, when calculating advisory fees, we may exclude, at our discretion, certain assets if they are unable to be invested in the Wrap Fee Program or otherwise are not under our continuous and regular supervisory or management services. Edelman Financial Engines does not provide investment advisory services on "unmanaged assets" and correspondingly does not charge an advisory fee on such assets, although certain exceptions may apply. Planners are eligible to receive additional compensation for certain new client referrals, based on relationship size.

Wrap Fee Program clients, including TAMP clients, authorize their custodian, on behalf of Edelman Financial Engines, to deduct fees from their accounts unless they and the Firm have agreed to utilize another mechanism in writing. The fee is based on the average daily balance of the account. The first payment is prorated and

calculated based on the number of days assets are held in the account during the calendar quarter. Subsequent fees are determined based on the average daily balance for the quarter ending on the last day of each calendar quarter. Fees are deducted from the client's account in arrears.

Wrap Fee Program clients pay a wrap fee, which covers brokerage execution costs associated with trades placed through one of the program custodians, without regard to the number of transactions executed during the billing period. Edelman Financial Engines has negotiated fees with Axos Advisor Services, Fidelity Institutional Wealth Services ("Fidelity", as cleared through National Financial Services LLC), and Charles Schwab & Co., Inc. ("Schwab", as cleared through Charles Schwab Clearing Services) for clearing and execution services in relevant situations. For RPD clients, the Plan's recordkeeper, custodian or other service provider may charge a separate fee to cover the administrative, trust, custody and other record-keeping costs associated with Plan accounts invested in the investment options.

Transaction costs imposed by the above custodians are covered as part of the wrap fee. The wrap fee does not include certain account and securities-related costs, including the fees embedded in the mutual funds, ETFs or other holdings in which Wrap Fee Program accounts invest. These underlying fees vary and are deducted by the fund company directly from invested assets. Further information on these fees can be found in the prospectuses of the relevant mutual fund or ETF. In addition, the fee does not include debit balances, related margin interest, IRA and retirement plan fees, transfer fees, fees imposed by regulators, fees associated with certain money market and mutual funds, wire transfer fees, overnight check fees, account closing fees, paper statement/confirm delivery fees, non-standard asset/alternative investment fees, insufficient fund fees, returned check fees, transaction charges for fund level model trades, expenses charged by the mutual funds (including management fees, transaction charges incurred for fund-level model trades, custody of fund assets and other fund expenses), expenses charged by the variable annuities and exchange-traded funds, or other fees or taxes that are required by law. Clients may also pay fees to the extent a holding is bought/sold that is not a no-transaction fee holding.

As noted above, we anticipate that transactions placed in a client's account will be executed through one of the program custodians. However, in the limited circumstances, Edelman Financial Engines may choose to execute trades with another broker-dealer if we reasonably believe that another broker-dealer can likely obtain a more favorable execution under the circumstances. Where Edelman Financial Engines trades through a broker-dealer other than one of the custodians, the wrap fee does not include the compensation that is paid to that broker-dealer. This compensation is embedded into the price of the security which is paid by the client. These additional costs are in addition to the wrap fee paid to Edelman Financial Engines by the client.

Transactions executed on behalf of Wrap Fee Program clients are executed for a single wrap fee (except as noted below), which reduces the potential conflict of interest associated with executing a large number of orders for client accounts and earning transaction-based compensation following each order. Wrap Fee Program models invest client assets primarily or exclusively in no-load shares of open-end registered investment companies and ETFs. Edelman Financial Engines and its planners receive compensation based on the assets under management the client has invested in the program. Neither Edelman Financial Engines nor its planners earn any additional revenue from Wrap Fee Program accounts beyond the wrap fee. A portion of the advisory fee is paid to the planner; however, such compensation does not vary based on which securities are bought, sold or held in each Wrap Fee Program account or how many transactions occur. The advisory fee earned may be more or less than what Edelman Financial Engines or its planners might earn from other programs available in the financial services industry or if the services were purchased separately. Edelman Financial Engines may negotiate a reduction in fees or other costs on services provided by third-party service providers based on size,



volume or other factors. Because the cost to the client of these services is included in the wrap fee, any negotiation of lower costs to Edelman Financial Engines will not be reflected in the client's costs.

