

# Investor Agreement and Disclosure Handbook

This document is intended to provide you, the investor, with important information regarding your agreement to terms and policies established between you and The Lincoln Investment Companies, as well as those disclosures required to be delivered by our regulatory authorities. Please read this information carefully as it pertains to your current and/or future investments. Retain this document for your records.

If you have any questions regarding the information found within this document, please contact your financial professional.

**Information contained in this guide supersedes prior disclosures or Handbooks you may have received.**



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## INTRODUCTION

The following outlines various terms and conditions of opening and maintaining an account or engaging investment advisory services, provides disclosures and offers a general education that is designed to help you, the investor, understand the products and services available to you through Lincoln Investment Planning, LLC, (“Lincoln Investment”) a registered broker-dealer and investment adviser and Capital Analysts, LLC, (“Capital Analysts”) a registered investment adviser. Lincoln Investment and Capital Analysts are affiliates of Lincoln Investment Capital Holdings, LLC and are hereinafter referred to jointly as “The Lincoln Investment Companies,” “we,” “us,” “our,” or “the Firm.” All references to “you” include individual investors, joint investors and/or any non-natural person investors.

This Handbook, together with the Firms’ Form CRS, Platform Fees and Disclosures, your Financial Professional’s (“FP”) BIO Brochure, and as applicable, account opening applications/agreements, product specific disclosures and prospectuses, represent Regulation Best Interest disclosure documents. These Regulation Best Interest disclosures describe material facts relating to the scope and terms of our relationship with you; the capacity in which we are acting; material fees and costs that apply to transactions, holdings, and accounts; the type and scope of services we offer including any material limitations on the securities or investment strategies that may be recommended; and material facts related to conflicts of interest. Additional information about advisory services is in the Investment Advisory Disclosure Brochure (Form ADV Part 2A and Wrap Fee Program Brochure) for the applicable investment adviser, Lincoln Investment or Capital Analysts.

## TERMS AND CONDITIONS

### I. THE LINCOLN INVESTMENT COMPANIES PRE-DISPUTE ARBITRATION AGREEMENT

You hereby agree that any and all controversies that arise between you and one or more of The Lincoln Investment Companies and/or between you and your Financial Professional (“FP”) (other than putative class actions) shall be determined and settled by using the arbitration forum provided by the Financial Industry Regulatory Authority (“FINRA”) or the American Arbitration Association (for disputes not eligible for FINRA arbitration) in accordance with their rules then in effect. By entering into any agreement or opening an account with one or more of The Lincoln Investment Companies, you have agreed to the following:

- (A) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
- (B) Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.
- (C) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- (D) The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- (E) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- (F) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- (G) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action, or who is a member of a putative class action who has not opted out of the class with respect to any claims encompassed by the putative class action until: (1) the class certification is denied; or (2) the class is decertified; or (3) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.

### PERSHING LLC PRE-DISPUTE ARBITRATION AGREEMENT

The Lincoln Investment Companies introduce brokerage accounts to Pershing LLC (“Pershing”). If you choose to open an account with Pershing, you will also be subject to the following Pre-Dispute Arbitration Agreement as well as Pershing’s other terms and conditions as stated later in this Handbook.

You hereby agree that any and all controversies that arise between you and Pershing, and/or between you and your FP, shall be submitted to arbitration before and only before FINRA. By entering into any agreement or opening an account with Pershing LLC through one or more of The Lincoln Investment Companies, you agree to the following:

- (A) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by

jury, except as provided by the rules of the arbitration forum in which a claim is filed.

- (B) Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
- (C) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- (D) The arbitrators do not have to explain the reason(s) for their award, unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
- (E) The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- (F) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- (G) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (1) the class certification is denied; (2) the class is decertified, or (3) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein. The laws of the state of New York govern.

## **II. CUSTOMERS OF FINANCIAL INSTITUTIONS**

As a customer of a financial institution (e.g., bank, credit union), the following important notices are applicable, as well as The Lincoln Investment Companies' other terms and conditions stated in this Handbook:

- (A) Investment products are not insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), the American Share Insurance (ASI), or any other government agency.
- (B) Investment products are not deposits or other obligations of the financial institution, are not guaranteed by the financial institution and or any affiliated entity.
- (C) Investment products are subject to investment risks, including possible loss of principal investment.

Investments are made through Lincoln Investment, and are not offerings of the financial institution. The Securities Investor Protection Corporation (SIPC) insurance is not the same as FDIC insurance. For more information about SIPC, please refer to Section IV in the Disclosure portion of this Handbook.

## **III. OUR RELATIONSHIPS WITH CLIENTS**

Depending on your individual goals and investment objectives, our Financial Professionals may assist you with brokerage services, investment advisory services, or both. The Lincoln Investment Companies offers investors different types of financial products and services, including brokerage, investment advisory, and insurance products and services. When you receive multiple services from The Lincoln Investment Companies, each service will be governed by the specific agreement, laws, and regulations applicable to that type of service or product. The nature of the relationship that we have with you depends on the affiliate with whom you do business and the products and services you select with us.

**It is important for you to understand that depending upon whether you select brokerage services or investment advisory services, the standard of conduct and the level of service offered by the Firm and our FPs will differ. Please refer to the Customer Relationship Summary (Form CRS) for Lincoln Investment and Capital Analysts for more information about our firms and the capacity in which we and the FP are acting when we provide services to you.**

### **Brokerage Services**

Brokerage products and services are offered solely through Lincoln Investment, a broker-dealer that is registered with the Securities and Exchange Commission ("SEC") and that is a member of the Financial Industry Regulatory Authority ("FINRA"). When we act as a broker/agent for you, our primary role is to act in your best interest and to place your interests above our own at the time of an investment-related recommendation. At the time of making a recommendation of any securities transaction, investment strategy involving securities, or account recommendation to you, we shall act in your best interest and will disclose to you all material facts relating to the scope and terms of our relationship with you, including when we are acting as broker/agent; the material fees and costs that apply to your transactions, holdings, and accounts; the type and scope of services provided to you, including any material limitations on the securities or investment strategies involving securities that may be recommended to you; and all material facts relating to conflicts of interest that are asso-

ciated with the recommendations made to you. These disclosures are provided to you in various documents, including this Handbook, our Firms' Form CRS, your FP's BIO Brochure, and as applicable, account opening applications/agreements, product specific disclosures and prospectuses, and specific platform disclosure documents. Our responsibility is to accept orders and execute transactions within your brokerage account based on your decisions and instructions. We accept no discretionary trading authority over a brokerage account. When you make a decision to purchase securities through us, we and our agent share in a commission or sales charge. If purchasing mutual funds or annuities, there could also be an ongoing trail of compensation based on the purchase or size of the investment. We make no commitment to ongoing monitoring of your brokerage account(s), but, your dedicated FP is available to discuss with you your investments, and any material impact a change in market conditions, your financial situation or your financial objectives could have on your financial goals.

### **Investment Advisory Services**

Investment advisory services are offered through Lincoln Investment and its affiliate, Capital Analysts, each of which is a registered investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the "Advisers Act"). When we act as a registered investment adviser, our primary role is to act in your best interest throughout the life of the investment advisory agreement and to place your interests above our own. This is a material difference from opening a brokerage account, where the best interest standard applies only at the time of a recommendation and not throughout the relationship. When you open an investment advisory account with Lincoln Investment or Capital Analysts, we and our FP assume a fiduciary relationship with you over your advisory accounts. This fiduciary duty comprises a duty to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on your investment objectives, risk tolerance, financial circumstances, and needs, without regard to our or your FP's financial or other interests. Our fiduciary duty involves our commitment to making recommendations that are suitable for you and eliminating or disclosing those material conflicts of interests that impact our recommendations so that you can make an informed decision. These disclosures are provided to you in various documents, including this Handbook, our Firms' Form CRS, your FP's BIO Brochure (Form ADV Part 2B), account opening applications/agreements, product specific disclosures and prospectuses, and specific platform disclosure documents, as well as the Investment Advisory Disclosure Brochure (Form ADV Part 2A and Wrap Fee Program Brochure) for the applicable investment adviser, Lincoln Investment or Capital Analysts. When you choose to open an investment advisory account, you will enter into an investment management agreement or financial planning agreement and contract to pay an on-going asset-based or flat fee. The FP assesses an Advisor Fee that can vary based on advisory services offered. Your FP will share in all or a portion of the Advisor Fee based on their payout schedule with the registered investment adviser. The level of monitoring in your advisory account will depend on the type of account and the advisory program you select. You may choose to authorize the Firm or certain FP's trading authority in your advisory account(s). Where you have granted full or limited discretionary trading authority over your advisory account to us or your FP, the Firm or your FP will provide ongoing monitoring and will make changes in your account as deemed necessary. For all other advisory accounts, you agree that you and your FP will review your advisory account's objectives, investments and performance relative to your objectives and financial situation at least annually to allow your FP the opportunity to recommend changes.

### **Information Regarding CFP® Certificants**

If your FP is a CFP® certificant, they acknowledge their responsibility to adhere to the standards established in the CFP Board's Standards of Professional Conduct ("Standards"), including the duty of care of a fiduciary, as defined by the CFP Board. If you become aware that their conduct may violate the Standards, you may file a complaint with the CFP Board at [www.CFP.net/complaint](http://www.CFP.net/complaint). The Certified Financial Planner Board of Standards, Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and federally registered CFP (with flame design) in the U.S., which it awards to individuals who successfully complete the CFP Board's initial and ongoing certification requirements.

Any questions with regard to this matter may be directed to your FP or the Compliance Department at 800-242-1421, extension 4300.

### **Investment Advice Provided to Certain Retirement and Tax-Advantaged Accounts**

When we and/or your FP provides investment advice to you regarding your Covered Retirement Plans, Lincoln Investment and/or Capital Analysts, as applicable, and your FP, are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us and your FP to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we and your FP must: meet a professional standard of care when making investment recommendations (give prudent advice); not place our financial interests ahead of yours when making recommendations (give loyal advice); avoid misleading statements about conflicts of interest, fees, and investments; follow policies and procedures reasonably designed to ensure that we give advice that is in your best interest; charge no more than is reasonable for our services; and give you basic information about conflicts of interest. Covered Retirement Plans include the following account types: Individual Retirement Account (IRA); Individual Retirement Annuity; Roth IRA, Beneficiary

IRA, Beneficiary Roth IRA; SEP-IRA, SARSEP, SIMPLE IRA; One-Participant 401(k); Health Savings Account; Archer Medical Savings Account; Coverdell Education Savings Account; Accounts held by ERISA Title I Plan participants/beneficiaries with authority to direct the distribution of assets from their account. When we provide investment advice to your Covered Plan as described in this section, we will disclose to you the types of services to be provided and material facts relating to conflicts of interest that are associated with the recommendations made to you. These disclosures are provided to you in various documents, including this Handbook, our Firms' Form CRS, your FP's BIO Brochure (Form ADV Part 2B), and as applicable, account opening applications/agreements, product specific disclosures and prospectuses, and specific platform disclosure documents, and for investment advisory accounts, the Investment Advisory Disclosure Brochure (Form ADV Part 2A and Wrap Fee Program Brochure) for the applicable investment adviser, Lincoln Investment or Capital Analysts. When we provide investment advice, we are subject to various legal requirements that are overseen by different regulators. We are required to acknowledge fiduciary status under ERISA and/or the IRC, as applicable, when we provide investment advice, as defined under ERISA and/or the IRC, as applicable, to your Covered Retirement Plan. This acknowledgment is not intended to create or modify any agreement, relationship, or obligation we may have to you under other federal and state laws governing the provision of advice to investors or with respect to accounts other than your Covered Retirement Plans.

#### **IV. CONSENT TO ELECTRONIC DELIVERY**

The Lincoln Investment Companies provide digital solutions to help you manage your accounts and to securely access important documentation anytime.

##### **e-Delivery:**

- Simplifies and helps organize your financial life
- Provides you with quick, easy access to your account information
- Eliminates the need for storing (or losing) documents in paper form
- Eliminates the often large paper packet of investment prospectuses and other disclosures
- Saves valuable resources and time

For those who consent to electronic delivery when entering into any agreement or opening an account with one or more of The Lincoln Investment Companies, you are consenting to receiving communications in electronic format from The Lincoln Investment Companies and your FP. Written communications eligible for electronic delivery include all regulatory documents other than account statements, trade confirmations and tax forms. The regulatory documents will be delivered electronically via email or text either as an attachment or link back to our public websites. All documents will be displayed in a Portable Document Format (PDF). The email notification(s) will be sent to the email address designated by you. This requires you to (1) have a valid email address, (2) have internet access, and (3) have PDF Reader software, such as Adobe Acrobat Reader, which can be downloaded for free at [www.get.adobe.com/reader](http://www.get.adobe.com/reader). You may download and save any documents delivered to you, or print them. You may request a mailed copy of your eDelivery Documents by calling your FP. You may only designate one email address to receive the electronic notices. All owners of an account authorize the delivery of electronic notices to the email address designated on the account. This consent will continue until one of the following occurs: (1) You revoke this consent, or (2) Lincoln Investment's email notices to you are returned as undeliverable and a new email address is not provided promptly. At the time of revocation of this Consent, you will start to receive all future documents in paper. To request paper copies, revoke this consent, or get technical assistance, contact us during normal business hours (8:30 a.m. - 5:00 p.m. ET) at 888-508-4780, send an email to: [econsent@lincolninvestment.com](mailto:econsent@lincolninvestment.com), or send a letter to: Lincoln Investment, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034, Attn: Electronic Delivery.

Electronic delivery of your account transaction confirmations, account statements and tax forms will not begin until you register on your custodian's investor website. For Solutions accounts, register on Lincoln Investment's Investor website at [www.lincolninvestment.com](http://www.lincolninvestment.com). Go to your Profile, select View/Change eDelivery options and Select All eDelivery for your account documents. For Pershing accounts, register on the NetXInvestor website at [www.mydocumentsuite.com](http://www.mydocumentsuite.com) or sign a Pershing E-delivery Request Form available from your FP.

#### **V. ERROR NOTIFICATION & CORRECTION POLICY**

We make every effort to ensure the integrity of the personal and financial information we maintain on your behalf. You, your FP and The Lincoln Investment Companies share this responsibility equally. While we agree to maintain a consistent and accurate level of quality in the processing of your transactions, you have a separate responsibility to ensure that all instructions have been carried out properly. Should you discover an error, omission, exception or you fail to receive a confirmation following an anticipated or requested transaction, you must notify us or your FP immediately and re-confirm any oral communication in writing to further protect your rights, including your rights under the Securities Investor Protection Act. We will assume that your confirmations and statements are correct, unless you notify us within ninety (90) calendar days of the transaction date\*. Neither The Lincoln Investment Companies nor your FP will assume financial liability if an error is not reported to us within 90 calendar days of the transaction date\*. After 90 calendar days\*, we will correct the error, but neither The Lincoln Investment Companies nor your FP can accept responsibility for market fluctuations or other

related expenses incurred due to the error.

You agree that The Lincoln Investment Companies, their affiliates and their officers, directors, employees and successors shall be fully released and discharged from all claims, liabilities, losses, costs and expenses (including attorneys' fees) that they may incur as a result of carrying out your instructions, or acting with respect to your account in accordance with the rules or customs of any exchange, investment company or insurance company where your transactions are executed, or in accordance with applicable law or regulation.

\*For Pershing accounts, errors must be reported within 10 days after receipt of a Pershing statement. If another product provider has a shorter timeframe than 90 calendar days, that time period prevails as well.

## **VI. ANTI-MONEY LAUNDERING**

To help the government fight the funding of terrorism and money laundering, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. Beneficial Owner(s) and Control Person(s) for legal entities opening an account must also be verified to the same standard as the account opener(s). We will verify personal financial information, such as name, social security number, address, date of birth and other identifying information with an independent consumer reporting agency. We also perform due diligence on legal entities that open an account.

Anti-Money Laundering (AML) regulations also require us to conduct special due diligence for correspondent accounts and private banking accounts. Currently, we do not open these types of accounts. Furthermore, we are prohibited by law from opening a correspondent account for a foreign shell bank.

During the verification process, we reserve the right to refuse or restrict transactions and request further information or documentary evidence.

## **VII. FUND CLOSINGS/FUND REPLACEMENTS**

If you are making ongoing periodic contributions to your account and a specific fund or share class is no longer available or Lincoln Investment elects to no longer offer a particular share class, we will notify you and automatically map your current contributions and/or positions to a suitable share class or money market fund. In the case where a particular share class is no longer offered, we will default to an appropriate alternate share class of the current fund in which you are investing. In the case where a particular fund is closed, we will request that you provide new investment instructions, or we will default to an appropriate money market fund. We encourage you to discuss your investments with your FP to help ensure that the fund replacement is appropriate for you.

