

# Indirect Compensation Supplemental Disclosure

## About Avantax

Avantax Wealth Management® is the holding company for the group of companies providing financial services under the Avantax name. The companies include: Avantax Investment Services, Inc. (AIS), a registered broker dealer with the Securities and Exchange Commission (SEC), and a member of the Financial Industry Regulatory Authority (FINRA); Avantax Advisory Services, Inc. (AAS), an investment adviser registered with the SEC; and, Avantax Insurance Agency, LLC, and Avantax Insurance Services, Inc. (collectively, "Avantax Insurance"). We primarily discuss the accounts and products offered through AIS and AAS (collectively referred to as "Avantax," "we," "our," or "Firm") in this document. Avantax registered representatives and investment adviser representatives (collectively, "Financial Professionals") may affiliate with one or more of the Avantax entities, if appropriately licensed. Insurance agents may also affiliate with Avantax Insurance companies. AIS offers retail customers ("you" or "your") investment products and services through our affiliated Financial Professionals. Brokerage, direct account and investment advisory products, services and fees differ, and it is important for you to understand these differences. Free and simple tools are available to research firms and Financial Professionals at [Investor.gov/CRS](http://Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

## Account Type Evaluation: Brokerage and Advisory Services

As an Avantax customer, you can receive a broad scope of services, regardless of whether we serve as your broker dealer (AIS), investment adviser (AAS) or both. Our brokerage accounts and services are governed by different sets of laws and regulations from our investment advisory accounts and services, and therefore our obligations and duties to you are different for each. When you have multiple relationships with us, each type of account or service will be governed by the specific laws applicable to the type of account you have and may be different from account.

## Indirect Compensation Payable to the Firm


As a firm Avantax can receive third party compensation from mutual fund companies, insurance and annuity companies and other investment product sponsors, distributors, investment advisors, broker-dealers and other vendors to support the sale of their products and services to clients. The payment and receipt of these fees are determined by a number of factors including firm policy, regulatory guidelines, the types of services provided (i.e., brokerage vs advisory), investments and decisions made independently by the third-party provider. In general:

- **Avantax Advisory Services ("AAS")** – While AAS may receive indirect compensation related to assets held in non-ERISA advisory accounts, assets in ERISA accounts are not included in the customer assets or new sales calculations which means AAS does not receive additional Third-Party Compensation on securities held in ERISA Accounts.<sup>1</sup>
- **Avantax Investment Services ("AIS")** - As a registered broker-dealer, AIS may receive payments from any investment funds (Funds) held by Client as indirect compensation for its services, including certain related brokerage services, such as effecting securities transactions in connection with Client's investments. Funds may include mutual funds and other investment products.<sup>2</sup>

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<sup>1</sup> Please see the "Important Information" section at the end of this document for additional resources and information.

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Companies for some of the investment products the Firm sells participate in activities that are designed to help facilitate the distribution of their products. The marketing activities and educational programs provided by these product sponsors include, but are not limited to, attendance by product representatives at our conferences, cash and non-cash marketing assistance paid to the Firm, and training and education presentations provided to the Firm's registered representatives about their products and services. In return for assistance in facilitating the activities described above, the Firm receives additional compensation, commonly referred to as "revenue sharing," from these companies. These companies are part of what the Firm calls our Educational Partners Program. These revenue sharing payments are in addition to the commissions and distribution fees (known as 12b-1 fees), and other fees and expenses paid to us, as disclosed in the respective product's prospectus. It is important to note, however, that these revenue sharing payments are paid out of the company's own assets—not from the investment's assets themselves—and, therefore, would not appear as items in a fund's expense table.

Avantax receives Third-Party Compensation from Product Sponsors, their affiliates and other business partners on many of the financial products and services offered to our customers. Together we refer to these companies as "Educational Partners." The amount of Third-Party Compensation we receive from Educational Partners varies and is dependent on such things as: the type of investment (e.g., mutual funds, ETFs, or alternatives) and the combined compensation received from the Product Sponsor across the various relationships they have with us.

Within the universe of Approved Securities used in the Program, our Educational Partners have agreements with the Avantax to provide payments to help defray the educational, training, recordkeeping and other costs associated with offering these products to Clients. These payments, which are in addition to the fees and expenses disclosed in the fund prospectus fee table, are calculated as a percentage of assets under management, a percentage of initial sales, or a combination of assets and sales. For example, for every \$10,000 investment, Avantax can receive a one-time payment of up to \$25 (25 basis points) and/or an annual payment of up to \$13 (13 basis points) for each year the assets remain invested. Variable annuities and alternative investments (which are not often held in Program Accounts) pay higher fees as outlined in the table below.