### **VIII. Step-Out Trades**

In certain circumstances, Edelman Financial Engines may choose to execute trades for client accounts with a broker-dealer other than those listed above if we reasonably believe that another broker-dealer can obtain a more favorable execution under the circumstances. Occasionally, Edelman Financial Engines may utilize a broker-dealer other than one of the custodians to execute large transactions if we determine that it is in our clients' best interest and that other broker-dealer has the capability to handle such large transactions and to reduce or eliminate any potential negative price fluctuation. This generally will occur when the size of the transaction in any one security is so large that it could cause the price of the security to fluctuate, up or down, resulting in an unfavorable execution price for our clients. Where Edelman Financial Engines trades through a broker-dealer other than one of the custodians, the wrap fee does not include the compensation that is paid to that broker-dealer. This compensation is embedded into the price of the security which is paid by the client. These additional costs are in addition to the wrap fee paid by the client.

### **IX. Best Execution**

Edelman Financial Engines seeks the best available execution for client transactions and monitors transactions (including rebalancing, reallocation, model changes and liquidations) retrospectively to evaluate whether best execution was obtained. The Firm monitors best execution with its custodians. Additionally, the Firm reviews each broker-dealer's execution reports to evaluate the services provided, quality of executions, fee rate, and other services.

## **Item 5: Account Requirements and Types of Clients**

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### **I. Account Requirements**

For Wrap Fee Program clients who have executed a legacy EFS client agreement: 1) the household minimum account size is \$5,000 (\$3,000 for legacy EFS employees of the Firm), although this minimum may be reduced or waived at our discretion; and 2) for institutional clients, the minimum account size is \$500,000, although this may be waived or reduced at our discretion.

New wealth planning clients wishing to open an account are subject to a minimum account size, currently \$50,000. That minimum account size may be reduced, increased, or waived, in whole or in part, at our discretion. Where a minimum is not met, we make available certain educational tools and guidance at no charge.

### **II. Types of Clients**

Edelman Financial Engines generally provides investment advice to individual investors, participants in employer-sponsored defined contribution plans, trusts, estates, pension, retirement and profit-sharing plans, charitable organizations, foundations, associations, high net worth individuals, institutions, small to mid-sized businesses including corporations, and other business entities.

## **Item 6: Portfolio Manager Selection and Evaluation**

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We do not select or utilize the services of any third-party portfolio manager in relation to the models within the Wrap Fee Program with the exception of certain legacy clients. The Firm's Investment Committee is responsible for investment management of the various models within the Wrap Fee Program. Portfolio management is responsible for implementing and monitoring particular models.

### **I. Investment Strategy**

Fundamental to the mission of Edelman Financial Engines is providing comprehensive financial advisory services which will help our clients work towards achieving their long-term financial goals. The mechanism to achieve those desired outcomes will depend on a variety of factors, some applicable to most or all clients and some highly personalized to individual account holders. While individual circumstances are prioritized, we are also guided by certain overarching methods of analysis and investment strategies.

Edelman Financial Engines' investment philosophy is guided by certain basic principles, including:

- Developing diversified portfolios that feature a range of asset classes and market sectors;
- Utilizing holdings that strike a balance between those that are the most cost-effective and those that we forecast may offer added return;
- Maintaining investment strategies, and often individual investments, longer term;
- Strategically reallocating investments as conditions warrant and as goals, time frames or other material realities of clients change; and
- Periodically rebalancing as needed to ensure long term commitment to overall strategies and allocation targets.

On an individual client level, Edelman Financial Engines recommended or managed portfolio allocations are driven by many factors. Some of the key factors include:

- A client's investment objectives (such as growth or income or a combination of such objectives);
- A client's risk tolerance;
- Circumstances specific to the client's individual situation (their time horizon, availability of pensions to supplement their retirement accounts, other household investments held by the client, state of residence, etc.);
- Investment options available to a given client (for example, the suite of investments available within their 401(k) plan); and
- Forward-looking models of securities' risk, expected returns, and correlations.

Edelman Financial Engines' approach may also be informed by certain established academic research, such as Modern Portfolio Theory and returns based style analysis, as well as by established discoveries in behavioral finance.