## **VIII. ADMINISTRATIVE FEES FOR SALARY DEFERRAL**

Authorization to deduct Third Party Administration (TPA) fees:

Lincoln Investment, on behalf of UMB Bank, n.a., or its successors, will deduct TPA fees from your account when such fees were negotiated between your employer and the TPA (the amount of the fee is available through the employer/TPA). As such, these fees are deemed reasonable in light of the services provided by the TPA. This authorization is in effect for the duration of time that this account is held through Lincoln Investment. Any fees deducted will appear in the Transaction Detail Section of your account statements.

## **IX. OTHER FEES AND EXPENSES**

You agree to pay any and all fees specified on the fee schedule received from your FP. The Lincoln Investment Companies may change the fee schedule from time-to-time. Further, The Lincoln Investment Companies will charge additional fees associated with the ongoing administration of your account(s), when applicable, including, but not limited to, custodial fees, distribution fees, transfers fees, or termination fees. These fees, if any, are specified in the Platform Fees and Disclosures for Solutions, Pershing LLC, or the applicable third party provider's/custodian's published fee schedule, which may be changed at any time by providing you 30 days prior written notice. You agree to pay any expenses incurred by The Lincoln Investment Companies in the performance of its duties in connection with your account(s). Such expenses include, but are not limited to, administrative expenses, such as legal and accounting fees, charges for related vendor services, such as return ACH or stopped check, and any taxes of any kind whatsoever that may be levied or assessed with respect to your account. All such fees, taxes, and other administrative expenses charged to your account shall be collected from the assets in your account or from any contributions to or distributions from your account, if not paid by you, but you shall be responsible for any deficiency.

## **X. COMPLAINTS**

Almost all investor concerns are resolved quickly when your concerns are addressed directly with your FP or other firm personnel. However, experience indicates that some misunderstandings can and will occur. Your first communication should be directed to your FP. In the event that you do not receive satisfaction at that level, you should then contact the FP's Branch Manager. If you are still dissatisfied, please contact our Compliance Department at 601 Office Center Drive, Suite 300, Fort Washington, PA 19034, 800-242-1421, extension 4300.

## XI. ACCOUNT RESTRICTIONS

We reserve the right to restrict your account from withdrawals and/or trades if there is a reasonable suspicion of fraud, diminished capacity, or inappropriate activity. We also reserve the right to restrict your account from withdrawals and/or trades if we are put on reasonable notice that the ownership of some or all of the assets in your account is in dispute.

## XII. PERSHING

For those investors who open an account custodied at Pershing LLC, in addition to Pershing's Pre-Dispute Arbitration Clause found in Section I of this Handbook, the following additional terms and conditions apply.

**Provisions in the Event of Failure to Pay or Deliver.** Whenever the investor does not, on or before the settlement date, pay in full for any security purchased for his/her account, or deliver any security sold for such account, Pershing is authorized (subject to the provisions of any applicable statute, rule, or regulation): (A) until payment or delivery is made in full, to pledge, re-pledge, hypothecate, or re-hypothecate, without notice, any or all securities which Pershing may hold for the Investor (either individually or jointly with others), separately or in common with other securities or commodities or any other property, for the sum then due or for a greater or lesser sum and without retaining in your possession and control for delivery a like amount of similar securities; (B) to sell any or all securities which Pershing may hold for the investor (either individually or jointly with others), to buy in any or all securities required to make delivery for the investor, or to cancel any or all outstanding orders or commitments for the investor's account.

**Cancellation Provisions.** Pershing is authorized, at its discretion, should the investor die or should the investor for any reason whatsoever deem it necessary for Pershing's protection, without notice, to cancel any outstanding orders in order to close out the investor's accounts, in whole or in part, or to close out any of the commitments made on the investor's behalf.

**General Provisions.** Any sale, purchase, or cancellation authorized hereby may be made according to Pershing's judgment and at Pershing's discretion on the exchange or other market where such business is then usually transacted, at public auction, or at private sale without advertising the same and without any notice, prior to tender, demand, or call. Pershing may purchase the whole or any part of such securities free from any right of redemption, and the investor shall remain liable for any deficiency. It is further understood that any notice, prior to tender, demand, or call, from Pershing shall not be considered a waiver of any provision of this agreement. Investor shall include any person executing the Account Agreement.

### Sweep Program General Terms and Conditions

- **How the Sweep Program Works:** Our sweep program offers you the ability to add instructions to an account custodied with Pershing LLC ("Account") to invest available cash. Once activated, the sweep functionality will automatically invest any available cash in your Account into either a money market mutual fund or FDIC-insured bank deposit sweep product (collectively "Sweep Options"). The sweep functionality automatically invests any available cash in your Account on a daily basis into the Sweep Option, potentially earning a rate of return. When cash is needed in your Account for trading or for cash management activities, the necessary cash is automatically redeemed from the Sweep Option. Sweep Options vary as to the amount and types of protection offered as well as rates paid, so choose a sweep option that is best for you. If you do not select a Sweep Option, we will use the default Sweep Option chosen by the Firm as listed on the application. You may also opt out of all Sweep Options on the application or by contacting your FP.
- **Available Cash Sweep Account Options:** The Lincoln Investment Companies' cash sweep program ("Sweep Program") offers both money market mutual funds and FDIC-insured bank deposit sweep products as Sweep Options. The Sweep Options available to you are subject to change and you should contact your FP for additional information on the products currently available to you.
- **Eligibility:** Some Sweep Options restrict eligibility by account registration or minimum balances.
- **Differing Risks and Account Protections:** Money Market Mutual Funds mostly invest in short-term securities and seek to maintain a stable value but may be subject to market risks and potential loss in value. Although the funds seek to preserve the value of your investments at \$1.00 per share, it is possible to lose money. They are not bank accounts and are not subject to Federal Deposit Insurance Corporation (FDIC) protection. They are instead covered by the Securities Investor Protection Corporation (SIPC), which protects against custodial risk (not a decline in market value) should a brokerage firm fail. The limit of SIPC protection is \$500,000 per account, which includes a \$250,000 limit for cash. FDIC-insured bank deposit sweep products are not subject to market risk and value loss but are subject to the risk of bank failure. Balances in FDIC-insured bank deposit sweep products are obligations of each program bank in which deposits are held. Balances in FDIC-insured bank deposit sweep products are insured by the FDIC up to \$250,000 per depositor, per insured bank, for each account ownership category. They are not securities and are not subject to SIPC protection. The FDIC-insured bank deposit sweep products available in our Sweep Program are intended to provide FDIC insurance coverage on product balances up to \$2,500,000 (or \$5,000,000 for joint account registrations). To avoid uninsured balances in your Account, you may identify a secondary Sweep Option where available cash will be automatically swept if the balance in your FDIC-insured bank deposit sweep product exceeds \$2,500,000.

- **Rate of Return:** The rates of return for the different products vary over time and at times may be zero. Current rates can be obtained by contacting your FP. There is no guarantee that the yield on any particular Sweep Option will remain higher than others over any given period. The rate of return on any Sweep Option in our Sweep Program may be lower than that of similar investments offered outside of our Sweep Program. The rate of return on any Sweep Option in our Sweep Program may be lower than that of similar investments offered outside of our Sweep Program. Sweep Options should not be viewed as long-term investment options. If you desire to maintain Sweep Option balance for other than a short-term period and/or are seeking the highest yields currently available in the market, please contact your FP.
- **Duty to Monitor:** You must monitor and determine the best Sweep Option for your cash. For purposes of FDIC insurance of deposits held in an FDIC-insured bank deposit sweep product, you are responsible for monitoring the total amount of deposits that you hold with any participating bank both within the Sweep Options we support, as well as any balance you hold at that same participating bank, either directly or through an intermediary, in order for you to determine the extent of FDIC insurance coverage available to you on your deposits.
- **Changes and Amendments to the Cash Sweep Program:** We may change the terms of our cash Sweep Program, including the products and investment options available or eligibility rules, upon 30 days' advance written notice.

*This material is intended to provide the general terms and conditions of The Lincoln Investment Companies' Sweep Program. Where any terms or descriptions used herein conflict with terms or descriptions of your selected Sweep Option, the terms of the Sweep Option shall govern.*

**Successors and Assigns.** This Account Agreement and its provisions shall be continuous, and shall inure to the benefit of Pershing and any successor organization or assigns, and shall be binding upon the investor, and/or the estate, executors, administrators, and assigns of the investor.

**Age.** The investor, if an individual, represents that they are of full age.

**Interest in Account.** No one except the investor has an interest in the account with Pershing, unless such interest is revealed in the title of such account, and in any case, the investor has the interest indicated in such title.

**Orders and Statements.** Reports of the execution of orders and statements of the investor's account shall be conclusive if not objected to in writing, the former within two days and the latter within ten days, after forwarding by Pershing to the investor by mail or otherwise.

**Extraordinary Events.** Pershing shall not be liable for loss or delay caused directly or indirectly by war, natural disasters, government restrictions, exchange, or market rulings, or other conditions beyond Pershing's control.

**Fees and Charges.** The investor agrees to the fees and charges on the fee schedule received from your FP. The Lincoln Investment Companies and/or Pershing may change the fee schedule from time to time.

**Joint Accounts.** If this is a joint account, unless you notify The Lincoln Investment Companies otherwise and provide such documentation as required, the brokerage account(s) shall be held by Pershing jointly with rights of survivorship (payable to either or the survivor of the investor). Each joint tenant irrevocably appoints the other as attorney-in-fact to take all action on his or her behalf and to represent him or her in all respects in connection with the Account Agreement. The Lincoln Investment Companies and Pershing shall be fully protected in acting, but shall not be required to act upon the instructions of any joint owner. Each joint owner shall be liable, jointly and individually, for any amounts due to The Lincoln Investment Companies or Pershing pursuant to the Account Agreement, whether incurred by any one or all of the joint owners.

**Address.** Communications may be sent to the investor's current address which is on file at Pershing, or at such other address the investor may hereafter give to Pershing in writing. All communications so sent by The Lincoln Investment Companies or Pershing, whether by mail, telegraph, messenger, or otherwise, shall be deemed given to the investor personally, whether actually received or not.

**Recording Conversations.** The investor understands and agrees that for our mutual protection The Lincoln Investment Companies and/or Pershing may electronically record any telephone conversations.

**Amendment and Modification of Agreement.** The investor agrees that Pershing or their successors or assigns may unilaterally, at any time, change or modify the terms and conditions of the investor's New Account Agreement by sending the investor notice of the change as required by law or regulation.

**Debit Balances.** You agree that you shall at all times be liable for the payment upon demand of any debit balance or other obligations owing in any of your accounts and you shall be liable to The Lincoln Investment Companies for any deficiency remaining in any such accounts in the event of the liquidations thereof, in whole or in part, by The Lincoln Investment Companies or you; and you shall make payment of such obligations and indebtedness upon demand. You agree that if, after demand, you fail to pay the indebtedness, The Lincoln Investment Companies may liquidate the assets in your account in an amount sufficient to pay your indebtedness. The Lincoln Investment Companies retain the right to close your account(s) and liquidate the assets at their discretion, including determining which securities and assets are to be sold and which contracts are to be closed. The reasonable costs of collection of the debit balance and any unpaid deficiency in your

accounts, including attorney's fees incurred by The Lincoln Investment Companies, shall be reimbursed by you to The Lincoln Investment Companies.

### **XIII. LIMITATION OF LIABILITY; WAIVERS**

To the extent permitted by applicable state or federal law, neither The Lincoln Investment Companies nor any FP shall have any liability for any losses, costs, expenses, fees, taxes, or penalties whatsoever arising by reason of: (1) The FP's or our reliance on any information you provide to us concerning your investment objectives, risk tolerance or financial circumstances; or (2) Any breach of contract or violation of law caused by you or any other third party fiduciary with respect to an account with us. The federal and state securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing in this Agreement will waive or limit any rights that Client may have under those laws or, if applicable, ERISA.

**Waiver of Punitive Damages.** You knowingly agree to waive your rights to obtain punitive damages as a result of any dispute with The Lincoln Investment Companies or our FPs, to the extent that such waiver is permitted under applicable state or federal law.

## **DISCLOSURES**

### **I. PRIVACY POLICY**

The Privacy Policy of The Lincoln Investment Companies is as follows:

**What We Collect.** We are committed to safeguarding customer personal and financial information in the strictest confidence. In order to provide you with individualized service, we and your Financial Professional ("FP") collect certain public and nonpublic personal information about you that you provide on applications or other forms, whether in writing, in person, by telephone, electronically or by any other means, as well as information about your account. This may include, but is not limited to, your name, postal address, email address, phone number, date of birth, age, Social Security number, citizenship, income, net worth, tax bracket, employment, marital status, securities and bank account numbers, assets, purchases, sales, account balances, investment experience, investment objectives, time horizon, liquidity needs and risk tolerance.

**How Your Personal Information Will Be Handled.** We collect this data and share some or all of it with contracted third parties to continually offer you the products and services you need to help meet your investment objectives and/or to effect, administer or enforce transactions you authorize. We do not sell your information to anyone. You have been introduced to us through your FP, who, in most cases, is an independent contractor. We assist your FP in implementing recommendations you have agreed upon. We store some or all of the public and nonpublic personal information you provide to your FP. The FP may also have duplicate information and/or additional public and nonpublic personal information that is not provided to us and he/she may store this information in paper and/or electronically on proprietary or third party software/sites. This may include, but is not limited to, financial planning and/or portfolio analysis software, and customer relationship management systems, etc. Your FP and any of our other associated persons are required to follow our Field Identity Theft Prevention Program policies and procedures in order to safeguard your information which is in their possession while they are associated with us.

To better serve you, we may disclose your information to:

- Our independent contractor FPs, their affiliated businesses, clearing firms, insurance companies, mutual fund companies, third-party administrators, other broker-dealers, investment advisers and other such entities that provide services to you on our behalf.
- Affiliates that have been organized to assist in the conduct of our business, and as otherwise permitted by law.
- Companies that perform administrative or marketing services on our behalf, such as transfer agents or printers. These companies will use this data only for the services for which we hired them and are not permitted to share or use this information for any other purpose.
- Your employer with respect to employer-retirement plan assets only, as applicable.
- Your FP upon leaving The Lincoln Investment Companies, as described below:

We recognize that you have opened an account with us based on the recommendation of your FP. If your FP leaves us, we allow your FP to take with him/her your personal financial information that is in their possession. In doing so, your FP may share your personal financial information with another broker-dealer or investment adviser ("New Firm") and/or maintain your information in paper and/or electronically on proprietary or third party software and/or sites. We have no oversight over your FP's protection of your information once they have left us. You may request that your FP return to you or destroy your information in their possession upon leaving us.

**Opting out.** If you do not want your FP to maintain your personal financial information should he/she leave us and/or allow him/her to share it with anyone else after he/she leaves us, you have the right to opt out. If you have a joint account, we

will treat an opt-out direction by a joint customer as applying to all associated joint owners. If you wish to opt out now or any time in the future, please contact us at 800-242-1421, extension 4770, or by mail at Lincoln Investment, Attn: Privacy Compliance, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034.

**Opting in.** Should your FP leave us, and if your primary address is in a state that requires your affirmative consent (e.g. Alaska, California, Illinois, Maine, Massachusetts, Missouri, New Hampshire, North Dakota, Vermont), then you must give your prior written consent to us and your FP to allow your FP to maintain your information in his/her possession, and/or to allow him/her to share it with anyone else after he/she leaves us. You may withdraw your consent at any time by contacting us at 800-242-1421, extension 4770, or by mail at Lincoln Investment, Attn: Privacy Compliance, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034.

**Customers of Financial Institutions:** If you are a customer of a bank, credit union, or other financial institution program with which we have a joint marketing agreement (such as under a bank or credit union investment services program) and your FP with whom you work pursuant to that program terminates his/her relationship with us and/or the financial institution decides to enter into a relationship with a new financial services provider, we and/or your FP will share your information with the New Firm so that your account can continue to be serviced, unless your bank, credit union or other financial institution does not approve of such transfer.

Personal financial information about you will be maintained by us during the time you are our customer and for any additional time thereafter as required by federal and state laws. We reserve the right to disclose your nonpublic personal financial information to other third parties not exempt by law and not described above provided we give you 30 days prior written notice, giving you the ability to “opt out/opt in” at that time.

**How We Safeguard Your Information:** With regard to our internal security procedures, we restrict access to your personal and account information to those employees and FAs who need to know. We maintain physical, electronic and procedural safeguards designed to protect your nonpublic personal information – including training and confidentiality agreements with companies that help provide our services to you.

**How We Protect You Online:** Our concern for the privacy of our investors also extends to those who utilize our websites. We will not sell, share or rent this information to others in ways not disclosed in this statement.