Payments we receive from our Educational Partners create one or more conflicts of interest. This means that Avantax is more likely to add securities from our Educational Partners to our list of Approved Securities. Although the Third-Party Compensation payments received from Educational Partners are not shared with your Advisor and are not directly tied to the expenses applied to your Account, a conflict of interest exists for Avantax in the selection and recommendation of Approved Securities sponsored by Educational Partners.

In addition, Advisors separately receive reimbursement for marketing expenses, client functions and attendance at due diligence, training and education meetings sponsored by the Firm and/or its affiliates, or our Product Sponsors. Enhanced access to our Advisors is also provided via training events, conference calls and meetings as well as heightened visibility of the Educational Partners' products through the distribution of sales literature, newsletters and training materials on our intranet. For more information, you should ask your Advisor which Product Sponsors, if any, provided expense reimbursement or additional compensation to the Advisor. These are considered conflicts of interest for our Educational Partners since they receive more access to our Advisors than other Product Sponsors receive.

Educational Partners pay different amounts to participate in our Educational Partners' Program which means some receive different benefits than others (such as increased presentation time at one or more of our conferences). The range of Third-Party Compensation we receive from our Educational Partners is listed below:

<b>Product Categories</b>	<b>Avantax Receives</b>	<b>Your Advisor Receives</b>
<b>Mutual Funds / ETFs</b>	Up to 0.13% of Customer Assets	None
<b>Variable Annuities</b>	Up to 0.13% of Customer Assets, and/or Up to 0.40% of Sales	None
<b>Fixed Annuities &amp; Fixed Indexed Annuities</b>	Up to 0.25% of Sales	None
<b>Alternative Investments</b>	Up to 1.50% of Sales	None
<b>Other Business Partners</b>	Up to 0.13% of Customer Assets, and/or Up to 0.25% of Sales	None

Assets in ERISA accounts are not included in the customer assets or new sales calculations which means we do not receive additional Third-Party Compensation on securities held in ERISA Accounts. Assets in the Invesco cash reserve funds (which are not included in billing) are excluded from our receipt of Third-Party Compensation.

Certain issuers pay AIS a negotiated fixed annual amount in Third-Party Compensation, regardless of the amount of assets held in customer accounts or new sales to customers. These direct payments vary by Educational Partner and are sometimes in addition to other compensation they pay AIS. Flat-fee annual payments vary with some Educational Partners paying up to \$350,000 per year.

Educational Partners pay Avantax a negotiated fixed amount for conducting due diligence on third-party Fund Strategist Provider portfolios: up to \$35,000 initially and up to \$25,000, annually thereafter, on an ongoing basis.

The following Educational Partners have either paid Third-Party Compensation to Avantax in the past calendar year or are anticipated to pay Third-Party Compensation to Avantax during the current calendar year. Not every Product Sponsor listed below sells products that can be held in advisory accounts:

Mutual Fund / ETF Sponsors	Annuity / Insurance Carriers	Alternatives / Direct Participation Sponsors	Other Business Partners	Retirement Related Services
Advisors Asset Management (AAM)	AIG	AEI	AAM	Aspire
BlackRock	Allianz	Blackstone	Advisys, Inc	Benefit Solutions
Columbia	Athene	Cantor Fitzgerald	AIMCOR	Dedicated DB
Davis	Brighthouse	Capital Square	Allegiance Capital	ePlan Services
Delaware	Delaware Life	CNL Securities	BOK Financial Advisor Trust Services	July Business Services
Dimensional	Eagle Life	FS Investments	Cornerstone	Pacific Financial Group
Dreyfus	Equitable	Hines Securities	Docupace	Pai (copilot retirement services)
DWS	Global Atlantic	Inland Securities	eMoney	The Retirement Advantage, Inc. (TRA)
Fidelity	Jackson	Jones Lang LaSalle	Envestnet	
First Trust	Lincoln	Mewbourne	Goldman Sachs Private Bank Select	
Franklin Templeton	Mass Mutual	Sealy Investment Securities	Krost (KBKG)	
Hartford	Nationwide	SmartStop	The PLUS Group	
Invesco	New York Life	Waveland Capital		
John Hancock	Protective			
MFS	Sammons			
Pioneer	Transamerica			
Putnam				
RNC Genter				
Russell Investments				
Sammons				
Virtus				
Wisdom Tree				