Although Edelman Financial Engines may recommend more frequent trading or holding assets short-term in certain circumstances, frequent and/or short-term trading strategies are generally avoided. To that end, it is generally anticipated that the dominant mode of advice will reflect strategies geared towards consistent and long-term strategies and holding periods. At times, however, there may be reasons to effect changes within an account. Reasons for reallocations to new or different allocations may include:

- Client-driven changes – Changes in client objectives, preferences or financial status may necessitate a revised target allocation or portfolio;
- Rebalancing – When an asset category or an investment product has experienced a material appreciation or decline in value, beyond the assigned percentage for that asset category or investment product in comparison to other asset classes or investment products, an appropriate amount may be bought or sold, and the proceeds invested in other asset categories or investment products as appropriate; and
- Updated assessment of forward-looking returns, risks, and correlations – Edelman Financial Engines regularly updates its risk and return models, which may affect its assessment of prospects at the level of macroeconomic factors, asset classes, and/or individual investments. These updates may in turn lead to revised target allocations in client accounts.

## **II. Methods of Analysis and Investment Selection**

Edelman Financial Engines – consistent with the general principles outlined above – relies upon an investment philosophy which seeks to help clients achieve their long-term investment goals. The Firm uses a number of different methods to model the risk and return properties of these investments, including returns-based style analysis, compositional analysis, and qualitative review of fund managers. Assessments of forward-looking returns may incorporate information on expenses, turnover, and risk-adjusted manager performance. For investments held in taxable accounts, Edelman Financial Engines may also analyze the tax efficiency of those investments.

For all account types, and consistent with its fiduciary duties, Edelman Financial Engines' policy is to exercise high levels of care and prudence in making and implementing investment decisions for client accounts. Edelman Financial Engines typically employs validation tests and operational oversight and quality control procedures. We also obtain and utilize information and data from a wide variety of public and private sources as well. Neither Edelman Financial Engines nor our planners independently verify or guarantee such information and data, which may not be free from error.

## **III. Risk of Loss**

Investments (including investments in mutual funds and/or exchange-traded funds) have risks associated with them – including the risk of loss of principal. Edelman Financial Engines strives to help clients manage these risks to within acceptable levels. For example, Edelman Financial Engines constructs portfolios with allocations across numerous asset categories. This diversification is intended to reduce the volatility in clients' investment portfolios when compared to a single asset category. While a diversified investment portfolio, including a portfolio of investment products representing different asset categories, can mitigate some risks, it does not and cannot prevent all loss. Ultimately, such risks are borne by the client, so we encourage clients to carefully read and consider these risks and discuss them with their planner if any questions arise.

While not all risks are listed below, some of the material risks which may lead to a loss in the value of a client's overall account and/or risks which may attach to a specific investment product or vehicle include:

- **Market Risk** – The price of a security, bond, mutual fund, or other investment may drop in reaction to tangible or intangible events and conditions at any time. Economic, political and/or issuer-specific events may cause the value of securities to rise or fall. Because the value of investment portfolios and holdings will fluctuate, there is the risk that a client will lose money and their investments may be worth less upon liquidation than it was at the time of purchase.
- **Business Risk** – There can be certain risks associated with investing in a particular industry or market sector. For example, investments in a fund which invests in energy sector holdings may be affected by external political or economic events affecting oil-producing companies or countries.
- **Category or Style Risk** - During various periods of time, one category or style of holdings may underperform or outperform other categories and styles. For example, during certain periods of time value-oriented mutual funds may outperform large cap growth funds, or vice versa.
- **Foreign Securities and Currency Risk** - Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.
- **Capitalization Risk** - Small-cap and mid-cap companies may be hindered due to limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.
- **Interest Rate Risk** – Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds may become less attractive, causing their market values and the market value of any mutual fund or exchange-traded fund holding those bonds to decline.
- **Reinvestment Risk** – There is a risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (for example, at a lower interest rate). This risk is primarily related to fixed income securities.
- **Inflation Risk** – When any type of inflation is present, purchasing power may be eroding at the rate of inflation. Also referred to as purchasing power risk, this risk also reflects the possibility that the cash flows from an investment will not be worth as much in the future due to changes in purchasing power due to inflation.
- **Credit Risk** - Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the performance of the issue – and any mutual fund or exchange-traded fund which holds it.