**What You Can Do:** For your protection, we recommend that you do not provide your personally identifiable information or website credentials to anyone. Do not send, via unsecure email, any documents/text containing personally identifiable information. If you believe the confidentiality of your personal and/or account information has been compromised or you become aware of any suspicious activity relating to your account, please contact Lincoln Investment’s Compliance Department immediately at 800-242-1421, extension 4300. If you have questions about our policy or require additional copies of this notice, please call your FA. You can also print a text-only version of this privacy notice from our website at [www.lincolninvestment.com](http://www.lincolninvestment.com).

#### **Important Information for California Residents:**

As a resident of the State of California, you have certain rights promulgated under the California Consumer Privacy Act of 2018 (“CCPA”), as amended. The information contained in this section supplements the information contained elsewhere within our privacy policy. Please note that certain exemptions apply to your rights and our obligations pursuant to the CCPA. These rights and requirements may not apply in certain situations depending on your relationship with us, our other legal obligations, and as otherwise provided for in the CCPA.

**Access to Specific Information Rights:** You have the right, subject to certain exceptions defined in the CCPA and other applicable laws and regulations, to request that we disclose certain information to you about our collection, use and disclosure of your personal information over the past 12 months. When we receive your request, we will first verify your identity as our consumer, and once verified, we will disclose to you the categories of personal information and/or specific pieces of information we have collected and disclosed for a business purpose to contracted third parties.

**Deletion Request Rights:** You have the right, subject to certain exceptions defined in the CCPA and other applicable laws and regulations, to request that we delete any of your personal information that we collected from you and retained. When we receive your request, we will first verify your identity as our consumer, and once verified, we will confirm the deletion of your information or describe the basis for our denial of your request under the exceptions provided for in the CCPA and/or other applicable laws and regulations.

**Exercising Access and Deletion Rights:** To make a request relating to the rights described above, please submit a request by either calling us toll-free at 888-508-4780, or by mail at Lincoln Investment Planning, LLC, Attn: Privacy Compliance, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034. Prior to acting on your request, Lincoln Investment will verify, to a reasonably high degree of certainty, that you are the person about whom we collected personal information. This may include requesting that you provide us with at least two or more pieces of personal information to match against personal information about you that we may or may not maintain and which we have determined to be reliable for the purpose of verification. You must also describe your request with sufficient detail that allows us to properly understand, evaluate and respond to it. We cannot respond to your request or provide you with personal information if we cannot verify

your identity or authority to make the request and confirm the personal information relates to you. Making a verifiable consumer request does not require you to create an account with us. We will only use personal information provided in a verifiable consumer request to verify the requestor's identity or authority to make the request. If you have an authorized agent, that person also may submit requests relating to your CCPA rights. We will need to obtain sufficient written proof that you have designated them as your agent and may also require you to provide sufficient information to allow us to reasonably verify that you are the person about whom we collected personal information. You may only make a verifiable consumer request for access twice within a 12-month period.

**Non-Discrimination:** You have the right not to receive discriminatory treatment for exercising any of your CCPA rights.

#### **Important Information for Vermont Residents:**

For accounts with a Vermont mailing address, we will not share your creditworthiness information with our affiliates except as required or permitted by law. For joint marketing with other financial companies, we will disclose only your name, contact information, and information about your transactions, unless otherwise required or permitted by law.

**Questions:** If you have any questions or concerns about this privacy notice, contact us at: Phone: 800-242-1421, extension 4770 or Mail: Lincoln Investment Planning, LLC, Attn: Privacy Compliance, 601 Office Center Drive, Suite 300, Fort Washington, PA 19034. An electronic version of this notice can be found at [www.lincolninvestment.com/PrivacyPolicy](http://www.lincolninvestment.com/PrivacyPolicy).

## **II. BUSINESS CONTINUITY PLANNING**

The Lincoln Investment Companies have established emergency preparedness plans and procedures that address the possibility of a significant business disruption that could result from power outages, natural disasters and other events. This business continuity plan is reviewed, updated and tested on a regular basis and provides for continuation of investor services in the event of a disruption. A few examples of what might occur if we were to experience a business disruption of varying magnitudes includes, but is not limited to: (1) In the event of a global or local pandemic, if the local, state or federal government chooses to initiate a civil action limiting the physical movement of employees, we would activate our business continuity plan to enable employees to work remotely; (2) If telephone service became unavailable, we would re-route calls to an alternate company office for the duration of the outage; (3) If utility electric power were to be lost to our home office, a backup power generator is in place to support all critical investor services, and would be operational within seconds of the power loss; (4) In the event our home office facilities became unavailable, we would continue to provide critical investor services by relocating personnel and resources to another company office.

While no contingency plan can eliminate all risk of service interruption or temporary impediments to account access, we will assess and update the firm's plans to mitigate all reasonable risk. Our business continuity plan is subject to modification. Any modifications to this disclosure will be promptly posted to our websites ([www.lincolninvestment.com](http://www.lincolninvestment.com) and [www.capitalanalysts.com](http://www.capitalanalysts.com)). Investors may at any time request an updated written copy by mail.

## **III. FINRA BROKER CHECK PROGRAM & SEC INVESTMENT ADVISER PUBLIC DISCLOSURE**

FINRA BrokerCheck provides investors with an easy, free way to learn about the professional background, registration/license statuses and conduct of FINRA registered firms and their registered representatives. To request information about your FINRA registered representative under this program, visit the FINRA website at [www.finra.org](http://www.finra.org) or call (800) 289-9999. A brochure that includes information describing the BrokerCheck Program may be obtained. Additional information about SEC Registered Investment Advisers and Investment Adviser Representatives is available through the U.S. Securities and Exchange Commission website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **IV. SIPC INFORMATION**

The primary role of the Securities Investor Protection Corporation (SIPC) is to return funds and securities to investors if the broker-dealer holding these assets becomes insolvent. SIPC provides \$500,000 of net equity protection, including a maximum of \$250,000 for cash positions. This account protection applies when a SIPC member firm fails financially and is unable to meet obligations of securities customers, but does not protect against the losses from the rise and fall in market values of investments. An explanatory brochure is available upon request by calling SIPC at (202) 371-8300 or at [www.sipc.org](http://www.sipc.org).

## **V. MSRB INFORMATION**

Lincoln Investment is a registered Dealer with the Municipal Securities Rulemaking Board (MSRB) to facilitate customer's orders for municipal securities and/or municipal fund securities. An Investor Brochure describing the protections available under MSRB rules and how to file a complaint with an appropriate regulatory authority is available by visiting their website at [www.msrb.org](http://www.msrb.org).

## **VI. OTHER COMPENSATION & CONFLICTS OF INTEREST**

The Lincoln Investment Companies strive to provide to you objective investment advice to assist you in achieving your financial goals. Inherent in any recommendation, however, are financial conflicts. This conflict can come from the compensation we or our FPs receive from you on specific investments or advisory services, or it can come from the com-

compensation we or our FP receive from product sponsors and third party providers as a result of your purchase of specific investments or advisory services. It is important for you to understand these conflicts of interest so that you can make an informed decision to allow us to serve your investment needs. Below are some of the compensation factors that affect your FP's recommendations or our decision as to the products and services that we offer. Should you have any questions about this information, please contact us or your FP. You could purchase products or services similar to those offered by Lincoln Investment from our affiliated investment adviser, Capital Analysts, LLC, or from any financial services provider.

When determining the reasonableness of any fees and expenses you agree to pay to The Lincoln Investment Companies, you should consider both the fees and expenses that The Lincoln Investment Companies charges to your account for its services and those of your FP, as well as any indirect fees and expenses that you pay in connection with any investment in share classes of mutual funds, including those that bear expenses greater than other share classes for which you are otherwise eligible. Information about the mutual funds and share classes that are available through your account, including their investment policies, restrictions, charges, and expenses, is contained in the mutual funds' prospectuses.

Additional information about the share class selection processes and associated conflicts of interest if you maintain an investment advisory account is available in the Investment Advisory Disclosure Brochure (ADV 2A) of each of our affiliated Registered Investment Advisers. You should read these prospectuses and ADV 2As carefully. Please contact your FP or The Lincoln Investment Companies for additional information on share class selection practices and related fees and expenses.

**Financial Conflicts of Interest Associated with Brokerage (Commission-Based) Accounts with Lincoln Investment**

As the broker-dealer who handles the execution, clearing and custody of your brokerage account assets, Lincoln Investment shares in other forms of compensation from third parties. Lincoln Investment believes that third party compensation is important to us, and you. It allows us to provide services to you, including internet access to your account information, the ongoing education and training of our FPs, and the capability to maintain lower account administrative and service fees for services provided to you. Lincoln Investment has chosen to address this conflict by disclosing the types of compensation and the parties who pay it to us so that when you are making your decision to do business with us, you can personally assess the importance of this compensation in your decision.

Below we will describe the financial conflicts of interest to Lincoln Investment and/or your FP when you open a brokerage (commission based) account with Lincoln Investment or Lincoln Investment acts as introducing broker-dealer and opens your account at Pershing, LLC. When you purchase investments or insurance direct from a product sponsor or through a brokerage account, Lincoln Investment and your FP will typically receive a sales commission or concession, and in some instances, other additional third party compensation which is described in greater detail below. After your dollars are invested, these concessions or commissions are paid typically by the product sponsor to Lincoln Investment in a lump sum, or over a number of years that the investment is held (a "Trailing" commission), or subject to the client not liquidating out of an investment within a specified time period ("Back-end" Sales Charges). These forms of compensation create a financial conflict of interest to both Lincoln Investment and your FP.

**Product Offerings - Reasonable Compensation.** Our product sponsors have been chosen based on their ability to offer securities and/or insurance products that meet the financial needs of our investors. With the ever-expanding array of products and services and the complexity associated with many of today's security and insurance choices, we believe it is important for investors to work with a qualified financial professional. When making recommendations to you, our FPs consider the appropriateness of the investment product. We evaluate product offerings to assess whether a product would generally be considered suitable for at least some of our investors. It is important to caution all investors that not all of our products or product offerings are suitable for all investors. In addition, depending on the product, the compensation to Lincoln Investment and your FP will vary. Typically, an investment with an expected long term holding period would have a higher commission associated with it than an investment that has no benefits or risks in trading out of the investment in the short term. The liquidity of an investment plays a part in establishing the commission of the product. Products with limited liquidity or penalties for surrendering early will have higher commissions than products that are fully liquid. For certain product types, Lincoln Investment has established commission caps. Below are the commission caps for certain products sold through Lincoln Investment. Should a commission in excess of this cap be received by Lincoln Investment, the firm will retain the excess and not share it with the FP to reduce any financial incentive the FP could have to offer one product over another based on the commission. As more product manufacturers develop new products with different compensation structures, we expect compensation schedules to change which would cause the caps to change.

<b>Product Offering</b>	<b>Financial Professional Commission Cap</b>
Fixed Rate Annuities and Fixed Annuities	6%
Variable Annuities, Equity Indexed Annuities, Fixed Indexed Annuities	7% on front-end compensation; trailing compensation can vary
Mutual Funds	5.75%

Product Offering	Financial Professional Commission Cap
Illiquid Alternative Products – REIT and BDC Offerings	If a T share is offered, T share typically purchased; trailing compensation can vary
Illiquid Alternative Products - Private Placement Offerings, such as Oil & Gas Private Placement Offerings	7% on front-end compensation; trailing compensation can vary

### Mutual Fund Compensation

**Concessions or Commissions.** Lincoln Investment shares in the mutual fund concession or sales charge assessed the investor on all new money invested into a fund, as described in the prospectus. Some mutual funds do not charge a concession to invest in their funds, in which case the investor may be assessed a transaction charge by Lincoln Investment, and, if applicable, Pershing LLC. This transaction charge is known as a commission and would appear on your transaction confirmation. A portion of the concession or commission will be shared with Lincoln Investment and ultimately the FP.

**12b-1 Fees.** Lincoln Investment also directly -or -indirectly -receives -from mutual fund sponsors 12b-1 fees of 1% or less for as long as your money remains invested in the fund(s). 12b-1 fees are fees paid by the fund out of fund assets to cover distribution expenses and sometimes shareholder service expenses. 12b-1 fees get their name from the SEC rule that authorizes a fund to pay them. The rule permits a fund to pay distribution fees out of fund assets if the fund has adopted a plan (a 12b-1 plan) authorizing their payment. “Distribution fees” include fees paid for marketing and selling fund shares, such as compensating brokers and others who sell fund shares, and paying for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. Your FP will share in the Distribution Fee compensation received by Lincoln Investment. Your FP can also share in shareholder service fees if received by Lincoln Investment as a 12b-1 fee or Distribution fee. These payments create a conflict of interest and financial incentive for The Lincoln Investment Companies and your FP to recommend a mutual fund share class that pays a 12b-1 fee.

**Shareholder Service Fees.** Some 12b-1 plans also authorize and include “shareholder service fees,” which are fees paid to persons to respond—to investor inquiries and provide investors with information about their investments. A fund may pay shareholder service fees without adopting a 12b-1 plan. If shareholder service fees are part of a fund’s 12b-1 plan, these fees will be included in this category of the fee table of a prospectus. If shareholder service fees are paid outside a 12b-1 plan, then they will be included in the “Other expenses” category in a fund prospectus.

For brokerage accounts held on Lincoln Investment’s Solutions platform, Lincoln Investment clears a material portion of client’s mutual fund transactions through Matrix Settlement & Clearance Services, LLC (“MSCS”) on an omnibus basis. Lincoln Investment has an agreement with MSCS that they will share with us Shareholder Services Fees paid to them by the funds, to assist us in covering the costs and expenses that Lincoln Investment incurs in connection with the clearing and sub-accounting involved in carrying your accounts on our Solutions platform. We use this compensation from MSCS to pay MSCS’s omnibus clearing costs and the sub-accounting services provided by DST Market Services, Inc. (“DST”). Any revenue remaining is retained by Lincoln Investment. Another source of Shareholder Service Fees associated with the Solutions brokerage accounts is Shareholder Service Fees received from those funds that are not cleared through MSCS, but are cleared directly with the fund. Lincoln Investment does not share these fees with your FP.

**Networking Fees.** Lincoln Investment receives Networking Fees from fund companies that are not cleared through MSCS. Networking Fees are flat dollar amounts based on the number of positions held by the Firm for which the Firm provides administrative services associated with establishing and servicing the accounts. Lincoln Investment retains this revenue and it is not shared with your FP.

**Money Market Fund and Cash Deposit Fees.** Lincoln Investment makes available the Federated Money Market Funds as the default money market funds for Solutions brokerage accounts. Federated pays Lincoln Investment a fee based on assets. This compensation is not shared with your FP. For brokerage accounts held on Pershing LLC’s platform, Lincoln Investment shares in revenues with Pershing associated with money market interest on certain money market sweep account options and Interlink bank deposit sweep option.

**Trading and Account Service Fees.** Lincoln Investment establishes brokerage commission schedules for its advisory and brokerage accounts held on Pershing’s platform. Pershing charges trading and account service fees for which Lincoln Investment, as introducing broker-dealer, has added a mark-up on commissions-based accounts that ranges from 0% to 375%. These trading and account service fees are identified in the Lincoln Investment Platform Fees and Disclosures - Accounts Held at Pershing. The receipt of these fees creates a conflict of interest for Lincoln Investment since it creates an incentive for Lincoln Investment to continue to use Pershing in order to receive these fees/mark-ups. We mitigate this conflict by disclosing it to you and by not sharing the mark-ups with your FP.

**Sales and Marketing Support.** Lincoln Investment receives Sales and Marketing Support as described below which in-

cludes Flat Fee Sponsors, sales and marketing support sponsors and sponsors who provide financial support based on the firms' assets and sales. In order to minimize the financial conflicts associated with the receipt of these fees, we disclose them to you so that you can make an informed decision to allow us to serve your investment needs.

**Flat Fee Sponsors.** Lincoln Investment has partnered with a select group of third party money managers and product sponsors who pay to assist Lincoln Investment in the training and education of Lincoln Investment's FPs, at Lincoln Investment sponsored events, on such topics as advisory products and services, practice management, financial tools and technology to assist in the monitoring and servicing of accounts, consumer education, and policies, rules and regulations. These sponsors provide financial support to Lincoln Investment in the form of a flat-dollar amount that can be adjusted annually and is not based on the assets or sales of their proprietary products or services. Sponsors can compensate us from fund assets, the fund's investment manager, distributor or other affiliate's assets. Payments made to broker dealers out of fund assets can lower investor returns and performance over time. FPs do not share in any portion of these payments so as to mitigate any conflict for an FP to recommend one product or money manager over another. This financial support allows Lincoln Investment to defray or offset costs associated with Lincoln Investment sponsored events and other educational and outreach tools and services.

