

**BETTERMENT ADVISOR SOLUTIONS GUIDANCE  
DISCLOSURE FORM ADV PART 2A**

November 2024

**THIS GUIDANCE IS INTENDED TO PROVIDE INFORMATION ABOUT THE BETTERMENT ADVISOR SOLUTIONS PLATFORM, ITS SERVICES, AND ITS FEES TO HELP YOU DISCLOSE THIS INFORMATION TO YOUR CLIENTS, INCLUDING ON YOUR FORM ADV PART 2A. THIS GUIDANCE PROVIDES INFORMATION ABOUT THE SERVICES THAT BETTERMENT ADVISOR SOLUTIONS GENERALLY MAKES AVAILABLE TO INVESTMENT ADVISORS THAT USE ITS PLATFORM AND ASPECTS OF THE SERVICES BETTERMENT PROVIDES TO CLIENTS. IT DOES NOT, HOWEVER, DESCRIBE THE EXTENT AND MANNER IN WHICH YOU USE BETTERMENT ADVISOR SOLUTIONS, INCLUDING WHETHER YOU USE IT FOR ALL OF YOUR CLIENTS, OR FOR ALL ASSETS OF PARTICULAR CLIENTS, OR YOU USE ALL OF OR A SUBSET OF THE SERVICES AND FEATURES. IF YOU USE SUB-ADVISORS, CUSTODIANS, OR BROKERS OTHER THAN BETTERMENT AND BETTERMENT SECURITIES, YOU WILL NEED TO DESCRIBE THOSE SERVICES SEPARATELY.**

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

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

**NOTE THAT IN THE COURSE OF MODIFYING YOUR FINAL DISCLOSURE, THE FORM ADV PART 2A INSTRUCTIONS REQUIRE THAT YOU IDENTIFY CONFLICTS OF INTEREST AND DESCRIBE HOW YOU ADDRESS THEM.**

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**FORM ADV PART 2A**

**ADVISORY SERVICES (ITEM 4)**

Betterment Advisor Solutions is a digital wealth management platform generally serving independent investment advisory firms and advisors (such advisors, “you” or “Advisor”). Betterment LLC (“Betterment”), a registered investment advisor, serves as sub-advisor to Advisor’s clients (“Clients”). MTG LLC, dba Betterment Securities (“Betterment Securities”), a registered broker-dealer and member of FINRA and SIPC, serves as broker-dealer and custodian. Betterment and Betterment Securities are not a “Related Person” of any Advisor on the Betterment Advisor Solutions platform, and therefore

*This language is merely provided as guidance and should not be construed as (and does not constitute) legal advice. Your own qualified legal counsel and compliance personnel should review and customize any disclosure language to determine if it is appropriate for your particular circumstances*

should not be listed as a “Related Person” on an Advisor’s Form ADV Part 1, Item 20.

## TYPES OF SERVICES

The services provided by Betterment include:

- **Goal-Based Investment Management:** Betterment’s goal-based investment platform allows Advisor and Clients to identify multiple investment goals for each Client, each with specific portfolio allocations;
- **Portfolio Construction Tools:** Advisor and Advisor’s Clients have access to a set of Betterment constructed portfolio strategies, third-party model portfolio strategies, or, if applicable, Advisor constructed custom portfolio strategies (described below), each of which is generally comprised of low cost, index-tracking exchange-traded funds or mutual funds or targeted to a particular investment exposure (e.g., socially responsible investing, cryptocurrency ETFs, or tax-smart bonds), and are able to customize the risk-level for each investment goal (collectively “securities portfolios”);
- **Automated Investment Management Services:** Betterment’s algorithms automate back-office tasks such as trading, portfolio management, and account rebalancing;
- **Tax-Aware Portfolio Management Tools (“smart transitions”):** Advisor can use Betterment’s smart transitions features, which allows Advisor (1) to implement customized rebalancing settings and drift thresholds for a client’s goal, and (2) to set an annual realized gains allowance target for each client account. Advisor also has the ability to implement tax-aware migration strategies when updating client portfolios or investment allocations. Smart transitions features are subject to various constraints described in Betterment’s disclosures on its website.
- **Website and Mobile Application:** Betterment’s website and mobile application provide a platform for account access and monitoring and delivery of account documentation and notices; and
- **Advisor Dashboard:** Advisor has access to a dashboard for purposes of monitoring and managing Client accounts.