- Thematic Risk** - We offer two thematic portfolios for certain clients: one focused around environmental, social, and corporate governance (“ESG”) factors and the other focused around digital asset prices as well as the broader digital asset sector. The ESG portfolio consists of funds that apply environmental, social and governance factors (“ESG”) in their investment process and may exclude certain securities for nonfinancial reasons. Given this, the portfolio may forgo some market opportunities available to portfolios that do not use an ESG criteria. The ESG factors may impact the portfolio’s exposure to other industries, sectors, and countries, which may impact its relative performance depending on market and economic conditions, and the portfolio’s performance may at times be better or worse than the performance of portfolios that do not use an ESG criteria. The Digital Assets Portfolio (“DAP”) consists of securities in a new and developing asset class with an uncertain future, and relatively untested technology protocols and regulatory framework. Given the lack of transparency surrounding many digital assets, and in some instances blockchain adjacent companies, certain underlying investments which constitute the DAP may, potentially, experience fraud, theft, and other modes of manipulation. As a result, certain of these activities may go undetected as digital assets and blockchain adjacent companies are part of an emerging financial ecosystem that is less regulated than more established asset classes. The DAP’s performance is not guaranteed to be better than any other models offered by the Firm.
- Concentration Risk** - There is a risk associated with having too much invested in a given sector, type of holding, or similar concentration. Concentration risk may be further compounded by factors such as asset correlation or performance, and may be compounded by certain securities, or types of securities, being held in various investment vehicles in a portfolio.
- Exchange-Traded Funds** – Exchange-Traded funds present market and liquidity risks. They are listed on a public securities exchange and are purchased and sold via the exchange at the listed price, which will vary based on current market conditions and may deviate from the net asset value of the exchange-traded fund’s underlying portfolio. There may also be a lack of an active market for certain funds, and/or losses from trading in secondary markets. The Firm has holdings in a few ETFs where the aggregate holdings may at times represent a substantial percentage of outstanding shares, including the SPDR S&P North American Natural Resources ETF (“NANR”) and/or the iShares Exponential Technologies ETF (“XT”). This risk is mitigated by the fact that the underlying holdings of each ETF are generally liquid.
- Performance of Underlying Managers** - We select the mutual funds and ETFs in a client’s portfolio based on a variety of criteria. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy. Should a fund manager deviate from such norms, or do a poor job of selecting investments, a given investment might underperform or face enhanced risk.

#### IV. Performance-Based Fees and Side-by-Side Management

Edelman Financial Engines does not charge any performance-based fees (that is, fees based on a share of capital gains on or capital appreciation of the assets of a client). Given this, Edelman Financial Engines does not manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee at the same time (or engage in side-by-side management). Please see Item 4 above for additional details on fees and compensation related to the advisory services which Edelman Financial Engines offers.

## V. Voting Client Securities

Edelman Financial Engines does not vote proxies on behalf of clients. To that end, Edelman Financial Engines does not have authority to vote client securities and will not do so. Clients will receive proxies or other solicitations directly from their provider or applicable custodian or, in applicable situations, from ERISA plan sponsors or fund companies.

## **Item 7: Client Information Provided to Portfolio Manager**

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Edelman Financial Engines planners meet with clients to discuss their needs. Investment objectives and risk tolerance are primary factors that help us recommend an asset allocation model. We also consider the client's personal situation, including age, health, family circumstances, income, expenses, assets, debts, liquidity needs, goals, personal objectives, suitability, time horizon and other relevant factors. Generally, if a client asks to place reasonable restrictions on the management of their wrap fee account the Firm will discuss those proposed restrictions with the client. Ultimately, a client will be placed in a model that is in their best interest and which allows for such reasonable restrictions as is appropriate. A client cannot usually request that we buy a particular holding or type of holding, although exceptions may be granted. We reserve the right, at our sole discretion, to close an account (or decline to open one) if overly restrictive restrictions are requested or the restrictions requested are incompatible with the client's objectives and/or the portfolio recommended.

Additionally, Edelman Financial Engines has no influence or control over the mix of securities held by any mutual fund, variable annuity or ETF in which client accounts may be invested.