All Flat Fee Sponsors do not pay Lincoln Investment the same amount, and depending on the amount of the payment from the Flat Fee Sponsor, the access to Lincoln Investment sponsored events may differ. For example, Lincoln Investment holds a number of sales conferences both nationally and regionally throughout the year to educate FPs. The higher the annual flat fee payment, the more events the sponsor will be invited to attend. These sponsors have more opportunities than other product sponsors and money managers that are not Flat Fee Sponsors to market to and educate FPs, which poses a conflict to FPs to offer these sponsors' products or services over others. FPs do not share in any portion of these payments so as to mitigate any such conflict. In 2021, the financial support of the Flat Fee Sponsors paid to Lincoln Investment did not exceed one percent of total revenue. We do not believe that this amount is material.

In 2021, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, and offer a fund or insurance product that could be offered in our capacity as a broker-dealer, in order from highest to lowest payment were Russell Investments, Clark Capital Management, PIMCO Funds, JPMorgan Funds, Meeder Funds, American Funds, Lincoln National Life, Security Benefit Life, Lord Abbett, Invesco Investment Services, Brighthouse Financial, Allianz Global Investors, Jackson National Life Insurance and Prudential.

Some of the Flat Fee Sponsors' revenue are used by Lincoln Investment to support the ongoing operational expenses of Lincoln Investment, and its affiliates, and not used solely for sales and marketing support.

**Asset and Sales Based Sponsors.** On the brokerage side of Lincoln Investment's business, in addition to Flat Fee Sponsors, Networking Fees, and Money Market Fund fees, Lincoln Investment receives Sales and Marketing support from product sponsors, mutual fund companies, insurance companies and other third party providers to assist in the marketing and sales efforts of employees and FPs ("Asset and Sales Based Sponsors"). The support provided by these sponsors is based on brokerage-only (non-investment advisory) assets and brokerage transactions and not based on advisory account assets or ERISA assets. We receive compensation from these sponsors in various forms including as a flat fee, a percentage of amount of brokerage assets held by investors, a percentage of sales, or any combination of these methods. The amounts of these payments can vary by the type of product and by provider, and can include, but are not limited to, distribution fees and shareholder service fees. In some cases, Asset and Sales Based Sponsors pay additional marketing payments to Lincoln Investment to cover fees to attend conferences. Additionally, some Asset and Sales Based Sponsors make a monthly or quarterly payment or additional monthly or quarterly payment based on the assets you hold in a fund or variable insurance product over a period of time. As you may have both a brokerage account and an advisory account with us, we want you to understand that Lincoln Investment will receive Sales and Marketing Support based on assets or sales in connection with your brokerage account assets and transactions. The receipt of sales and marketing support from Asset and Sales Based Sponsors presents a conflict of interest to Lincoln Investment since it provides a financial incentive to recommend those Asset and Sales Based Sponsors over others that do not provide such sales and marketing support.

The following is a list of Asset and Sales Based Sponsors in order of high to low total compensation paid to Lincoln Investment as broker-dealer based on non-fee based account assets or sales in 2021: Invesco Investment Services, Security Benefit Life, Franklin Templeton Group, Lincoln National Life, Jackson National Life Ins Co, Brighthouse Financial, Allianz, Bluerock, AXA Equitable Life Insurance Company, Prudential Annuities, Inland Securities, Black Creek Capital Markets, Voya Mutual Funds, Mewbourne Development Corporation and Columbus Life Insurance Company. The Asset and Sales based Compensation in 2021 was less than \$2.5 million dollars from these product sponsors and represented less than one percent of the total revenues of Lincoln Investment. We are disclosing this information to you as certain providers and products offered by the providers shown above may also be available within our investment advisory offerings.

#### **Pershing Revenue Sharing and Expense Credit with Lincoln Investment**

Pershing, LLC, as clearing firm for accounts introduced by Lincoln Investment, shares with the Firm a nominal amount of asset based revenue it receives from certain mutual fund companies in non-advisory accounts. This receipt of revenue from Pershing is a conflict of interest to Lincoln Investment. Additionally, Pershing provides a credit against expenses to us, as introducing broker-dealer, based on the total asset value of all accounts on the Pershing platform and based on the

total number of investor accounts held at Pershing, pursuant to a written agreement with Pershing LLC. This revenue does not vary with respect to the investment choices/recommendations made in your Pershing account.

### **Financial Conflicts of Interest Associated with Advisory (Fee-Based) Accounts with The Lincoln Investment Companies**

Below we will describe the financial conflicts of interest to Lincoln Investment and/ or your FP when you open an advisory (fee-based) account with Lincoln Investment or Lincoln Investment's affiliate, Capital Analysts, LLC (individually or collectively, The Lincoln Investment Companies). When you open an advisory account, your FP will only share in the advisory/asset management fees that you pay. The Lincoln Investment Companies receives other indirect compensation from third parties that presents a conflict of interest.

**Advisory Fee Offerings - Reasonable Compensation.** With the ever-expanding array of products and services and the complexity associated with many of today's security and insurance choices, we believe it is important for investors to work with a qualified financial professional. Our FPs are dedicated to assisting you in assessing your investment needs and providing thoughtful advice. When evaluating third party money managers, we consider their investment discipline and experience and the appropriateness for at least some of our investors. It is important to caution all investors that not all available money managers are suitable for all investors. In addition, depending on the platform on which that money manager may manage assets, the advisory fee for those services will vary. When we or your FP provide the advice on the assets in your advisory accounts, we recognize a fiduciary responsibility to you under applicable securities laws and to make full and fair disclosure of all material conflicts of interest. Other compensation received by us that can present a material conflict of interest will be reasonable in light of the services we and our advisors make available to you. We recognize too that any compensation shared with the firm or your FP by a third party presents a conflict of interest and could be looked upon by you as an incentive for us and your FP to recommend investment products or money managers based on compensation rather than on your financial needs.

**Ongoing Fiduciary Conflicts.** Lincoln Investment has a supervisory duty to periodically monitor clients' portfolios to ensure suitability of investments and to ensure that the advisory services are being performed in recognition of our fiduciary duty to you, which includes acting in your best interest. A conflict of interest exists if an FP is assessing an advisory fee but no services are being performed. Supervision is performed over accounts and FPs to monitor for activities that could be deemed a breach of our fiduciary duty to you, including such periodic reviews as accounts where there is no documentation of services being performed and accounts with uninvested cash balances over a 12-month period of time with no rationale for holding such a large cash position in an advisory account. In an advisory relationship, our fiduciary relationship will be most successful if both the client and the FP partner to ensure that there is regular and meaningful contact and that the advisory account continues to meet the needs of the client.

**12b-1 fees.** 12b-1 fees, as described above in the Financial Conflicts of Interest Associated with Brokerage (Commission-Based) Accounts, create a conflict of interest to Lincoln Investment to use funds that pay 12b-1 fees over other funds that do not pay 12b-1 fees.

To avoid this financial conflict of interest in advisory accounts that are assessed an advisory fee, any 12b-1 fees received by us in an advisory account will be either refunded to your advisory account or applied as a credit and offset against your next advisory fee billing. On Solutions Premier, the amount of the 12b-1 fee received by Lincoln Investment related to your advisory assets will be applied as a credit against your next monthly Premier Account advisory fee. For advisory accounts held on the Pershing LLC platform, the amount of the 12b-1 fee received by Lincoln Investment will be refunded directly to your Pershing account. This fee-offset or crediting of 12b-1 fees will alleviate the conflict of interest associated with Lincoln Investment receiving this third party compensation and will also reduce the expense to you associated with purchasing a mutual fund share class which includes a 12b-1 fee expense. You may still incur a 12b-1 fee expense for any portion of the 12b-1 fee expense that the fund does not share with your broker-dealer custodian or that the broker-dealer custodian does not share with Lincoln Investment. Whether you receive and the manner in which you receive this credit depends on the platform where your advisory assets are held.

### **Third Party Payments to Lincoln Investment**

#### **Payments from Third Parties relating to Lincoln Investment's Solutions Premier Platform Assets**

**Shareholder Services Fees, Networking Fees, and Sub-Transfer Agency Fees.** For Solutions Premier accounts, Lincoln Investment will aggregate any 12b-1 fees, Shareholder Services Fees, Networking Fees and sub-transfer agency fees related to your advisory account assets that are received directly or indirectly from a third party provider, including mutual fund companies or custodians ("Third-Party Credits"), and apply the amount of Third-Party Credits against future advisory fee calculations. The timing of Lincoln Investments' receipt and crediting of Third-Party Credits varies depending on the type of Third-Party Credit. Amounts credited, if any, can vary and will be reflected each month on the Premier Account statement in the Fee Summary section.

The following provides more information about the Third-Party Credits described above. For client assets held on Lincoln Investment's Solutions Premier platform, Lincoln Investment clears a material portion of its clients' mutual fund transac-

tions through Matrix Settlement & Clearance Services, LLC (“MSCS” or “Omnibus Clearing Company”) on an omnibus basis. Lincoln Investment has an agreement with MSCS that they will share with us shareholder services fees paid to them by the funds (“Shareholder Services Fees”). Shareholder Services Fees are an asset based portion of the cost built into the internal expense of a fund that is shared with broker dealers and other financial intermediaries who perform services on behalf of the fund and clients. Shareholder Services Fees are not paid by all funds and the amount of shareholder services fees can vary depending on the share class of the fund that is purchased and held. Not all funds available on Solutions Premier are cleared through an Omnibus Clearing Company; some are cleared directly with the fund. The decision to clear a mutual fund through an Omnibus Clearing Company or not clear through an Omnibus Clearing Company creates a conflict of interest to Lincoln Investment to choose the most advantageous clearing arrangement for each fund, based on the anticipated expenses and revenues to Lincoln Investment. For a list of funds available on the Solutions Premier platform and whether they are cleared through an Omnibus Clearing Company or cleared directly, go to [www.lincolninvestment.com/disclosures](http://www.lincolninvestment.com/disclosures) and select the link for the *Lincoln Investment Solutions Premier Mutual Fund Availability List*. Lincoln Investment mitigates these conflicts by disclosing them to you and including them as a Third-Party Credit against your advisory fee.

Lincoln Investment also receives networking fees from certain mutual fund companies that are not cleared through an Omnibus Clearing Company. Networking fees are flat dollar amounts paid based on the number of accounts or tax identification numbers that we open and network with a fund to assist us in providing administrative services to you (“Networking Fees”). Lincoln Investment offers the Federated Money Market Funds as a Solutions Premier advisory account cash equivalent investment option and allocates on a discretionary basis two percent (2%) of the assets in every Lincoln Investment Asset Management Program mutual fund model to Federated Money Market Funds, to provide sufficient liquidity for the monthly deduction of the advisory fee from the advisory portfolio. Federated pays Networking Fees calculated on the number of Federated Money Market accounts that we electronically network with them. Networking Fees are not paid by all funds and the amount of the Networking Fees vary by fund. This creates a conflict of interest to Lincoln Investment to choose the clearing arrangement that is most financially advantageous to Lincoln Investment for each fund, based on the anticipated expenses and revenues of Lincoln Investment. For a list of funds available on the Solutions Premier platform and whether they are cleared through an Omnibus Clearing Company or cleared directly, go to [www.lincolninvestment.com/disclosures](http://www.lincolninvestment.com/disclosures) and select the link for the *Lincoln Investment Solutions Premier Mutual Fund Availability List*. Lincoln Investment mitigates these conflicts by disclosing them to you and including them as a Third Party Credit against your advisory fee. Other financial services firms and third parties could offer the same or similar money market funds and cash deposit bank options at a lower overall cost to the investor than is available through your Lincoln Investment account, or you could invest directly with the fund provider. Lincoln Investment mitigates these conflicts by disclosing them to you.

### **Third Party Payments from Pershing LLC**

#### **Pershing Revenue Sharing and Expense Credit with Lincoln Investment; Money Market and Cash Deposit Fees.**

For advisory accounts held on Pershing LLC’s platform, Pershing provides a credit against expenses to Lincoln Investment, as introducing broker-dealer, based on the total asset value of all accounts maintained on the Pershing platform and based on the total number of investor accounts on Pershing, pursuant to a written agreement with Pershing LLC. This revenue does not vary with respect to the investment choices/recommendations made in your Pershing account. Lincoln Investment does not refund or offset this revenue sharing against advisory fees paid by clients whose advisory assets are on Pershing. Overall, the annual credits received by Lincoln Investment from Pershing for 2021 represented less than one percent of Lincoln Investment’s total advisory revenue. The receipt of expense credits by Pershing creates a conflict of interest to Lincoln Investment to use Pershing as a custodian over other custodians that do not share these fees, do not provide expense credits or that would share lesser amounts. We do not believe this revenue is material to Lincoln Investment or its affiliate, Capital Analysts. This revenue is not shared with your FP.

Additionally, Pershing LLC shares revenue with Lincoln Investment through a portion of the Shareholder Service Fee paid by Federated Funds on the Federated Money Market Cash Sweep Options, and a portion of the gross interest rate yield from the Interlink and Dreyfus Bank Cash Deposit Sweep Options (collectively, “Sweep Options”) on accounts opened prior to January 1, 2021. For Lincoln Investment and Capital Analysts advisory accounts opened prior to January 1, 2021 on Pershing’s platform, when Lincoln Investment is the introducing broker-dealer on your advisory account and where a portion of the Shareholder Service Fee or gross interest rate yield from your Sweep Options is paid to Lincoln Investment, we instruct Pershing to directly refund this revenue to your account. This refunding process will continue each month that Lincoln Investment receives revenue relating to Sweep Options in your advisory account. The timing of Lincoln Investment’s receipt and refunding of this revenue varies depending on the Sweep Options product held in your account. Amounts refunded, if any, can vary and will be reflected each month on your Pershing statement. For accounts opened after January 1, 2021, Lincoln Investment is no longer accepting a portion of the Shareholder Service Fee or gross interest rate yield in connection with the cash Sweep Options. Other financial services firms and third parties could offer the same or similar money market sweep options and cash deposit sweep options at a lower overall cost to the investor than is available through your Lincoln Investment account or you could invest directly with the product provider. Your FP has the ability to waive the advisory fee on all Cash Sweep Options, should you request it.

**Pershing Margin Participation.** For advisory and brokerage accounts held on Pershing’s platform, Lincoln Investment, as introducing broker-dealer, marks up the base interest rate pursuant to a written agreement with Pershing LLC resulting in a higher margin interest rate to you. This mark-up will not exceed 2.25% above the base interest rate. The receipt of revenue sharing with Pershing creates a conflict of interest to Lincoln Investment to use Pershing as custodian over other custodians that do not permit us to mark-up the fees or limit the amount. Lincoln Investment mitigates this conflict by disclosing it to you and by not sharing it with your FP.

**Pershing Non-Purpose Loan Markups.** For advisory and brokerage accounts held on Pershing’s platform, Lincoln Investment, as introducing broker-dealer, marks up the base interest rate pursuant to a written agreement with Pershing LLC resulting in a higher non-purpose loan interest rate to you. This mark-up will not exceed 0.75% above the base interest rate. The receipt of revenue sharing with Pershing creates a conflict of interest to Lincoln Investment to use Pershing as custodian over other custodians that do not permit us to mark-up the fees or limit the amount. Lincoln Investment mitigates this conflict by disclosing it to you and by not sharing it with your FP.

**Account Service Fees.** Lincoln Investment establishes brokerage commission schedules for its advisory and brokerage accounts. For advisory accounts held on Pershing’s platform, Pershing charges account service fees for which Lincoln Investment, as introducing broker-dealer, has added a mark-up that ranges from 0% to 100%. These account service fees are identified in the Lincoln Investment Platform Fees and Disclosures - Accounts Held at Pershing. The receipt of these fees creates a conflict of interest for Lincoln Investment since it creates an incentive for Lincoln Investment to continue to use Pershing in order to receive these fees/mark-ups. We mitigate this conflict by disclosing it to you and by not sharing the mark-ups with your FP.

In aggregate, the third party payments and expense credits from Pershing LLC allocated to Lincoln Investment and described above represented less than one percent of Lincoln Investment’s total advisory revenue in 2021. The receipt of expense credits, mark-ups and fees by Pershing creates a conflict of interest to Lincoln Investment to use Pershing as a custodian over other custodians that do not share these fees, do not provide expense credits or that would share lesser amounts. We do not believe this revenue is material to Lincoln Investment. This revenue is not shared with your FP.

### **Sales & Marketing Support Revenue**

Lincoln Investment receives Sales and Marketing Support as described below and includes Flat Fee Sponsors, Other Sales Support and Asset and Sales Based Sponsors (collectively, “Sales and Marketing Support”). In order to minimize the conflicts associated with the receipt of these fees, Lincoln Investment does not receive Flat Fee Sponsor and Other Sales Support payments that are based on the amount of advisory account assets or advisory account transactions with a particular sponsor, or that are based on ERISA account assets. However, Flat Fee and Other Sales Support Sponsors can compensate us from assets of the mutual fund, the fund’s investment manager, distributor or other fund affiliate’s assets. While payments out of the fund’s investment adviser, distributor or other fund affiliate’s revenues or profits are not directly paid from the fund’s assets, fund affiliate revenues or profits can, in part, be derived from fees earned for services provided to and paid for by the fund. Payments out of fund assets can lower investor returns and performance over time. Lincoln Investment can also receive Shareholder Services Fees from the same fund families and investment advisers that provides Sales and Marketing Support. These sources of payments are a conflict of interest to Lincoln Investment to recommend and promote those fund families over other fund families that do not provide Sales and Marketing Support or that provide lower amounts of Sales and Marketing Support.