Advisor has the ability to offer to their Clients through Betterment’s platform custom portfolio strategies (“Custom Portfolios”). Advisor may design a Custom Portfolio constructed partially or entirely of mutual funds and ETFs. If Advisor chooses to participate in this offering, Advisor may construct Custom Portfolios using Advisor’s own investment methodologies, and Advisor’s Clients are able to use Betterment’s automated advice features, including automatic rebalancing, dividend reinvestment, tax loss harvesting, and asset location services. Advisor, and not Betterment, is responsible for managing any goal for which a Custom Portfolio is elected on the basis of a Client’s financial situation and investment objectives. Betterment will not evaluate whether any Custom Portfolio is suitable for any Client’s individual investment objectives, either at the time of election or on an ongoing basis. In addition, Advisor, and not Betterment, is responsible for disclosing to Advisor’s Clients any limitations to Betterment’s features caused by the election of a Custom Portfolio strategy.

Betterment Advisor Solutions offers several account types to Advisor and their Clients, such as taxable investing accounts, individual retirement accounts (IRAs), and cash management accounts (Cash Reserve). If Advisor's Client also is employed by a company that utilizes Betterment's 401(k) offering, Betterment at Work, Advisor may also manage Client's Betterment 401(k) account if Client delegates investment management authority of their 401(k) to Advisor. Advisor can also view Clients' Betterment checking account in their Advisor Dashboard, and Advisor can also view Clients' health savings accounts (HSAs), if the Client has a Betterment managed HSA offered in partnership with Optum Bank.

### **TAILORED SERVICES AND INVESTMENT RESTRICTIONS**

To use Betterment Advisor Solutions' services, Clients and/or their Advisor must inform Betterment of their financial situation and preferences through Betterment's online application. To set up an investing account through the Betterment platform, Advisor and/or their Clients must select an investment goal, select a portfolio strategy (or follow the Advisor's pre-set default portfolio strategy), and set an allocation (the risk level of the portfolio which corresponds to a ratio of stock to bonds), and may provide additional details about the Client's investment objectives within Betterment's interface. Guidance provided by Betterment is available in the online application, but Advisor is ultimately responsible for ensuring that Advisor's Clients are placed in suitable investments. Advisor is also responsible for ensuring that the information they provide to Betterment about their Clients is accurate and up-to-date.

Advisor can also restrict the securities purchased for Client accounts by electing Betterment's Flexible portfolio strategy or Advisor's Custom Portfolio strategy to choose their own asset classes and adjust allocation weights. Clients and/or their Advisor can influence Betterment's discretionary management of their account by turning on or off several of Betterment automated portfolio management features.

### **WRAP PROGRAM**

Betterment Advisor Solutions offers its investment sub-advisory services for securities portfolios through a wrap fee program that includes custody and trading services provided by its affiliate, Betterment Securities.

### **FEES AND COMPENSATION (ITEM 5)**

Unless you have negotiated a specific fee discount, Betterment charges your Clients an asset-based wrap fee on amounts invested via the Betterment Advisor Solutions platform that is tiered based on the aggregate balance of all of your firm's Client accounts at Betterment (including funds held in Betterment Cash Reserve). That wrap fee currently either (i) ranges from 0.12% to 0.20% of account balances, determined based on the aggregate balance of all Advisor's client accounts at Betterment, or (ii) is a flat fee that varies depending on client's Advisor. The asset-based wrap fee is charged monthly or quarterly, as determined by Advisor's election in the Betterment Advisor Solutions platform, in arrears. The services included for the wrap fee include all of the services provided by Betterment and Betterment Securities through the Betterment Advisor Solutions platform, including advisory services, custody of assets, execution and clearing of transactions, and account reporting. Betterment collects wrap fees directly from Clients pursuant to the terms of the sub-advisory agreement between Betterment and each Client. Clients utilizing the Betterment Advisor Solutions platform may pay a higher aggregate fee than if the advisory, custodial, trade execution, and other services were

purchased separately. Advisors with Clients on this pricing structure typically also pay a fixed monthly fee to Betterment.

If you charge Clients a fee in addition to the Betterment Advisor Solutions platform fee for assets held on the Betterment Advisor Solutions platform, Betterment will collect both its and your fee from each Client and remit your portion of the fee directly to you. Clients should be made aware of this arrangement.