Avantax Wealth Management® is the holding company for the group of companies providing financial services under the Avantax® name. Securities offered through Avantax Investment Services™, Member FINRA, SIPC. Investment advisory services offered through Avantax Advisory Services™. Insurance services offered through licensed agents of Avantax Insurance Agency™ and Avantax Insurance Services™. 3200 Olympus Blvd., Suite 100, Dallas, TX 75019. 972-870-6000.

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## Mutual Funds

As a registered broker-dealer, AIS may receive payments from any investment funds (Funds) held by the Client as indirect compensation for the Investment-Related Services provided on behalf of the Client, including certain related brokerage services, such as effecting securities transactions in connection with investments in the Client's investment options. Funds may include mutual funds and other investment products.

When the Client invests in a Fund that is a mutual fund, depending on the particular share class, the purchase of Fund shares by the Client may be subject to a front-end sales commission, resulting in additional compensation for the Firm as described in the Fund's prospectus. (Investments in the Fund may be subject to other charges that are not payable to the Firm, such as a contingent deferred sales charge payable to a Fund affiliate as described in the Fund's prospectus.) The indirect compensation received by the Firm may also include 12b-1 fees paid by the Funds for providing distribution-related services as well as administrative and informational services, as applicable, to the Client. The 12b-1 fees paid by an applicable mutual fund are described in its prospectus. Certain mutual fund companies pay AIS to provide shareholder liaison services to investors. These fees are classified as shareholder servicing fees and generally include responding to investor inquiries and providing information on mutual fund investments. AIS receives these shareholder services fees from certain mutual funds in amounts up to 0.25% annually of the assets invested in a particular mutual fund. For more information, please refer to the relevant mutual fund prospectuses previously provided to you and which are generally available at the relevant Fund's website.

In most cases, multiple share classes of the same mutual fund are available for purchase. Some share classes of a fund charge higher internal expenses, whereas other share classes of a fund charge lower internal expenses. Mutual funds that offer institutional share classes and other share classes with lower expense ratios are available to investors who meet specific eligibility requirements that are described in the mutual fund's prospectus or its statement of additional information. It is also possible that the lowest-cost mutual fund share class for a particular fund may not be offered through Avantax or available for purchase within specific types of accounts. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio or cost. Avantax urges clients to discuss with their registered representative whether lower-cost share classes are available and appropriate given their expected holding period. A registered representative may recommend, select, or continue to hold a fund share class that charges clients higher internal expenses than other available share classes for the same fund. These fees and availability of various fund share classes with lower internal expenses present a conflict of interest between clients and Avantax or its representatives because Avantax or your representative has a greater incentive to make available, recommend, or make investment decisions regarding investments that provide additional compensation to Avantax or your representative or cost clients more than other similarly available investments.<sup>3</sup>

- **For advisory accounts:** AAS credits any mutual fund 12b-1 fees received back to the client accounts paying such 12b-1 fees. In addition, if a more expensive share class is held in an advisory account, AAS will typically convert the share class to the lowest cost share class. *Please note, there are exceptions to these policies which are fully described in the applicable AAS Form ADV Part 2A disclosure brochure ("Firm Brochure").*<sup>4</sup>

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<sup>3</sup> Please see the "Important Information" section at the end of this document for additional resources and information on mutual funds and how to access the firm's *Mutual Fund Buyers Guide* for information on mutual funds held or traded through AIS.

<sup>4</sup> Please see the "Important Information" section at the end of this document for additional resources and information including how to access Avantax Firm Brochure(s) for specific information on mutual funds held or traded in advisory accounts through AAS.



### **Interest on Cash Debits**

Avantax can choose to markup the interest charged on all cash debits in our accounts which would increase the amount of revenue we receive. This is a conflict of interest and will have a negative impact on the returns on these assets because your costs will increase as a result of the markup.

### **Credit Interest for Non-Sweep Cash Balances**

For Accounts not electing a sweep option, Avantax will be eligible for credit interest on cash balances. NFS will credit Avantax with 50% of the National Financial Credit Rate less any amounts credited to Customer Accounts. These credits are not shared with your financial professional.