**Flat Fee Sponsors.** Lincoln Investment has partnered with a select group of third party money managers and product sponsors who pay to assist Lincoln Investment in the training and education of Lincoln Investment’s FPs, at Lincoln Investment sponsored events, on such topics as advisory products and services, practice management, tools and technology, consumer education, and policies, rules and regulations. These sponsors provide financial support to Lincoln Investment in the form of a flat-dollar amount that may be amended annually and is not based on the sales of their proprietary products or services. Sponsors can compensate us from fund assets, the fund’s investment manager, distributor or other affiliate’s assets. Payments made to broker-dealers out of fund assets can lower investor returns and performance over time. FPs do not share in any portion of these payments so as to mitigate any conflict for an FP to recommend one product or money manager over another. This financial support allows Lincoln Investment to defray or offset costs associated with Lincoln Investment sponsored events and other educational and outreach tools and services. The financial support by these Sponsors to Lincoln Investment presents a conflict of interest.

All Flat Fee Sponsors do not pay Lincoln Investment the same amount, and depending on the amount of the payment from the Flat Fee Sponsor, the access to Lincoln Investment sponsored events may differ. For example, Lincoln Investment holds a number of sales conferences both nationally and regionally throughout the year to educate advisors. The higher the annual flat fee payment, the more events the Flat Fee Sponsor will be invited to attend. Flat Fee Sponsors have more opportunities than other product sponsors and money managers that are not Flat Fee Sponsors to market to and educate FPs which could pose a conflict to FPs to offer these sponsors products or services over others. FPs do not share in any portion of these payments so as to mitigate any such conflict.

In 2021, the financial support from Flat Fee Sponsors paid to Lincoln Investment, as allocated across all investment advi-

sory assets with Lincoln Investment Planning, LLC and its affiliate, Capital Analysts, LLC did not exceed one percent of total revenue for either of the affiliated registered investment advisers and in aggregate was less than one percent of the combined revenue for both affiliated registered investment advisers. We do not believe that these revenues are material. In 2021, Security Benefit Life, a provider in the advisory program, compensated Lincoln Investment with a flat fee payment and a percentage of advisory assets. The compensation paid by Security Benefit Life for the third and fourth quarters of 2021 included a flat fee payment only. In 2021, Flat Fee Sponsors who compensated Lincoln Investment with a flat fee payment, and offer a fund or advisory program that could be used in your advisory account, in order from highest to lowest payment were Russell Investments, Clark Capital Management, PIMCO Funds, JPMorgan Funds, Meeder Funds, American Funds, Security Benefit Life, Lord Abbett, Invesco Investment Services, and Prudential.

### **Financial Conflicts of Interest Associated with Both Brokerage and Advisory Accounts with The Lincoln Investment Companies**

**Pershing Margin Participation.** For advisory and brokerage accounts held on Pershing's platform, Lincoln Investment, as introducing broker-dealer, marks up the base interest rate pursuant to a written agreement with Pershing LLC resulting in a higher margin interest rate to you. This mark-up will not exceed 2.25% above the base interest rate. The receipt of revenue sharing with Pershing creates a conflict of interest to Lincoln Investment to use Pershing as custodian over other custodians that do not permit us to mark-up the fees or limit the amount. Lincoln Investment mitigates this conflict by disclosing it to you and by not sharing it with your FP.

**Pershing Non-Purpose Loan Markups.** For advisory and brokerage accounts held on Pershing's platform, Lincoln Investment, as introducing broker-dealer, marks up the base interest rate pursuant to a written agreement with Pershing LLC resulting in a higher non-purpose loan interest rate to you. This mark-up will not exceed 0.75% above the base interest rate. The receipt of revenue sharing with Pershing creates a conflict of interest to Lincoln Investment to use Pershing as custodian over other custodians that do not permit us to mark-up the fees or limit the amount. Lincoln Investment mitigates this conflict by disclosing it to you and by not sharing it with your FP.

**Other FP Sales Support.** From time-to-time, product sponsors and third party money managers will assist FPs in their sales and marketing efforts by subsidizing certain FP costs, such as client meetings or workshops, mailings, administrative expenses and technology support. The amount of support is approved by Lincoln Investment and is monitored to ensure that it is not too frequent or excessive. Also, FPs are invited from time-to-time by product sponsors to due diligence and educational meetings or seminars hosted by the product sponsor or money manager. Lincoln Investment must grant permission to our FPs to attend any meeting or seminar hosted by a product or advisory service sponsor. Lincoln Investment approves events that are limited to education or due diligence only and allows the product sponsor to provide meals, hotel accommodations and reimbursement to the FP, through Lincoln Investment, for travel expenses only. These events represent a nominal portion of revenue that is received from product sponsors. The education of our FPs in the offerings that are available to them is a key component of providing prudent investment advice to you. This could be deemed a conflict of interest that will incentivize the FP to offer one product or money manager over another.

**Lincoln Investment's Other Businesses.** Lincoln Investment's principal business is as an investment adviser. The majority of Lincoln Investment's revenue comes from the advisory fees we collect from you. As a broker-dealer, Lincoln Investment also receives compensation from its brokerage business. This compensation comes from securities and insurance product commissions and mutual fund concessions, 12b-1 distribution fees associated with the sale of mutual funds, shareholder service fees, reallowances, trailing commissions from annuity sales, and persistency bonuses on insurance and other sources. Lincoln Investment, acting as both a broker-dealer and registered investment adviser, could be deemed a conflict of interest. This places an additional responsibility on Lincoln Investment to supervise whether a recommendation to open either an advisory account or a commissionable account, or both, is appropriate. You always have the option to purchase advisory services, securities products or insurance through non-affiliated investment advisers, brokers or agents. Lincoln Investment also is affiliated with Capital Analysts, LLC, an SEC registered investment adviser, and promotes the services of this investment adviser.

**Your FP's Other Businesses.** Your FP may have more than one relationship with you – one as an FP over an advisory account and one as a Registered Representative/Agent over a non-advisory account where he or she can receive a sales commission for the sale of securities or insurance products which would be in addition to any advisory fees earned on your advisory assets. In these situations, our FP has a greater financial incentive to offer you both investment and/or insurance sales as well as advisory services.

Your FP may also be associated with Lincoln Investment's affiliated investment adviser, Capital Analysts, LLC. These affiliated relationships present a conflict of interest. Through his or her affiliation with Lincoln Investment and possibly with Capital Analysts, your FP may be in a position where he or she can offer the same or similar advisory services to you for different fees and compensation structures. If an identical Sub-Adviser or strategy is available through two affiliated registered investment advisers, you may pay higher fees for an advisory service that is similarly offered through another affiliated investment adviser. You always have the option to purchase advisory services, securities products or insurance through non-affiliated investment advisers, brokers or agents.

Lincoln Investment pays out to each FP a specified percentage of the FP's fee. This percentage varies by FP based on such

factors as FP experience, type of contract the FP has with the Firm, amount of investor assets with the Firm, type of advisory service, categories of products and the amount of investor assets managed by the IM&R Team. These varying payout rates can create a conflict of interest for your FP to recommend certain services and categories of products, including advisory services managed by the IM&R Team and your FP, over others with a lower payout rate. Most of Lincoln Investment's FPs are independent contractors who may also offer other non-security financial services and products, such as life, health, disability, long term care and fixed annuity insurance products, and real estate. These services may be offered independent of The Lincoln Investment Companies.

**Sales Contests.** Lincoln Investment offers sales contests based on such criteria as gross compensation to the FP, new accounts, total fee-based assets and net sales of fee-based programs. These contests can provide your FP with a conflict of interest and an incentive to offer you fee-based advisory services over commission-based brokerage services, offer you advisory services managed by the IM&R Team and your FP over third party advisory services and conduct additional business. Top achievers in these contests may receive Lincoln Investment-sponsored trips, cash prizes, bonus commissions, club points, monetary donations in their name to a charity of their choice or other nominal prizes subject to applicable law. No contest is offered which will award the FP based upon a specific investment product or on a specific third-party product sponsor. Brokerage commissions and brokerage assets associates with Massachusetts residents are excluded from Lincoln Investment's sales contests consistent with applicable state law. For Massachusetts residents, this creates a financial incentive for your FP to recommend advisory services over brokerage services. In our capacity as an investment adviser, Lincoln Investment and its FPs recognize they have a fiduciary duty to investment advisory clients. Although Lincoln Investment does not offer specific product sales incentives for securities products, issuers of non-securities insurance products, such as fixed annuity issuers, may offer sales incentives to FPs in the form of cash bonuses and trips if certain sales thresholds are met. You should ask your FP about these incentives at the time of sale.

#### **Payments to Employers and Organizations Associated with an Employer who Sponsor Non-ERISA Plans**

Lincoln Investment has contracts with employers to enable employees who work for these employers to open and invest in a primary or supplemental retirement account through payroll deduction contributions through an account with us. The majority of employers with whom Lincoln Investment has contracts offer non-ERISA 403(b), 457, SEP IRA and Simple IRA retirement plans to their employees. Also, many of these employers are school districts and the employees are teachers or other eligible employees. Lincoln Investment and our FPs make contributions from time-to-time to organizations that are associated with an employer, such as administrators and teachers' associations, consultants, non-profits, and scholarship or grant funds. Lincoln Investment and our FP can also sponsor a business or social event, conference, meeting, fundraiser or scholarship by making a monetary contribution or by providing nominal supplies to assist the employer and/or their employees.

**Third Party Administrator (TPA) Payments and Preferred Providers.** Most Third Party Administrators (TPAs) that provide administrative services to the employer charge the employer an annual per participant retirement plan administration fee for their services. Certain TPAs and/or employers list Lincoln Investment as a preferred provider when we have agreed to pay the per participant TPA fee for a participant who opens an account with us. This reduces the cost to the employer sponsor of the retirement plan and/or the participant.

**Exclusive Provider.** Less than one percent of our employer contracts are an exclusive arrangement where Lincoln Investment is the only provider who has been authorized to work with the employees to establish a primary/supplemental retirement plan account. A small number of the exclusive arrangements utilize the TPA services of an affiliate, Advisory Services, LLC (Adserv). In the Adserv exclusive arrangements, Adserv waives the fees it would otherwise charge for administration and compliance services because the employer has agreed to grant an exclusive provider arrangement to us. You can ask your FP whether Lincoln Investment has an exclusive arrangement with your employer.

**Other Non-Exclusive Provider Payments.** In order to be a 403(b) provider/vendor in California, providers/vendors must register with 403bCompare, a program of the California State Teachers' Retirement System (CalSTRS). Lincoln Investment is registered with 403bCompare and pays an annual 403(b) provider/vendor fee as determined and assessed by CalSTRS. The total fee assessed to all providers/vendors covers the cost to administer and maintain the 403bCompare.com website.

These payments and fee waivers described in this section create a conflict of interest to the employer and employees since they could serve as an incentive to select the products and services of Lincoln Investment and its affiliates over other providers that do not make these payments or pay lesser amounts. We mitigate these conflicts by disclosing them to you and avoiding payments that we consider too frequent or excessive.

**Loans and Advances.** On occasion, Lincoln Investment extends a loan, provides a bonus, provides a commission/fee advance, and pays for practice management services for an FP to assist an FP in transitioning to the firm, and/or running his or her business. Sometimes these loans or advances are waived or reduced, in whole or in part, and a bonus provided if an FP remains affiliated with the firm, if certain sales or assets under management thresholds are met, production levels met or certain practice management goals or conditions are met. In situations where a sales, production, assets under management threshold or other financial contingency exists, this conflict of interest will be disclosed in the FP's Form

ADV 2B Supplement (BIO Brochure), which is required to be delivered by the FP to every client, as the FP has a financial incentive to affiliate with and remain affiliated with the firm, generate more business and achieve certain sales or assets management thresholds.

Additionally, Lincoln Investment can extend a loan or advance for which repayment is required which can create a conflict for an FP to generate more business in order to repay the loans or advances to the firm during the repayment period. Additionally, some FPs receive benefits as they transition to the firm and/or for running their business, which can include but is not limited to, technology services, administrative support, licensing, insurance and administrative fees and reimbursement of fees associated with transitioning accounts. These practices present a conflict of interest in that the FP has a financial incentive to affiliate with and remain affiliated with the firm over other firms that do not offer these incentives or offer these level of incentives. Lincoln Investment mitigates these conflicts by disclosing them to you and supervising the investment advisory activities and brokerage practices of its FPs. On occasion, Lincoln Investment will compensate an FP who has referred another financial professional to the firm if that financial professional then decides to affiliate with Lincoln Investment or an affiliate. We do not believe that this presents a material conflict of interest.

**Gifts, Entertainment and Other Incentives.** Offering or receiving a gift or entertainment from a product or advisory service sponsor could create a conflict of interest. Lincoln Investment has instituted a policy that prohibits excessive and/or too frequent gifts or entertainment activities to mitigate this conflict. At the FP's discretion and subject to applicable laws, FPs are also permitted to participate in contests, incentives, gifts and entertainment offered by The Lincoln Investment Companies that are not Sales Contests and not related to assets or transactions.

**Political Contributions.** Providing significant political contributions to a state or local official or candidate could create the perception that Lincoln Investment or its FPs are seeking quid pro quo arrangements with that state or local government or its employees to open an account with our firm. Lincoln Investment prohibits contributions in excess of \$350 per election if the FP can vote for the candidate and \$150 per election if the FP cannot vote for the candidate.

**Charitable Donations.** Providing significant charitable donations to a charity organization could create the perception that Lincoln Investment or its FPs are seeking quid pro quo arrangements with that charity or its employees to open an account with our firm. Lincoln Investment allows contributions to charities, but prohibits any donations that are deemed excessive or too frequent.

**Authorized Agent for UMB Bank, n.a.** Lincoln Investment acts as authorized agent for UMB Bank, n.a., the retirement plan custodian used in our Solutions and Pershing retirement plan platform offerings. As an authorized agent, Lincoln Investment performs the retirement plan administrative and custodial duties, such as, recordkeeping, client communications, consolidated reporting, trade confirmations, account statements and tax reporting for UMB Bank, n.a. Lincoln Investment compensates UMB Bank, n.a. with a quarterly fee for its services as retirement plan custodian on Solutions accounts.

## VII. ACCOUNT TYPES

We support a full range of account types to help meet your needs and circumstances. Depending on the type of account you open, there are varying features, benefits, distribution restrictions, etc. associated with the account. Please discuss with your FP on which account type may be most suitable for you.

Below are examples that may be relevant when analyzing your options, but are not reflective of all available options. Other considerations also might apply to your specific circumstances. Please consult with your legal or tax advisor for more information concerning your individual situation. Additional details can be found at [www.lincolninvestment.com/ReferenceLibrary/EducationPlanning](http://www.lincolninvestment.com/ReferenceLibrary/EducationPlanning) and [www.lincolninvestment.com/ReferenceLibrary/RetirementPlanning](http://www.lincolninvestment.com/ReferenceLibrary/RetirementPlanning).

### Individual and Joint Accounts

**Individual account.** An individual account is an account with only one owner. At death, assets transfer to one or more heirs or designated beneficiaries as per their last will and testament.

**Individual/Joint Transfer on Death (TOD).** An individual or JTWROS account where the owner(s) has/have designated (a) beneficiary(ies) in a TOD agreement that has been filed with the custodian of the account. If registered as an individual account, the assets in the account transfer to the named beneficiary(ies) in the TOD agreement. If registered as a joint account, the assets first transfer to the joint account holder and upon the death of the remaining account holder, to the TOD beneficiary(ies).

**Joint Tenants with Right of Survivorship (JTWROS).** A JTWROS account has two or more account owners, with each person having an undivided interest in the entire account. Each party has equal rights to the account assets and the right of "survivorship." When one joint owner dies, all the assets in the account will transfer to the other co-owner(s) without probate.

**Joint Tenants by the Entirety.** A Tenants by the Entireties account is owned by two married people. The following states allow this account type: AK, AR, DC, DE, FL, HI, IL, IN, KY, MD, MA, MI, MS, MO, NJ, NY, NC, ND, OK, OR, PA, RI, TN, VT, VA, and WY. Upon the death of one joint owner, the other retains the right to the whole account. The creditors of one spouse cannot attach the property or force its sale to recover debts unless both spouses consent.

**Joint Tenants in Common.** A Tenants in Common account has two or more account owners with each person owning a

specified percentage of the entire property. When one joint owner dies, their percentage of the assets in the account will transfer to their estate per their last will and testament. The surviving joint owner keeps access to his/her portion of the assets, but does not have a legal right of survivorship to the deceased joint owner's portion of the account.