## **Item 8: Client Contact with Portfolio Managers**

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Clients are generally free to contact Edelman Financial Engines and their planner or an assigned planner at any time during normal business hours via telephone, facsimile, mail or email. In-person meetings should be scheduled in advance to ensure that the planner is available. Generally, clearing/custodian broker-dealers and the issuers or sponsors of investments used by the program are not available to answer questions or discuss specific investment issues. However, if a client has a specific need, we will make a reasonable attempt to arrange the discussion.

## **Item 9: Additional Information**

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### I. Disciplinary Information

There are no legal or disciplinary events to disclose that are deemed material to a client or prospective client's evaluation of FEA's advisory business or the integrity of FEA's management.

### II. Other Financial Industry Activities and Affiliations

Edelman Financial Engines is not a registered broker-dealer or insurance agency. It is affiliated with Edelman Financial Services, LLC ("EFS"), which is an insurance agency. We do not believe that these affiliations create a material conflict of interest for the Firm's current or prospective clients.

All Edelman Financial Engines planners are fee-only and receive no commissions from affiliates or other entities. Neither Edelman Financial Engines nor any of its planners sell new broker-dealer products or services. The Firm continues to receive insurance related compensation in relation to products or services previously purchased by

clients in certain circumstances and where a referral of insurance opportunities to third parties, as discussed below. Edelman Financial Engines does not sell or distribute proprietary investment products or assess sales charges. It does sponsor the Wrap Fee Program, for which a separate brochure is available.

Certain planners maintain individual insurance licenses in order to enable them to provide comprehensive investment advice and financial planning to clients. No planners sell insurance products or services. For clients who have insurance needs, Edelman Financial Engines planners generally refer them to unaffiliated third-party insurance agencies or carriers to provide the most appropriate insurance product. The Firm is compensated with a percentage of commissions generated on the sale of certain insurance products placed as a result of a Firm referral. However, no client facing personnel receive commissions, sales credits or other compensation as a result of this arrangement. We do not believe that any of these activities create a material conflict of interest for Edelman Financial Engines' current or prospective clients. Clients are advised that they are under no obligation to purchase any insurance products through any affiliated or unaffiliated insurance agency or carrier and that other, similar products may be less expensive elsewhere.

Edelman Financial Engines is not a futures commission merchant, commodity pool operator, or commodity trading advisor, nor does it have any applications pending to register as one. Similarly, none of the Firm's management persons are associated persons of a futures commission merchant, commodity pool operator, or commodity trading advisor, nor do they have any applications pending to register as one.

### **III. Code of Ethics**

Edelman Financial Engines has adopted a Code of Ethics (the "Code"). A copy of the Code will be provided upon request. To request a copy, please call 1-800-601-5957, or request a copy in writing at: Compliance Department, Edelman Financial Engines, 28 State Street, 21st Floor, Boston, MA 02109.

Of primary importance to the policies within the Code is adhering to a fiduciary standard and putting the interests of our clients first. Maintaining high standards of ethical conduct is core to Edelman Financial Engines and the manner in which we approach financial planning. To that end, the Code establishes and reinforces the standard of business conduct that is expected of employees and provides specific guidance related to avoiding actual or apparent conflicts of interest. The Code emphasizes certain governing principles that employees should always be mindful of in the course of their work, including the duty to place the interests of clients first, the importance of protecting material non-public information and the obligation to report violations of the Code. Neither the Firm nor its employees recommend to clients, or buys or sells for client accounts, securities in which the Firm or a related person has a material financial interest.

In the course of providing its advisory services Edelman Financial Engines does not select the investment alternatives available to workplace clients within their plans or publish any recommended list of securities. The Code has policies and procedures designed to prevent and/or detect such activities as trading in securities on the restricted or watch list and/or trading on insider information. This also ensures that employees comply with certain ethical constraints and otherwise act in a manner designed to ensure that no conflicts of interest take place. Violations of the Code risk serious sanctions, including potential loss of employment.

### **IV. Related Person May Invest in the Same Securities**

Persons designated as Access Persons under the Code are subject to additional requirements with respect to their personal securities transactions. At times, officers and employees may purchase securities for their own accounts that may be the same securities as those recommended to clients. Planners may also invest their

personal funds in the same programs used by clients, including in models contained in the Wrap Fee Program. They may participate in a 401(k) plan which similarly invests in one or more Wrap Fee Program model. In this way, planners (through investments in these models) may buy or sell the same underlying securities as clients also invested in such models. This can include interests in mutual funds, ETFs, or insurance products. Although employees get a fee reduction on certain Wrap Fee Program accounts, these accounts are not given preferential trading treatment. Such accounts are monitored and rebalanced in the same manner as client accounts, in accordance with the same underlying model strategy.