Additional information regarding Betterment's fees and compensation is described in Betterment's [Form ADV Part 2A](#).

## **PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT (ITEM 6)**

Betterment Advisor Solutions does not charge performance-based fees.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS (ITEM 8)**

Betterment Advisor Solutions makes available three categories of securities portfolio strategies: Betterment Constructed Portfolios, Third-Party Portfolios, and Custom Portfolios.

- Betterment Constructed Portfolios are portfolios composed of securities for which Betterment selects the underlying securities and weightings of those securities associated with particular allocations. Betterment Constructed Portfolios are composed of publicly traded ETF securities.
- Third-Party Portfolios are portfolio strategies that are constructed and updated by third-party managers. Betterment does not select the underlying securities in Third-Party Portfolios but periodically reviews the Third-Party Portfolios to ensure that the portfolios remain consistent with the portfolio objectives identified by the third-party manager.
- Custom Portfolios are Advisor-designed custom portfolios that Advisor is able to construct. A Custom Portfolio consists of a set or multiple sets of securities and allocations with underlying return and volatility assumptions that are either (i) provided by the Advisor to Betterment or (ii) defaulted to Betterment's capital markets assumptions if the Advisor does not provide assumptions. For any Advisor and/or Client who elects a Custom Portfolio, Betterment will allocate the Client's assets in accordance with the Custom Portfolio. For Custom Portfolios, the Advisor and not Betterment is responsible for ensuring the Custom Portfolio (1) is suitable for its Clients, and (2) is constructed and managed in a manner consistent with the Client's financial situation and investment objectives. Betterment does not independently review and/or approve Advisor-built Custom Portfolios.

For additional information on the current investment strategies Betterment offers, please refer to Betterment's [Form ADV Part 2A](#).

All investing involves risks. Betterment's [Form ADV Part 2A](#) discusses risks inherent in all investing. Please review this section in detail.

## **CONFLICTS OF INTEREST (ADV ITEM 11)**

As part of your relationship with Betterment and Betterment Securities, Betterment may offer you services intended to help you manage and further develop your business enterprise, such as additional advisory services, access to webinars, and advice about using the Betterment Advisor Solutions platform to grow your business. Betterment may offer different or expanded services in the future. These services could create an incentive for you to recommend that your Clients invest through the Betterment Advisor Solutions platform. This is a potential conflict given that your interest in recommending Betterment could be influenced by your receipt of Betterment's and/or Betterment Securities' services to your business. Additionally, Betterment may offer discounted pricing to your Clients based on the total combined assets of all of your or your firm's Clients on the Betterment Advisor Solutions platform. Other potential conflicts may exist regarding your use of the Betterment Advisor Solutions platform.

### **BETTERMENT BROKERAGE SERVICES (ADV ITEM 12)**

With respect to the Betterment wrap program, Betterment Securities is responsible for execution of securities transactions and maintains custody of customer assets. Betterment Securities exercises no discretion in determining if and when trades are placed; it places trades only at the direction of Betterment. Clients should understand that the appointment of Betterment Securities as the broker for their accounts held at Betterment may result in their receiving less favorable trade executions than may be available through the use of broker-dealers that are not affiliated with Betterment. If Advisor's Clients do not wish to place assets with or execute trades through Betterment Securities, then Betterment cannot manage Advisor's Client accounts on the Betterment Advisor Solutions platform.

**Order Aggregation:** With respect to traditional securities portfolios, Betterment places aggregated orders involving multiple Betterment accounts trading in the same securities. Orders for the purchase or sale of securities are routed by Betterment Securities to Apex Clearing Corporation ("Apex"), the clearing broker used by Betterment Securities, for managed execution. Apex is entitled to receive payments or rebates on orders from Betterment Securities, but Apex does not pass on to Betterment Securities any portion of such payments. Similarly, Apex is entitled to receive 12b-1 fees for distribution from mutual funds that it purchases on behalf of Betterment clients, but Apex does not pass on to Betterment Securities any portion of such 12b-1 fees.

**Research and Soft Dollar Benefits:** Betterment does not provide research or other products and services to third-party Advisors in connection with Client securities transactions.