**Community Property.** A Community Property account is owned by two married people who acquired property during the marriage (with exceptions) where each spouse has equal interest in the property acquired during the marriage. Nine states allow Community Property accounts: AZ, CA, ID, LA, NM, NV, TX, WA, and WI. Puerto Rican citizens are also allowed to open this account type.

**Trust account.** A trust is a fiduciary arrangement that allows a third party, or trustee, to hold assets on behalf of (a) beneficiary(ies). Trusts can be arranged in many ways and can specify exactly how and when the assets pass to the beneficiary(ies). Named Trustees are required to administer the Trust account according to the specifications of the Trust document.

Please note: For all joint account types, unless you notify The Lincoln Investment Companies otherwise and provide such documentation as required, each joint tenant irrevocably appoints the other as attorney-in-fact to take all action on his or her behalf and to represent him or her in all respects in connection with the applicable Account Agreement. The Lincoln Investment Companies shall be fully protected in acting, but shall not be required to act upon the instructions of any joint owner. Each joint owner shall be liable, jointly and individually, for any amounts due to The Lincoln Investment Companies pursuant to the applicable Account Agreement, whether incurred by any one or all of the joint owners.

### **Education Savings Accounts**

**529 Plans.** A 529 Plan is a program established and maintained by a state, or an agency or instrumentality of a state, that allows a contributor either to prepay a beneficiary's qualified education expenses at an eligible educational institution or to contribute to an account for paying those expenses. Qualified education expenses include tuition expenses in connection with a designated beneficiary's enrollment or attendance at a higher education institution, elementary or secondary public, private, or religious school. Earnings accumulate tax free while in the account and distributions aren't taxable when used to pay for qualified education expenses.

**Coverdell Education Savings Account.** A Coverdell education savings account (Coverdell ESA) is a custodial account set up solely for paying qualified education expenses for the designated beneficiary of the account. This benefit applies not only to qualified higher education expenses, but also to qualified elementary and secondary education expenses. In general, the designated beneficiary of a Coverdell ESA can receive tax-free distributions to pay qualified education expenses. The distributions are tax-free to the extent the amount of the distributions doesn't exceed the beneficiary's qualified education expenses.

**The Uniform Gift to Minors Act (UGMA) and the Uniform Transfer to Minors Act (UTMA).** Through UGMA/UTMA custodial accounts, a minor can own cash or securities that are controlled by a custodian until the minor meets the age of majority in the state where the account was established. All deposits into these accounts are irrevocable gifts to the minor recipient. Custodial accounts are not tax-deferred. Taxation of earnings will be based on the minor's tax rate.

### **Individual Retirement Accounts**

**Traditional IRA.** Contributions you make from earned income to a traditional IRA may be fully or partially deductible, depending on your circumstances. Generally, amounts in your traditional IRA (including earnings and gains) are not taxed until distributed. Taxable distributions from an IRA can be taken without penalty starting at age 59½ and must be started by April 1st of the year following the year the account owner reaches age 72, unless the account owner turned age 70½ prior to January 1, 2020. If this is the case, the account owner must begin taking distributions starting April 1st of the year following the age the account owner reaches age 70½.

**Roth IRA.** Contributions to a Roth IRA are always made as after-tax contributions; therefore, the earnings can be distributed tax-free for a Qualified Distribution. Contribution amounts for a Roth IRA are the same as those for a traditional IRA; however, there are income restrictions associated with contributing to a Roth IRA. To take a tax-free Qualified Distribution, the account owner must both have a qualifying event (age 59 1/2, death, disability, or first time homebuyer) and the account must have been open at least five years. There is no requirement to take withdrawals by a certain age.

### **403(b)(7) / 457 Employer-Sponsored Retirement Plans**

**403(b)(7).** A 403(b)(7) plan is a retirement plan offered by public schools and certain 501(c)(3) tax-exempt organizations. Employees save for retirement by contributing to individual accounts. Employers can also contribute to employees' accounts.

**457.** A 457 plan is a deferred compensation plan available for certain state and local governments and non-governmental entities that are tax exempt. They can be either eligible plans under IRC 457(b) or ineligible plans under IRC 457(f). Plans allow employees of sponsoring organizations to defer income taxation on retirement savings into future years.

### **Small Employer-Sponsored Retirement Plans**

**Simplified Employee Pension (SEP) IRA.** A SEP-IRA plan provides a self-employed individual or small business owner with a simplified method to contribute toward their employees' retirement as well as their own retirement savings. Con-

tributions are made to an Individual Retirement Account (IRA) set up for each plan participant (a SEP-IRA). A SEP-IRA account is a traditional IRA and follows the same investment, distribution, and rollover rules as traditional IRAs.

**Savings Incentive Match Plan for Employee (SIMPLE) IRA.** A SIMPLE IRA plan (s) allows employees and employers of small businesses (businesses with 100 or fewer employees and self-employed individuals) to contribute via salary deferral and employer contributions to an IRA account. A SIMPLE IRA plan does have specific requirements, including that the employer does not maintain another retirement plan, and that the employer election to match employer contributions must be done on an annual basis and cannot be changed until the next year.

**Individual (Solo) 401(k).** The Individual (Solo) 401(k) plan is a traditional 401(k) plan covering a business owner with no employees, or that person and his or her spouse. These plans have the same rules and requirements as other 401(k) plans.

## VIII. ACCOUNT INVESTMENT OBJECTIVE

The investment objective, along with other factors, will help determine a suitable investment strategy. If your account is a retirement account [such as an IRA, 403(b), 457, 401(k)], we may assume your primary investment objective is Retirement Accumulation (RA). If your account is a 529 Education Savings Plan or Coverdell Education Savings Account, we may assume your primary investment objective is Educational Savings (ES). For all other accounts, the primary investment objective may be assumed as Asset Accumulation/Growth (AA), unless otherwise specified by you. If at any time you would like to revise your account's investment objective, please contact your FP. The objectives are defined as follows:

- **Retirement Accumulation (RA):** Seeking account appreciation to satisfy your retirement needs.
- **Educational Savings (ES):** Seeking account appreciation to satisfy educational needs for your children or other family members.
- **Current Income (CI):** Seeking a stream of current income for immediate financial needs.
- **Growth & Income/Balanced (GI):** Seeking current income generation and account appreciation for both immediate and long-term financial needs.
- **Asset Accumulation/Growth (AA):** Seeking account appreciation to add wealth.
- **Speculation (SP):** Seeking to maximize account appreciation and are willing to accept above-average market volatility and losses.

## IX. ACCOUNT RISK TOLERANCE

Investing involves risk. Different investment products and strategies involve different degrees of risk. The higher the expected return of a product or strategy, the greater the risk that you could lose a significant part of your investment. When choosing the Account Risk Tolerance Level, first consider your personal tolerance for market fluctuation. Then, consider your investment objective, time horizon and liquidity needs for the assets in the account.

- **Conservative (Low):** A conservative investment account seeks to minimize volatility rather than to seek appreciation. Generally this investment account seeks to minimize market risk and loss, which may result in performance that is less than the rate of inflation.
- **Moderately Conservative:** A moderately conservative investment account would experience a small degree of market risk or volatility to achieve some degree of appreciation. This investment account may experience some loss.
- **Moderate (Medium):** A moderate investment account seeks to balance market risk and volatility with expected returns. This investment account may experience some losses in exchange for the potential of long-term gains.
- **Moderately Aggressive:** A moderately aggressive investment account primarily seeks higher long-term returns and has the likelihood for significant volatility. This investment account may experience large losses in exchange for the potential of higher long-term gains.
- **Aggressive (High):** An aggressive investment account seeks to maximize returns and may experience a very high degree of volatility. This investment account has the potential to deliver significant losses as well as significant long-term gains.

## X. TAX AND LEGAL ADVICE

The Lincoln Investment Companies do not provide tax or legal advisory services and no one associated with The Lincoln Investment Companies is authorized to render such advice as a service provided through The Lincoln Investment Companies. Investors are encouraged to consult their tax and/or legal advisor to determine the appropriate tax/legal treatment of their transactions.

## XI. CHECK HANDLING

For your safety and protection and to ensure prompt processing of your investments, make your investment checks payable to the applicable product sponsor or custodian entity (Lincoln Investment, Pershing LLC or the applicable custodian and/or fund/insurance company) and never to your FP and/or his/her business entity. Furthermore, your check may be held by us for up to seven (7) business days after receipt of a complete and correct application by an Office of Supervisory

Jurisdiction in order to complete the firm's account opening processes in compliance with applicable FINRA, SEC and Anti-Money Laundering rules.

## **XII. SALES OF SECURITIES ON MILITARY INSTALLATIONS TO MEMBERS OF THE U.S. ARMED FORCES**

The securities offered are not being offered or provided by Lincoln Investment on behalf of the federal government, nor are they sanctioned, recommended, or encouraged by the federal government. Securities are offered through Lincoln Investment, Broker-Dealer, Member FINRA/SIPC.

## **XIII. TRUSTED CONTACT PERSON**

By choosing to provide information about a Trusted Contact Person (TCP), you authorize us and your FP, although not obligated, to contact the TCP(s) provided and disclose information about your account to that person(s) in the following circumstances: to address possible financial exploitation or fraud, to confirm the specifics of your current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or in cases where the firm has been asked to conduct activity in your account and the firm has reasonable belief that you may be the subject of financial exploitation. The TCP must be age 18 or older and not someone authorized to transact business on your account. Naming someone a TCP does not allow that person to transact business on your behalf, nor to receive your confidential information regarding account holdings, such as account numbers, values, balances, etc. We also advise that you name two (2) TCPs in the event one of the TCPs is unavailable. You may change your TCP at any time by notifying us or your FP. The TCPs provided will apply to all accounts held at the firm. To learn more, visit <https://www.finra.org/investors/learn-to-invest/brokerage-accounts/establish-trusted-contact>.

# **EDUCATION**

## **I. RISKS ASSOCIATED WITH INVESTING**

While we will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult the prospectus or offering memorandum for a discussion of risks and costs associated with the particular security, if applicable.

## **II. IMPACT OF COST ON PERFORMANCE**

All investments have costs. Money you spend in costs compounds (rises exponentially) over the time you hold your investment. You should pay attention to the upfront costs when selecting your investment, as well as to any ongoing operating expenses. Because investments with higher costs have to overcome these expenses, their performance tends to be lower vs. lower-cost investments. For instance, when purchasing mutual funds, lower cost funds on average are more likely to generate higher performance net of fees than high cost funds. You should consider costs as part of your overall investment strategy.

## **III. DOLLAR COST AVERAGING**

Dollar cost averaging is an investment strategy designed to help reduce volatility in which securities are purchased in fixed-dollar amounts at regular intervals, regardless of the direction in which the market is moving. Thus, as prices of securities rise, fewer shares/units are bought, and as prices fall, more share/units are bought. A plan of regular investing does not assure a profit or protect against loss in a declining market. You should consider your financial ability to continue your purchase through periods of fluctuating price levels.

## **IV. DIVERSIFICATION**

Diversification is a portfolio strategy designed to help reduce exposure to market risk by combining a variety of investments which are unlikely to all move in the same direction. Diversification helps reduce both the upside and downside swings within the portfolio and allows for more consistent performance under a wide range of economic conditions. In an effort to meet diversification needs and goals, you may not qualify for breakpoint-sales-charge reductions that may otherwise be available. Furthermore, you should understand that there is no assurance that a diversified portfolio will produce better returns than an undiversified portfolio, nor does diversification assure against market loss.

## **V. MUTUAL FUNDS**

We do not make all mutual funds available to you. We use a review process to determine what mutual funds we make available. Prior to making a mutual fund available, the fund is screened to make sure it is appropriate for at least some investors at the Firm. Mutual funds are assessed based on a number of factors, including, but not limited to, cost, risk, discipline, leverage, longevity of the fund and the amount of assets in the fund. Mutual funds that we believe will fit into a well-diversified portfolio without excessive cost or excessive risk for their category are made available through us.

When your FP makes a recommendation to you, your FP will understand the potential risks, rewards, and costs associated

with the recommendation and then consider those risks, rewards, and costs in light of your investment profile, and have a reasonable basis to believe that the recommendation is in your best interest and does not place our interests ahead of your interests.

### **Share Values Fluctuate**

Shares, when redeemed, may be worth more or less than the total invested, depending on the market value of the securities in the investment at that time. While redemptions may be made at any time, because of the costs and charges, mutual funds may not be considered appropriate for short-term needs. Yields and returns change and are not guaranteed. These securities are not FDIC insured.

### **Mutual Funds in Brokerage Accounts**

Before investing in mutual funds, it is important that you understand the sales charges, expenses, and management fees that you will be charged, as well as the breakpoint discounts to which you may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying an appropriate investment for your particular needs and may help you reduce the cost of your investment. The information herein is intended to give you general background information about these charges and discounts. However, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund. Therefore, you should discuss these issues with your FP and review each mutual fund's prospectus and statement of additional information, which are available from your FP, to get the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund.

### **Sales Charges**

Purchasing mutual funds involves making certain choices, including which funds to purchase and which share class is most advantageous. Each mutual fund has a specified investment strategy. You need to consider whether the mutual fund's investment strategy is compatible with your investment objectives. Additionally, most mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge you different fees and expenses depending upon your choice of share class. In making a recommendation, the FP will take into consideration the time horizon of the investment and the objectives of the account in determining the appropriate share class being recommended.

### **Class "A" Shares**

Class A shares are sold with an up-front sales charge. When anticipating a long-term holding period (6+ years) and/or a lump sum investment, Class A shares may be considered most appropriate for investments of \$100,000 or more. Volume discounts (breakpoints) are available on the sales charge as the size of your account and any related account holdings increase. Class A shares have a lower internal expense relative to Class C shares; therefore, when investing \$50,000 or more, Class A shares will generally start to outperform the "C" share alternative between the 5th and 10th year. The standard Class A share maximum sales charge is 5.75%.

**Discounts:** If choosing Class A shares, you must also complete Lincoln Investment's Request for Reduced Sales Charges on Class A Shares Form or the applicable fund family's application form to receive eligible sales charge discounts.

### **Class "C" Shares**

Class C shares are available for investments up to \$500,000 to \$1M, depending upon the fund family in which you are investing and at what investment level the fund provides Class A shares with a sales charge waiver. **With a few exceptions, Class C shares generally do not convert to Class A shares and the industry average expense ratio is typically higher than that of Class A shares by approximately 0.75%; therefore, for account sizes of \$100,000 or more, Class C shares will typically under-perform relative to Class A shares starting in the 5th year. Some Class C shares will automatically convert to the lower expense Class A share 10 years after their original purchase date.** Class C shares are most appropriate for small investment amounts and may be considered appropriate for short holding periods and/or if you are seeking the flexibility of transferring assets across mutual fund families. The broker-dealer receives from the mutual fund company a maximum 1% fee based on asset value on Class C share assets each year after the first 13 months. This fee is typically shared with the FP. No sales charge discounts are available, and Class C shares may charge a CDSC if the investment is redeemed within a certain time period.

### **Replacing Investments**

It is not the policy of Lincoln Investment to recommend replacing investments unless, having considered all fees involved, you believe that your investment or personal objectives will be better served. Be sure your FP has informed you of the costs and conditions that may be involved with replacing investments. Be sure to review the investment options of both the current and the proposed investment and understand that an exchange within the existing fund family into a different fund may be completed without incurring the costs involved in a replacement.

## SUMMARY OF SHARE CLASS DIFFERENCES TYPICALLY OFFERED IN BROKERAGE ACCOUNTS

(as of April 2022)

Share Class	A	C
Initial Up-Front Sales Charge paid by Investor (maximum 5.75%)	Yes	Some
Contingent Deferred Sales Charge	No	Yes (typically charged 12-18 mos after purchase)
Industry Average Mutual Fund Internal Expense Ratio	1.09%	1.84% (0.75% higher expense than Class A)
Shares Convert to Class A Shares After a Stated Time Period	N/A	Generally do not, but some funds do
Sales Charge Volume Discounts Available	Yes	No
Average Sales Charge Paid to Broker-Dealer	4.00%	1.00%
Annual Asset-Based Service Fee Paid to Broker-Dealer on Assets	Average 0.23%	Average 0.95%

A few fund companies offer Class B shares; however, Lincoln Investment does not offer Class B shares for purchase. Each Class B share purchase has no up-front sales charge but instead will charge a contingent deferred sales charge (CDSC) that declines over time if the investment is redeemed within a stated time period. Class B share purchases do not have the benefit of breakpoint/volume discounts; therefore, they are generally not appropriate for investments over \$100,000. The industry average expense ratio for Class B shares exceeds that of Class A shares by approximately 0.75%. Typically, the higher internal cost and the CDSC will affect the performance of the fund relative to the Class A share alternative until the Class B shares convert to Class A shares. Class B shares will convert to Class A shares typically 6-8 years after purchase without an additional sales charge.