#### **V. Participation or Interest in Client Transactions and Personal Trading**

The Firm does not engage in agency cross transactions or make any principal trades for advisory clients.

#### **VI. Review of Accounts**

Accounts of wrap fee clients who interact with Edelman Financial Engines planners directly are periodically reviewed for rebalancing. While many accounts are reviewed as frequently as daily, all accounts are reviewed at least monthly and more frequently as market conditions dictate. Customized portfolios with the optional Downside Defense feature are typically reviewed weekly. Such reviews are geared towards determining if rebalancing or reallocation is appropriate to keep clients invested in a manner which will help them achieve their financial goals. In addition to this account level review, the investment products recommended to clients are reviewed by members of the Investment Management team periodically, with that review considering amongst other things a fund's history, performance, cost, risk and asset exposure.

In addition to the above, individual planners review accounts periodically to ensure that client accounts are invested appropriately. To that end, the planner review seeks to ensure that clients are enrolled in accounts and investments that are reasonable given their risk tolerance, goals and a variety of other factors. In addition, Edelman Financial Engines periodically performs an analysis of selected clients' accounts to determine if market movements or other changes have produced a deviation from the clients' designated investment models. If clients experience or anticipate changes in their personal situation, such as risk tolerance, investment objectives or time horizon, clients are urged to contact Edelman Financial Engines to report those changes, so Edelman Financial Engines and the client can assess whether changes to the client's investment accounts should be made. On at least an annual basis, clients are contacted in order to attempt to assess their needs and update their personal and financial situation. The information is used to determine if there are any changes that could impact relevant account allocations, risk tolerance or other factors important to determining each client's investment portfolio. Clients should also contact us if they wish to impose reasonable restrictions on the management of their account or wish to reasonably modify existing restrictions. Clients may request an additional review at any time.

#### **VII. Nature and Frequency of Client Reports**

Clients participating in wrap fee models receive account statements at least quarterly from relevant custodians. Clients using most custodians also receive trade confirmations directly from those custodians, although those using Axos Advisor Services will not receive copies of trade confirmations. Clients generally have unlimited and continuous access to their account information, including trades effectuated in their accounts, through websites offered and maintained by the account custodian and Edelman Financial Engines.

#### **VIII. Client Referrals and Other Compensation**



### **Turnkey Asset Management Program (TAMP)**

The Firm's TAMP program makes Wrap Fee Program models available to clients of select unaffiliated investment advisers ("TAMP Advisors"). Edelman Financial Engines performs a due diligence review of each TAMP Advisor firm and their investment advisor representatives who will be offering these models prior to establishing the relationship and on an ongoing basis thereafter. We provide systems, services, and operational support to the TAMP Advisors. Edelman Financial Engines administers and supervises the TAMP program. The TAMP Advisor initiates the relationship with the client and is the ongoing client relationship manager responsible for the relationship and such tasks as making investment recommendations and maintaining books and records. The advisory fee is shared between Edelman Financial Engines and the TAMP Advisor on a negotiated basis. The client does not pay an increased advisory fee because of this arrangement.

### **Client and Custodial Referrals**

Edelman Financial Engines compensates certain persons, entities and/or institutions for referrals. Compensation for client referrals is paid out of client fees paid to Edelman Financial Engines; however, clients pay only the fees and rates noted in the applicable fee schedule. Compensation paid to a promoter is negotiated between the promoter and Edelman Financial Engines. These referrals comply with relevant federal and state laws governing such arrangements.

Edelman Financial Engines has policies in place meant to ensure that those who are referred to Edelman Financial Engines through a referral receive appropriate disclosures where appropriate.

In instances where Edelman Financial Engines utilizes a non-affiliated promoter, the promoter's role is limited to that of a promoter. Such promoters are not an agent, representative or employee of Edelman Financial Engines, and that promoter does not provide investment-related advice on behalf of Edelman Financial Engines. Each such promoter has agreed to act in accordance with Edelman Financial Engines' instructions and will not make any specific recommendations of securities or any other type of investment. Only Edelman Financial Engines will make specific recommendations to a client of Edelman Financial Engines. Edelman Financial Engines may also pay for advertising services on digital or other platforms.