**Brokerage for Client Referrals:** Betterment does not work with broker-dealers other than its affiliate, Betterment Securities, and Betterment does not receive client referrals from Betterment Securities.

**Directed Brokerage:** With respect to traditional securities portfolios, Clients are required to maintain wrap accounts and execute transactions through Betterment Securities. Betterment does not permit Clients to direct brokerage.

Additional information regarding Betterment Securities can be found on FINRA's BrokerCheck.

## **CLIENT REFERRALS AND OTHER COMPENSATION (ITEM 14)**

When considering what Client referrals and other compensation to disclose, please keep in mind that Advisor may be deemed to give Betterment an indirect benefit in the form of the asset-based fees Betterment receives from Advisor's Clients on the Betterment Advisor Solutions platform. You also receive a non-economic benefit from Betterment in the form of the support products and services Betterment makes available to you.

## **BETTERMENT CUSTODY SERVICES (ITEM 15)**

Betterment Securities maintains custody of Advisor's Clients' traditional securities and cash assets that are managed by Betterment. Account statements are available for review on the activity section of the Advisor Dashboard and for Clients in their Betterment accounts. Clients receive periodic emails from Betterment with information about their accounts as well as links to account statements. You should encourage Clients to carefully and promptly review those statements. Advisor's Clients with IRAs also agree to specific custodial agreements with Inspira Financial, who serves as the custodian for Betterment IRA accounts.

## **INVESTMENT DISCRETION (ITEM 16)**

Clients have discretionary accounts, meaning that Advisor and Betterment can buy and sell investments on Client's behalf when they determine it is appropriate to do so. Betterment uses algorithms to advise Clients and manage their accounts. These algorithms are developed, overseen, and monitored by Betterment's investment advisory personnel. To use Betterment's investment services, you, on behalf of your Clients, inform Betterment of a Client's financial goals and personal information through Betterment's online applications. Betterment provides Advisor and Clients with information about its offered portfolio strategies to inform their decision-making but does not make recommendations to Clients that they invest in any particular strategy. Each portfolio is associated with a target allocation of investment types and/or asset classes but you can modify Betterment's initial target allocation on behalf of your Clients as desired. You can also allow clients to make certain portfolio changes directly in their account. If Advisor places a Client in a Custom Portfolio, Betterment will allocate the Client's accounts in accordance with Advisor's parameters specified in the Custom Portfolio rather than based on Betterment's own investment methodology.

In the absence of a contrary direction, Betterment periodically rebalances Client portfolios so that in the face of fluctuating market prices each Client's portfolio remains within a range of the target allocation. Advisor can customize client's drift and rebalance settings through smart transitions functionality, described above. Betterment also offers optional tax loss harvesting and automated asset location services. Clients will have fewer opportunities to harvest tax losses if an Advisor elects for that Client a Custom Portfolio strategy with fewer asset classes than are included in the Betterment portfolio strategy.

If you allow Clients to place limits on your discretionary authority to manage accounts other than the limits described in Betterment's Form ADV Part 2A, you should consider including any such limits in your ADV.

## **VOTING CLIENT SECURITIES (ADV ITEM 17)**

*This language is merely provided as guidance and should not be construed as (and does not constitute) legal advice. Your own qualified legal counsel and compliance personnel should review and customize any disclosure language to determine if it is appropriate for your particular circumstances*

For assets managed on the Betterment Advisor Solutions platform, Clients delegate to Betterment the authority to receive and vote all proxies and related materials for any security held in Betterment accounts. Betterment maintains policies and procedures reasonably designed to mitigate conflicts of interest and reasonably ensure that proxy matters are conducted in the best interest of Clients. Betterment will only vote on proxies and respond to corporate actions associated with securities that Betterment currently selects for Betterment Constructed Portfolios (as defined above) and will abstain from voting on other securities, including but not limited to those securities only present in third-party portfolios, Advisor custom portfolios, or securities transferred to Betterment via ACATS, in each case that are not already supported in a Betterment Constructed Portfolio. If a security is present in Betterment Constructed Portfolios and outside of Betterment Constructed Portfolios, Betterment will vote on proxies associated with that security in all portfolios in which it is held. Betterment will abstain from voting on such proxies if it determines that abstaining is in the best interest of its clients.

Additional information about proxy matters is contained in Betterment's [Form ADV Part 2A](#).