### Breakpoint Discounts

In general, most mutual funds provide breakpoint discounts to investors who make large purchases at one time. The extent of the discount depends upon the size of the purchase. Generally, as the amount of the purchase increases, the percentage used to determine the sales charge decreases. In fact, the entire sales charge may be waived for investors that make very large purchases of Class A shares (typically \$1 million or more). Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, most mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through “rights of accumulation,” and future purchases, based upon “letters of intent.” However, mutual funds have different rules regarding the availability of rights of accumulation and letters of intent. Therefore, you should discuss these issues with your FP and review the mutual fund prospectus to determine the specific terms upon which a mutual fund offers rights of accumulation or letters of intent.

- **Rights of Accumulation:** Many mutual funds allow investors to count the value of previous purchases of the same fund, or another fund within the same fund family, with the value of the current purchase, to qualify for breakpoint discounts. Moreover, mutual funds allow investors to count existing holdings in multiple accounts, such as IRAs or fund assets at other broker-dealers, to qualify for breakpoint discounts. Therefore, if you have accounts at other broker-dealers and wish to take advantage of those balances to qualify for a breakpoint discount, you must advise your FP and provide documentation of these mutual fund holdings.

In addition, many mutual funds allow investors to count the value of holdings in accounts of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other’s holdings to qualify for breakpoint discounts. You should consult with your FP or review the mutual fund’s prospectus or statement of additional information to determine what these rules are for the fund family in which you are investing. If you wish to rely upon the holdings of related parties to qualify for a breakpoint discount, you should advise your FP and provide the necessary documentation.

Mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current net asset value (NAV) of existing investments and some use public offering price (POP) in determining whether an investor qualifies for a breakpoint discount. However, a small number of funds use the historical cost, which is the

cost of the initial purchase, to determine eligibility for future breakpoint discounts. If the mutual fund uses historical costs, you may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your FP and review the mutual fund's prospectus to determine whether the mutual fund uses either NAV, POP or historical costs to determine breakpoint eligibility.

- **Letters of Intent:** Most mutual funds allow investors to qualify for breakpoint discounts by signing a letter of intent, which commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. For example, if an investor plans to purchase \$50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign a letter of intent at the time of the first purchase and receive the breakpoint discount associated with the \$50,000 investment on the first and all subsequent purchases. Additionally, some funds offer retroactive letters of intent that allow investors to include purchases in the past 90 days to qualify for a breakpoint discount; however, if an investor fails to invest the amount required by the letter of intent, the fund is entitled to retroactively deduct the correct sales charge based upon the amount that the investor actually invested. If you intend to make several purchases within a 13-month period, you should consult your FP and the mutual fund prospectus to determine if it would be beneficial for you to sign a letter of intent.

As you can see, understanding the different share classes that are offered and the availability of breakpoint discounts is important because it may allow you to purchase Class A shares at a lower sales charge. The availability of breakpoint discounts may save you money and affect your decision regarding the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts with your FP and carefully review the mutual fund prospectus and its Statement of Additional Information. If you would like to learn more about mutual fund share classes or mutual fund breakpoints, you may wish to review the investor alerts available on FINRA's website at [www.finra.org](http://www.finra.org) or visit the many mutual fund websites available to the public.

### **Sales Charge Waivers**

Most fund families also offer sales charge waivers associated with the purchase of their mutual funds. Each fund family has its own specific conditions and restrictions in determining the types of accounts and transactions that may be eligible for a sales charge waiver. The availability of sales charge waivers is disclosed in the prospectus and/or Statement of Additional Information. Some common situations where sales charge waivers are offered include:

- Mutual fund exchanges (i.e., an investor sells one fund and simultaneously purchases another fund within the same fund family);
- Reinstatement privileges (i.e., an investor reinvests the proceeds from an earlier redemption of a specific share class in the same fund or fund family);
- Purchases made by current or former industry professionals (e.g., registered representatives) and their family members; and
- Purchases made in employer-sponsored retirement plans or accounts.

**Exchanges:** Most fund families offer a right to exchange holdings of a fund within that fund family for another fund within the fund family, without an additional sales charge. Various conditions and restrictions may apply, depending on the fund family and are outlined within the prospectus. Some of those conditions and restrictions relate to:

- Time frame (e.g., shares must be held for a specific time period prior to the exchange)
- Exchanges may be limited to the same share class
- Exchanges may be limited to a maximum number per year
- Fees may be charged for certain exchanges

**Reinstatement Privilege:** Some fund families offer a reinstatement feature, which permits an investor that previously owned shares in a fund to repurchase shares in the same fund (or in another fund within the same fund family) without paying an additional sales charge. Some restrictions may apply; for instance, there may be a time limit (e.g., six months or a year from the date of the initial sale) within which the reinstatement feature must be exercised or it is lost. Funds may also limit the use of their reinstatement feature by an investor to one time for any given group of shares. Contingent deferred sales charges, paid by an investor at the time of sale, may be reimbursed upon reinstatement, depending upon the terms stated in the prospectus. Additionally, some fund families permit reinstatement at net asset value if the monies being reinstated are coming from the sale of shares from a different fund family where the investor previously paid a sales charge.

**Retirement Plans:** Some fund families offer sales charge waivers to specific account types such as qualified retirement plans (including 401(a), 401(k), 403(b), 457 and other similar plans) or retirement plan participants. If the FP determines to be compensated for the advice they are providing to you for your brokerage account, they will recommend a fund that offers a sales concession over one that offers a sales charge waiver.

## Expense Ratio

Another factor that should be considered before investing in a mutual fund is the underlying costs associated with your anticipated investment, or the fund's Expense Ratio. The Expense Ratio of a fund is disclosed in the fund's prospectus and annual reports and generally reflects the annual operating costs of the fund, assessed as a percentage of a fund's average assets. The Expense Ratio within a mutual fund share class can fluctuate from what is shown in a prospectus for the fund offering and annual report and can vary over time and from year to year. A fund that was deemed to have a lower Expense Ratio at the time of purchase may not actually maintain that Expense Ratio during the time that the fund is held, and new fund share classes may become available with different Expense Ratios. The fund's Expense Ratio, the length of time you expect to hold the investment and how much you intend to invest, will all directly affect the performance of the fund. Overall, equity funds have a higher Expense Ratio relative to bond funds.

Mutual funds will have varying Expense Ratios based upon the type of asset held, trading activity and management discipline. Below are examples of Expense Ratios by general asset class:

- Equity mutual funds internal expense ranges between 0%-3.0%, with an average expense of 1.11%
- Allocation mutual funds (combination of mutual funds that invest a percentage of their assets in equities and fixed income, as well as includes target date funds) internal expense ranges between 0%-3.0%, with an average expense of 0.90%
- Fixed Income mutual funds internal expense ranges between 0%-2.5%, with an average expense of 0.84%
- Alternatives/Commodities/Convertible mutual funds internal expense ranges between 0%-3.75%, with an average expense of 1.37%

## How the Hypothetical Results Compare

The tables below show the values of hypothetical investments with a hypothetical 5% annual rate of growth using different share classes. Actual results will vary. As you will note, the share class decision, the length of time you expect to hold the investment and how much you intend to invest, will all directly affect the performance of your investment.

Values of hypothetical \$10,000 investment: Shading indicates best performing share class for time period.			
Hold Period	1 Year	5 Years	10 Years
Class A shares (with 5.75% up-front sales charge)	\$9,896	\$12,029	\$15,352
Class C shares	\$10,427	\$12,325	\$15,191

Values of hypothetical \$50,000 investment: Shading indicates best performing share class for time period.			
Hold Period	1 Year	5 Years	10 Years
Class A shares (with 5.75% up-front sales charge)	\$49,481	\$60,145	\$76,762
Class C shares	\$52,135	\$61,626	\$75,956

Values of hypothetical \$100,000 investment: Shading indicates best performing share class for time period.			
Hold Period	1 Year	5 Years	10 Years
Class A shares (with 5.75% up-front sales charge)	\$98,963	\$120,290	\$153,523
Class C shares	\$104,270	\$123,253	\$151,913

*As of April 2022*

*Investors should review carefully the investment objectives, risks, charges, expenses and other important information that is contained in the prospectus and/or Statement of Additional Information, which can be obtained from your FP and should be read carefully before investing.*

*These tables compare hypothetical investments in an equity fund with all distributions reinvested and are not meant to illustrate actual results. Class A share results were calculated using a net return of 5% (after all fees and expenses deducted) and reflect payment of appropriate front-end sales charges. Class C share results were calculated using a 4.28% return which represents a 5% Class A share return (after expenses) adjusted for typical additional expenses of 0.75%.*

## Mutual Funds in Advisory Accounts

Below is general information associated with purchasing mutual funds in an advisory account. For more detailed information, please see the Lincoln Investment or Capital Analysts Form ADV Part 2A and Appendix I.

**Net Asset Value:** All funds in an advisory account are purchased at net asset value, which means there are no up-front or back-end sales charges. On some platforms, however, there may be a transaction (ticket) charge for certain mutual fund purchases. Check with your FP to determine if a ticket charge will apply.

**Share Class:** Share class selection for your advisory accounts will be based on a range of factors. We do not make all share classes available to your advisory accounts. For more detailed information, please see the Lincoln Investment or Capital Analysts Form ADV Part 2A and Appendix I.

**Expense Ratio:** Another factor that should be considered before investing in a mutual fund is the underlying costs associated with your anticipated investment, or the fund's Expense Ratio. The fund's Expense Ratio, the length of time you expect to hold the investment and how much you intend to invest, will all directly affect the performance of the fund relative to the share class decision. Overall, equity funds have a higher Expense Ratio relative to bond funds. Please see the Expense Ratio section for Brokerage Accounts for further details, including Expense Ratios of various mutual fund categories.

## VI. TREASURY BILLS/NOTES

Treasury bills/notes are negotiable debt obligations issued by the U.S. government and backed by its full faith and credit. Treasury bills have a maturity of one year or less; treasury notes have a maturity between 1 and 10 years. If not held to maturity, principal will fluctuate and may be worth more or less. Guarantee applies only to the timely payment of principal and interest and does not pertain to the portfolio, mutual fund, or variable annuity holding such securities.

## VII. MUNICIPAL BONDS

A municipal bond is a bond issued by a city or other local government, or their agencies. Potential issuers of municipal bonds include cities, counties, redevelopment agencies, special-purpose districts, school districts, public utility districts, publicly owned airports and seaports, and any other governmental entity (or group of governments) below the state level. Municipal bonds may be general obligations of the issuer or secured by specified revenues. Interest income received by holders of municipal bonds is often exempt from federal income tax and from the income tax of the state in which they are issued, although municipal bonds issued for certain purposes may not be tax exempt. Key information about new issues of municipal bonds (including, among other things, the security pledged for repayment of the bonds, the terms of payment of interest and principal of the bonds, the tax-exempt status of the bonds, and material financial and operating information about the issuer of the bonds) typically is found in the issuer's official statement. Official statements generally are available, at no charge, from the Electronic Municipal Market Access system (EMMA) at [www.emma.msrb.org](http://www.emma.msrb.org) operated by the Municipal Securities Rulemaking Board (MSRB), the municipal bond market regulator. For most municipal bonds issued in recent years, the issuer is also obligated to provide continuing disclosure to the marketplace, including annual financial information and notices of the occurrence of certain material events (including notices of defaults, rating downgrades, events of taxability, etc.). Continuing disclosures also are available for free from the EMMA continuing disclosure service.

## VIII. BOND FUNDS

A bond fund is comprised of debt securities issued by governments and government agencies, corporations and municipalities. Bond fund underlying investments are essentially lending money (principal) to that entity (issuer) for a certain period of time (term). In exchange, the issuer promises to repay the principal on the maturity date and in exchange you receive interest on your investment. Bond funds market value may rise or fall depending on economic conditions. Although bond funds may pay higher yields than other fixed income investments (sometimes due to the fact that they may contain a high proportion of less-than-investment grade bonds [so-called junk bonds]), it does not negate the fact that the market value of all bonds fluctuates. Their net asset values are sensitive to interest rate movements (a rise in interest rates can result in a decline in value of the investment) and other factors. Therefore, upon redemption, your share value may be worth more or less than your original investment.

## IX. SMALL AND MID-CAP FUNDS

Small and mid-cap funds are classified by the underlying company's market capitalization (the "cap" in small and mid-cap), but generally can be defined by a company's annual revenue. Small and mid-cap funds may be subject to a higher degree of risk than larger, more established companies, including higher risk of failure and higher volatility. The illiquidity of the small and mid-cap markets may adversely affect the value of these investments, so those shares, when redeemed, may be worth more or less than their original cost.

## X. SECTOR FUNDS

A sector fund is a mutual fund which invests entirely or predominantly in the securities of a single sector, or broad industry group, to which it belongs (for example: communication services, energy, health care and technology). Investing in a particular sector means you are concentrating your investments in one specific area of the market. An investment concentrated

in sectors and certain industries may involve greater risk and volatility than a more diversified investment.

## **XI. EXCHANGE TRADED FUNDS**

Traditional exchange traded funds (ETFs) are typically registered as unit investment trusts (UITs) or open-end investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Some ETFs that invest in commodities, currencies or commodity- or currency-based instruments are not registered as investment companies. Unlike traditional UITs or mutual funds, shares of ETFs typically trade throughout the day on an exchange at prices established by the market. These ETFs are not managed by the issuer.

Non-traditional “leveraged” ETFs seek to deliver multiples of the performance of the index or benchmark they track. Some leveraged ETFs are “inverse” or “short” funds, meaning that they seek to deliver the opposite of the performance of the index or benchmark they track. Some funds are both short and leveraged, meaning that they seek to achieve a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts and other derivative investments, which expose the ETF, and you, to additional risks.

Due to the effect of mathematical compounding in a leveraged or inverse ETF, holding this type of investment for more than a day can produce returns that differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. The effect can be magnified in volatile markets; therefore, they are not suitable for every investor. Investments in leveraged and/or inverse ETFs may be susceptible to higher degrees of risk exposure than other equity securities products. Accordingly, you may lose some or all of your initial principal investment in these securities. While there may be trading and hedging strategies that may justify holding these investments longer than a day, if you are a buy-and-hold investor with an intermediate or long-term time horizon, you should carefully consider whether leveraged and/or inverse ETFs are appropriate for your portfolio as they may not be appropriate for investors who do not actively monitor and manage their portfolio.

Leveraged and/or inverse ETFs may be more costly than traditional ETFs and may also be less tax-efficient, in part because daily resets can cause the ETF to realize significant short-term capital gains that may not be offset by a loss. The average internal expense ratio for an alternative ETF (leveraged or inverse) is 0.93% compared to a traditional equity ETF average internal expense of 0.47% and a traditional fixed income ETF average internal expense of 0.31%. Please consult with your qualified tax advisor about your particular situation and the consequences of investing in a leveraged and/or inverse ETF.

We do not recommend leveraged ETFs and will only accept an unsolicited buy order for an investor in 2x leveraged. We do not accept 3x leveraged orders. Please consult the prospectus for any ETF we recommend for a discussion of risks and costs associated with the particular ETF.

## **XII. INTERNATIONAL INVESTING**

International investing includes stocks and bonds of companies outside the United States. International investing involves special risks including, but not limited to, the possibility of substantial volatility due to currency fluctuation and political uncertainties.

## **XIII. MONEY MARKET FUNDS**

A money market fund is an open-end mutual fund. These funds invest in short-term (one day to one year) debt obligations such as treasury bills, certificates of deposit, and commercial paper. The main goal is preservation of principal, accompanied by modest dividends. The fund’s net asset value strives to remain a constant \$1.00 per share to simplify accounting, but the interest rate does fluctuate. Money market funds are very liquid investments. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

## **XIV. 529 EDUCATION SAVINGS PLANS**

529 Education Savings Plans (529 Plans) allow you to contribute to an investment account set up specifically to pay your beneficiary’s qualified higher education expenses, such as tuition, fees, books supplies, and room and board. In addition, The Tax Cuts and Jobs Act that was signed into law on December 22, 2017 allows for up to \$10,000 a year per beneficiary in tax free distributions from a 529 Plan if used for tuition incurred for enrollment or attendance at a public, private, or religious elementary or secondary school. Check with the sponsor of your 529 Plan prior to withdrawing funds, for elementary or secondary school expenses as states will first need to update their own tax codes in order to allow the 529 Plan sponsors to maintain all the existing tax benefits of saving in a 529 Plan account if using the money for elementary or secondary school education. Participation in a 529 Plan does not guarantee that contributions and investment return, if any, will be adequate to cover future tuition and other education expenses or that a beneficiary will be admitted to or permitted to continue to attend an educational institution. Contributors to the program assume all investment risk, including potential loss of principal and liability for penalties such as those levied for non-educational withdrawals. Depending upon the laws of the home state of the contributor or designated beneficiary, favorable state tax treatment or other benefits offered by such home state for investing in 529 Plans may be available only if the contributor invests in the home state 529 Plan. Any

state-based benefit offered with respect to a particular 529 Plan should be one of many appropriately weighted factors to be considered in making an investment decision.