Clients referred by one of our promoters may pay less than clients who were not referred and will not pay more. They will not pay fees beyond those listed in the relevant fee disclosures and will receive the same level and quality of service as other clients. In addition, the fiduciary responsibilities of Edelman Financial Engines are in no way impacted or reduced based on whether a client was referred.

From time to time, the Firm may initiate programs for certain employees to introduce clients to the Firm that result in funded accounts. These employees may be eligible to receive referral fees as part of these programs. Separately, supervised persons of Edelman Financial Engines who are employees of Edelman Financial Engines and who work in Edelman Financial Engines' Engagement Center may receive referral or other fees based on client engagement with our services. To the extent that these referral or other fees based on client introduction and client engagement are paid to Edelman Financial Engines employees, Edelman Financial Engines does not consider them material and does not deem them to present a conflict of interest.

### **Custodial Referral Programs**

Edelman Financial Engines previously participated in referral programs with some of our Custodians which posed potential conflicts of interest. For any remaining clients who were referred through these programs, the Firm continues to pay a referral fee for as long as the referral remains a client. Referred clients will not pay any additional or higher fees as a result of being referred to the Firm. Clients who are referred to Edelman Financial

Engines through these programs will most likely have their assets custodied by the custodian associated with that program. We have agreed not to solicit referred clients to transfer their accounts nor to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require doing so. Edelman Financial Engines previous participation in these programs does not diminish our duty to seek best execution of trades for client accounts.

### **Other Compensation**

#### Advisory Panels

From time to time, Edelman Financial Engines employees serve on advisory panels sponsored by Dimensional Fund Advisors LP (“Dimensional”), Envestnet, Charles Schwab & Co., Inc., Smarsh Inc., Skience LLC, Blackrock, Inc., and State Street Global Advisors. The panels are sponsored by those companies and consist of independent advisers who advise those companies on issues relevant to the service, technology and products provided by them. Panel members are not compensated for their participation; however, some of these companies will at times either pay or reimburse FEA employees for travel, lodging and/or meal expenses incurred when they attend panel meetings. From time to time, Dimensional or other companies may sponsor FEA corporate events, which could include use of their facilities. While service on these panels could create a conflict of interest, the economic sums involved are minimal and such conflicts, if they did exist, would be in FEA’s opinion immaterial. The potential benefits received by either FEA or its employees by serving on the Charles Schwab & Co., Inc. panels does not depend on the amount of brokerage transactions directed to them.

#### Custodian Specific Disclosures: Axos Advisor Services

Axos Advisor Services provides custodial services to Edelman Financial Engines which include safekeeping of assets, producing quarterly account statements, deducting advisory fees from client accounts, and performing account allocations. Axos Advisor Services also directs third parties to handle trade execution, clearance, and settlement of transactions. These tools benefit Edelman Financial Engines but may not benefit client accounts. Furthermore, the annual asset fee that Axos Advisor Services charges is contingent upon the assets under custody that Edelman Financial Engines holds with Axos Advisor Services.

The arrangement with Axos Advisor Services and the economic benefits to Edelman Financial Engines that result, create a potential conflict of interest and could directly or indirectly influence Edelman Financial Engines to make it more likely that a client will choose Axos Advisor Services for custody and brokerage services even though a custodian other than Axos Advisor Services may be able to provide better quality service or provide services at a lower cost. However, because the cost to the client of these custodial services is included in the wrap fee, lower costs to Edelman Financial Engines will not be reflected in the client’s costs. However, Edelman Financial Engines would not act in a manner which it felt was not in the best interest of its clients.