### **Compensation for Open Accounts**

NFS pays AIS a flat fee per open account on an annual basis for every account opened after September 30, 2020, subject to a maximum fee over the life of AIS's contract with NFS. All open accounts with a balance are included. These credits are not shared with your financial professional.

### **Transfer Cost Credits**

Custodian reimburses to AIS or its affiliates a portion of the transfer of accounts' fees and other costs and expenses which customers or AIS could incur in connection with the transfer of eligible accounts to Custodian Eligible accounts are IRA accounts held directly with a mutual fund sponsor. These credits are retained by Avantax and are not shared with you or your financial professional.

### **Deconversion Cost Credits**

AIS or its affiliates received monetary benefits to offset the costs of transferring accounts to the Custodian's clearing platform from our previous custodian's clearing firm. These credits are not shared with your financial professional.

### **Technology Credits**

During the term of AIS's clearing agreement with Custodian, Custodian has agreed to provide AIS with monthly technology credits incurred by AIS and its affiliates for utilizing Custodian's and its affiliates proprietary technology products and services. These credits are not shared with your financial professional.

### **Networking Fees**

Networking fees are designed to compensate AIS for providing varying degrees of customer account and administrative services for those AIS customer accounts holding mutual funds. These services include the processing of purchases, check deposits, account maintenance, and other sub-accounting and recordkeeping services. Compensation paid for networking services is negotiated from fund company to fund company and vary depending on the networking services that AIS is required to perform for each client account established with a fund. If a client owns multiple funds in one fund family, AIS generally receives networking compensation for each individual fund. AIS may receive networking compensation based on a dollar amount per year, per client account with an individual fund. Networking compensation is paid at a rate of up to \$6 per year per client account. Not all mutual funds pay networking fees to AIS.

### **Non-Purpose Loans: Non-NFS Revenue**

As a service to eligible customers, Avantax provides access to a securities-backed non-purpose lending program offered by Goldman Sachs Bank USA (the "Bank"). Customers are not required to participate in the program, but if you choose to do so, you should be aware of the possible risks. As part of this Program, the Bank compensates Avantax in the form of a Referral Fee, which is equal to 50 basis points (0.5%) of the average principal amount of all outstanding Program loans that Avantax customers have through the program. This Referral Fee is paid from the interest paid by the participant on their Program loan and, were Avantax to agree to receive a lower Referral Fee, customers' interest rate would decline by that same amount.



## Important Information

This document is intended to provide you an overview of sources of “Indirect Compensation” that can be received by Avantax in its capacity as a broker-dealer (AIS) or in its capacity as a registered investment adviser (AAS). For additional information we encourage you to review important information and specifics related to your account that can be found in your account opening documentation and agreements. You may also contact your Avantax Financial Advisor directly for any questions or other assistance including obtaining copies of these documents.

Avantax also maintains copies of its most current disclosures which can be found on-line at: <https://www.avantax.com/disclosures>. These disclosures include but are not limited to:

- *Form CRS and Regulation Best Interest Disclosures*
- *Account Fees and Costs*
- *Account Agreements & Features (including the Mutual Fund Buyers Guide)*
- *Retirement Plans (including ERISA 408(b)(2) Disclosures and the firm’s Indirect Compensation Supplemental Disclosure)*
- *Advisory Services and Managed Accounts (including the Firm Brochures)*

We encourage you to contact your Avantax Financial Advisor if you have any questions about any of the above disclosures and/or the disclosures in the applicable AAS Form ADV Part 2A disclosure brochure (“Firm Brochures”).

To request a copy of the most current Firm Brochures at any time, please email [AdvisoryCompliance@Avantax.com](mailto:AdvisoryCompliance@Avantax.com) or call 877-959-8400. A copy will be sent promptly, at no charge to you, and you can always find the latest version online at: <https://www.avantax.com/disclosure-catalog/advisory-services-managed-accounts/> or at <https://adviserinfo.sec.gov>

**\*PLEASE BE ADVISED:** *As permitted under Department of Labor regulations Avantax the firm will continue to post updated 408(b)(2) Disclosure Documents to the website but will no longer mail a separate notification for these updates. In the event you do wish to receive a hard copy form or have any questions on the content or of which disclosure(s) are applicable to your plan, please contact your Financial Professional for assistance.*

We appreciate your continued relationship with us and your trusted Financial Advisor.