#### Custodian Specific Disclosures: Schwab

Edelman Financial Engines has entered into a marketing support agreement with Charles Schwab & Co., Inc. (“Schwab”) for which the Firm receives payment from Schwab each quarter. This money reduces Firm expenses tied to client acquisition efforts. In addition to benefiting the Firm, Schwab will benefit indirectly from those efforts through the establishment of multiple client accounts at the Firm with Schwab as a custodian of client non-workplace accounts. Clients are not required to select Schwab as their custodian in order to receive the Firm’s services generally but are currently required to select Schwab as custodian in order to receive the Personal Advisor level of service. Because the Edelman Financial Engines receives an economic benefit, the Firm has a conflict of interest if it encourages or requires that clients use Schwab as a custodian. Clients are not charged a different or additional fee based on their custodian selection, and such agreement does not have any

impact on the determination of the advice and/or management that the Firm provides to its advisory clients. In addition, such agreement does not require the maintenance of any specified number of accounts or amount of assets under management in Schwab accounts.

Unrelated to its services in the workplace, if a client accesses services directly, and the client selects Schwab as custodian, its business unit, Schwab Advisor Services provides certain services to Edelman Financial Engines and the Firm's clients. These services include access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail clients. Schwab also makes available various support services, some of which help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis and at no charge to the Firm. Edelman Financial Engines does not charge clients a different advisory fee based on the client's selection of custodian.

Following is a more detailed description of Schwab's support services.

*Schwab Services That May Benefit Clients:* Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a higher minimum initial investment by our clients.

*Schwab Services That May Not Directly Benefit Clients:* Schwab makes available to us other products and services that benefit the Firm but may not directly benefit clients or client accounts. These products and services assist the Firm in managing and administering our clients' accounts and include software and other technology that: provide access to client account data; facilitate trade execution in individual clients' accounts as well as aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of fees from clients' account; and assist with back office functions, recordkeeping, and client reporting.

*Schwab Services That Generally Benefit Only Edelman Financial Engines:* Schwab offers other services intended to help Edelman Financial Engines manage and further develop our business enterprise. These services include software and information technology programming; educational conferences and events; consulting on technology and business needs; and publications and conferences on practice management and business succession. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the Firm. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide the Firm with other benefits, such as occasional business entertainment of our personnel.

*Edelman Financial Engines' Interest in Schwab's Services:* The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services. Schwab has also agreed to pay for certain technology, research, marketing, and compliance consulting products and services on our behalf, once the value of our clients' assets in accounts at Schwab reaches certain thresholds. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of Schwab as custodian and broker is, when made, in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

The custodians that Edelman Financial Engines uses (Schwab, Fidelity, or Axos Advisor Services) offer various

services to Edelman Financial Engines, including custody of client securities; trade execution; clearance and settlement of transactions; access to platform systems; duplicate client statements; research-related products and tools; access to a trading desk; access to block trading; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and use of overnight courier services. Some of these services may benefit Edelman Financial Engines but may not benefit our clients and receipt of these economic benefits creates a conflict of interest and could directly or indirectly influence Edelman Financial Engines to recommend a certain custodian to clients for custody and brokerage services. These custody services are paid for as part of the client's wrap fee.

*Custodian Specific Disclosures: Fidelity*

If the client utilizes National Financial Services LLC and Fidelity Brokerage Services LLC (collectively "Fidelity Investments") as custodian, Fidelity Investments provides Edelman Financial Engines a waiver of quarterly fees once a certain asset threshold is met. This may provide a benefit to Edelman Financial Engines, but that benefit is not deemed material.

*Funding Our Future Initiative*

Funding Our Future is an alliance of organizations dedicated to making a secure retirement possible for all Americans. The alliance informs the public about the barriers to retirement security and calls on policymakers to make strengthening retirement policies a top priority. It was founded by Edelman Financial Engines and the Bipartisan Policy Center, with the support of Schwab, BlackRock, and many other partner organizations. The publicity which Edelman Financial Engines receives from the initiative represents an economic benefit. The donations may affect our judgment with regard to the services provided by those third-parties, which may not benefit the client, creating a conflict of interest.

All of the above conflicts, to the extent they are deemed to actually exist, are considered immaterial to Edelman Financial Engines. Further, policies and procedures are in place to ensure that the Firm and its personnel act in the best interest of clients.

**IX. Financial Information**

Edelman Financial Engines does not require or solicit prepayment of more than \$500 in fees per client six months or more in advance. While Edelman Financial Engines has discretionary authority or custody of client funds or securities, Edelman Financial Engines does not believe that there is any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. Edelman Financial Engines has not been the subject of any bankruptcy proceeding at any time during the past ten years.