Assets in a 529 Plan can potentially reduce the beneficiary's ability to qualify for some forms of financial aid. You should consult with your financial, tax or other adviser to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances, and you also may wish to contact your home state or any other 529 Plan to learn more about the features, benefits and limitations of your state's 529 Plan.

Information about the designated beneficiary selected for the 529 Plan, including (among other things) information regarding the age of the beneficiary and the number of years until funds will be needed to pay qualified education expenses of the beneficiary, are important to consider. In many cases, the same investment options in a 529 Plan are available with different commission structures. For example, a Class A share may have a front-end load, a Class B share may have a contingent deferred sales charge or back-end load that reduces in amount depending upon the number of years that the investment is held, and a Class C share may have an annual asset-based charge. Therefore, the account's investment objective—particularly, the size of the initial investments and the number of years until the first anticipated withdrawal for educational purposes is expected to be made—can be a significant factor in determining which share class would be suitable for this investment. In addition, breakpoint discounts on Class A share purchases are often available and should be an additional consideration when determining the appropriate share class. In general, Class A shares will result in the lowest total cost for beneficiaries under 12 years old if the account's intended purpose is to help fund college education expenses and will not be used for primary or secondary education expenses. Other factors to take into consideration when selecting a share class are the differences in the internal expenses of each share class and whether the share class you are considering converts to a lower expense share class after a certain holding period. Choosing the right share class depends on a number of factors, such as whether you will be making a single lump sum deposit to the account, whether you will be making periodic or systematic deposits over years to the account, the amount of the deposits and when you anticipate first accessing the funds for the beneficiary's education expenses. 529 Plan product sponsors may offer the investor to rollover assets from another qualified tuition program (i.e., 529 Plan) at no sales charge (NAV purchase). Investors who are rolling over assets from another 529 Plan where the new 529 Plan offers this privilege, will either be invested in Class A shares at NAV or a rollover share class (e.g., AR Share Class) depending on the plan.

The Financial Industry Regulatory Authority (FINRA) has 529 Plan educational information available to help investors navigate their options and provide tips and tools along the way, which can be accessed on their website (<https://www.finra.org/investors/learn-to-invest/types-investments/saving-for-education>).

Although, on the surface, it may appear that a transfer from a Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) account to a 529 Plan could only be a “win-win” situation (e.g., no longer need to pay current taxes on earnings; higher contribution limits, etc.), there are significant tax and legal considerations that you should review before making this type of transfer.

- Because the custodian of a UGMA/UTMA must first sell the assets in the UGMA/UTMA account, the sale of the UGMA/UTMA assets will be taxable.
- When the custodian invests the proceeds of a UGMA/UTMA, the beneficiary of the 529 Plan account must be the same as the beneficiary of the UGMA/UTMA account and cannot be changed.
- Upon receipt of notification that the beneficiary has reached the age of majority (18 or 21 in most states), the beneficiary of the 529 Plan will become the account owner. Be aware that financial aid may be impacted due to the fact that this becomes an asset of the beneficiary.

Complete information, including a description of fees, expenses and risks, is found in the issuer's official offering statement or program description. These official disclosure statements generally are available, at no charge, from the Electronic Municipal Market Access system (EMMA) at [www.emma.msrb.org](http://www.emma.msrb.org) operated by the Municipal Securities Rulemaking Board (MSRB), the municipal fund securities market regulator. Continuing disclosures also are available for free from the EMMA continuing disclosure service.

We also encourage you to go to the College Savings Plan Network website at [www.collegesavings.org](http://www.collegesavings.org) to view information on all fifty states' college savings plans, including links to each state's 529 Plan issuer's website. Consider the place of various education planning vehicles in the context of the overall financial plan with the appropriate professional(s).

## **XV. VARIABLE ANNUITIES**

Before you invest in a variable annuity, it is important that you understand the following material features: (1) the surrender period; (2) potential surrender charge; (3) potential tax penalty if you sell or redeem the variable annuity before you reach the age of 59 ½; (4) mortality and expense fees; (5) asset management fees; (6) charges for and features of enhanced riders, if any; (7) the insurance and investment components of the variable annuity; and (8) market risk. Understanding these issues will assist you in identifying whether or not a variable annuity and/or a particular type of variable annuity is right for your particular needs.

The information below is intended to give you general background information about various variable annuity features;

however, these features will vary from variable annuity to variable annuity. Therefore, you should discuss these issues with your FP and review each variable annuity's prospectus and statement of additional information regarding the specific costs and conditions associated with a particular variable annuity.

### **Variable Annuity Features**

A variable annuity is a contract that offers the following basic features not commonly found in mutual funds:

- Annuity payout options that can provide guaranteed income for life (annuitization).
- Guaranteed death benefit (may not be available on all contracts or after a certain age).
- Tax-deferred treatment of earnings. If your annuity is a tax-qualified retirement plan (e.g., 403(b), IRA, etc.), this tax-deferred accrual feature is already provided by the tax-qualified retirement plan; therefore, is not a benefit of the annuity.
- Many, but not all, insurance companies provide for limited withdrawals that are free of surrender penalties. Please be aware that these withdrawals will reduce the contract value and the value of any income and death benefit. Withdrawals may be included in taxable income and subject to a 10% federal tax penalty.
- Additional features, including living benefit guarantees, differ by product.
- Free-look period whereby you may terminate the contract without surrender charge. This free-look period begins the day you receive your contract; the period varies by insurance company and state, but generally the average is 10 days.

### **Expenses (Internal Costs)**

Another factor that should be considered before investing in a variable annuity is the underlying costs associated with your anticipated investment, such as the Annual Base Contract charges (includes mortality and expenses, and administrative fees), sub-account expenses, and any additional rider expenses (if selected). The Annual Base Contract fee ranges between 0%-2.10%, depending on the annuity chosen to purchase and is fixed for the life of the contract. The sub-account fees range between 0%-2.38%, depending on the sub-accounts selected. Sub-account expenses within an annuity can fluctuate from what is shown in a prospectus and can vary over time and from year to year. A sub-account that was deemed to have a lower expense at the time of purchase may not actually maintain that expense during the time that the sub-account is held. Overall, equity sub-accounts have a higher expense relative to bond sub-accounts. All expenses are disclosed in the variable annuity's prospectus.

### **Comparison to Mutual Fund Investing**

- Sub-accounts, found on all variable products, are a series of investment choices similar to, but not the same as, mutual funds.
- Costs of annuities are typically higher than those of mutual funds, and therefore will have an impact on the long-term performance of your investment.
- While a sub-account may have a name similar to a mutual fund, it is not the same pool of funds and may experience different performance than the mutual fund of the same or similar name.

### **Non-Qualified Account Issues**

- Annuity withdrawals (earnings but not principal) are taxed at ordinary income rates, rather than the lower capital gain rates.
- Earnings withdrawn prior to age 59 ½ are subject to 10% tax penalty.
- Most variable annuities do not receive a "step-up" in cost basis when the owner dies.
- Residents of certain states are subject to state premium tax (e.g., CA, FL, ME, NV, SD, WV, WY).

### **Insurance Company Financial Ratings**

- Insurance company guarantees are subject to the claims-paying ability of the issuing insurance company; therefore, the ongoing financial strength of the insurance company plays an important role in your investment. The financial ratings of the issuing insurance company do not apply to any non-guaranteed sub-accounts that will fluctuate in response to market conditions and other factors.

### **Long Term Investment/Illiquidity**

- Variable annuities are considered illiquid and are generally designed to be a long-term investment. You should ensure that you have sufficient funds from other sources to meet your liquidity needs in excess of the unrestricted withdrawals offered by the contract.
- Withdrawals, in excess of any free withdrawals, may subject you to charges.
- Earnings withdrawn prior to age 59½ may be subject to a 10% tax penalty.
- Early withdrawals (including liquidations free of withdrawal charges) may affect your guaranteed benefits.

## Replacing Investments

- It is not the policy of Lincoln Investment to recommend replacing investments unless, having considered all fees involved, you believe that your investment or personal objectives will be better served. Be sure your FP has informed you of the costs that may be involved with replacing investments. Be sure to review the investment options of both the current and the proposed investment, and understand that an exchange within the existing variable annuity into a different sub-account may be completed without incurring the costs involved in a replacement.

## Risk of Investing – Unit Value of Sub-Accounts Fluctuate

- Investments in sub-accounts are subject to market risk. Please ensure that the sub-accounts you have selected are in alignment with your risk tolerance. When you redeem, you may receive more or less than the amount you invested, depending on the market value less any withdrawal charges at that time. Yields and returns fluctuate and are not guaranteed; therefore, sub-account values will also fluctuate accordingly and are not guaranteed.
- Special Benefits (Living Benefits, Enhanced Death Benefits, Bonus Benefits, etc.)
- The availability and conditions of these benefits may be different with each variable annuity contract. With some contracts, the features are optional, while with others, the features are not available or are built into the basic costs. **All require that certain conditions are met prior to receiving the benefit (e.g., require annuitization, only payable as a death benefit, available after investment is held for a specified period, payout required over a specified period, etc.).** Please review the prospectus for the specific conditions and costs of each feature.
- Variable annuities with bonus credits generally carry higher expenses and surrender charges, and typically have longer surrender-charge periods, which may outweigh the benefit of the bonus credit offered. A bonus may only apply to the initial premium payment, or to premium payments you make within the first year of the annuity contract. Further, under certain circumstances, some annuity contracts may reduce or eliminate bonus payments made to you.
- The long-term advantage of the optional benefits will vary due to the investment performance and length of time the annuity is held.

## Fixed Account Option

- Most insurance companies hold the assets deposited in the fixed-account option in a general account. The guaranteed return is backed by the financial strength of the insurance company. The ability for the insurance company to meet this guarantee depends on its continued financial strength.

## Short/No Surrender Charge Schedule

- The average surrender charge schedule for variable annuities may be between 5-8 years. Some annuities may offer shorter surrender charge periods for an additional charge. They may range from having no surrender charge (may be called a “C-Share”) to a surrender charge schedule of between 1-4 years (may be called an “L-Share”). In return for the increased liquidity, as compared with some longer surrender charge schedules, the internal fees of the contract may be higher and generally do not decrease with the passage of time. When purchasing an optional long-term income rider in a short/no surrender charge contract and you choose to hold the annuity longer than the surrender charge period, the cost you paid for the shorter surrender option does not decrease; therefore, you will pay higher fees for the life of the contract. Furthermore, if you surrender the contract early (which is the benefit of the short/no surrender contract), you forfeit the benefits and the additional cost paid for the optional riders purchased. The overall performance of your contract will be impacted by the fees you pay. You should consider the total costs and benefits when purchasing an annuity contract.

## Registered Index Linked Annuities

A registered index linked annuity (“RILA”), sometimes referred to as a variable indexed annuity, a buffer annuity or a structured annuity, is essentially a blend of a variable annuity and an equity/linked indexed annuity (EIA). Depending on the insurance company offering the product, a RILA may offer the policyholder more participation in a rising market than an EIA. In a down market, a RILA merely protects some of the downside and can cause a policyholder to lose money, similar to a variable annuity. When initially investing in this product, all RILAs require the policyholder to make three choices that are essentially the same as an EIA: 1) The duration of the interest crediting segment, typically from one to six years; 2) the index used to determine account value performance (e.g., S&P 500, MSCI EAFE, etc.); and 3) the crediting method.

**The potential for growth:** Your money can grow based on the crediting method of the indexed account you select. You are not invested directly in the market. Instead, the performance of the underlying indexes will determine how much you can earn (a cap, and/or participation rate, and/or step rate). When you allocate money to an indexed account, you create a segment, which will last for a set period of time (i.e., one, two, three or six years).

- **Cap Rate:** The Cap Rate is the highest segment rate of return that can be credited on a segment maturity date.
- **Step Rate:** The Step Rate locks in a predetermined percentage of growth if the index performance is either flat or positive at the end of the term. Note, that in exchange for a predetermined percentage of growth, Step Rates are

generally lower than Cap Rates.

- **Participation Rates:** The Participation Rate represents the proportion of the index performance that is reflected in the value of the Indexed Segment. The Participation Rate may be equal to, or greater or less than 100%, and may vary depending on the Index, the segment term length, and the Protection Level you select.

**A level of protection:** Each indexed account includes a protection option called a buffer and/or a floor. If the index has a negative return, your losses will be reduced by a buffer and/or limited to a floor. While you can lose money, you will have a safeguard in place that may help lessen the impact of negative performance.

- **Buffer:** The portion of any negative index performance rate that the Segment Buffer absorbs on a segment maturity date or each annual lock anniversary for a particular segment. Any percentage decline in a segment's index performance rate in excess of the Segment Buffer reduces your segment maturity value and any annual lock anniversary ending amount.
- **Floor:** With this option, the investor is exposed to the percentage loss up to the floor amount, but is protected against any loss after the floor percentage. Therefore, this method works the opposite of the "buffer" method.

RILAs are complex, long-term investment vehicles and are subject to risk, including the loss of principal. Please consult the prospectus for any RILA we recommended for a discussion of risks, costs, and features associated with the particular annuity.

Withdrawals are subject to income taxes, and withdrawals before age 59 ½ may incur an IRS 10% early withdrawal penalty.

## **XVI. EQUITY/FIXED INDEXED ANNUITIES**

An equity-indexed annuity (also known as a fixed-indexed annuity) is a fixed annuity, either immediate or deferred, that earns interest or provides benefits that are linked to an external equity reference or an equity index. The value of the index might be tied to a stock or other equity index. One of the most commonly used indices is Standard & Poor's 500 Composite Stock Price Index (the S&P 500), which is an equity index. The value of any index varies from day to day and is not predictable. When you buy an equity-indexed annuity you own an insurance contract. You are not buying shares of any stock or index.

An equity-indexed annuity is different from other fixed annuities because of the way it credits interest to your annuity's value. Some fixed annuities only credit interest calculated at a rate set in the contract. Other fixed annuities also credit interest at rates set from time to time by the insurance company. Equity-indexed annuities credit interest using a formula based on changes in the index to which the annuity is linked. The formula decides how the additional interest, if any, is calculated and credited. How much additional interest you get and when you get it depends on the features of your particular annuity.

Your equity-indexed annuity, like other fixed annuities, also promises to pay a minimum interest rate. The rate that will be applied will not be less than this minimum guaranteed rate even if the index-linked interest rate is lower. The value of your annuity also will not drop below a guaranteed minimum.

For example, many single premium annuity contracts guarantee the minimum value will never be less than 87.5 % of the premium paid, plus at least 1% in annual interest (less any partial withdrawals). The guaranteed value is the minimum amount available during a term for withdrawals, as well as for some annuitization and death benefits. The insurance company will adjust the value of the annuity at the end of each term to reflect any index increases.

### **Contract Features of Equity Indexed Annuities:**

Two features that have the greatest effect on the amount of additional interest that may be credited to an equity-indexed annuity are the indexing method and the participation rate. It is important to understand the features and how they work together. The following describes some other equity-indexed annuity features that affect the index-linked formula.

Since new equity indexed annuity products are being developed, the contract you are interested in may contain a feature that is not discussed in this section. If this is the case, ask your FP for an explanation that you understand.

- **Indexing Method:** The indexing method means the approach used to measure the amount of change, if any, in the index. Some of the most common indexing methods, which are explained more fully later on, include annual reset (ratcheting), high-water mark and point-to-point.
- **Term:** The index term is the period over which index-linked interest is calculated. In most product designs, interest is credited to your annuity at the end of a term. Terms are generally from one to ten years, with six or seven years being most common. Some annuities offer single terms while others offer multiple, consecutive terms. If your annuity has multiple terms, there will usually be a window at the end of each term, typically 30 days, during which you may withdraw your money without penalty. For installment premium annuities, the payment of each premium may begin a new term for that premium.
- **Participation Rate:** The participation rate decides how much of the increase in the index will be used to calculate

index-linked interest. For example, if the calculated change in the index is 9% and the participation rate is 70%, the index-linked interest rate for your annuity will be 6.3% ( $9\% \times 70\% = 6.3\%$ ). A company may set a different participation rate for newly issued annuities as often as each day. Therefore, the initial participation rate in your annuity will depend on when it is issued by the company. The company usually guarantees the participation rate for a specific period (from one year to the entire term). When that period is over, the company sets a new participation rate for the next period. Some annuities guarantee that the participation rate will never be set lower than a specified minimum or higher than a specified maximum.

- **Cap Rate or Cap:** Some annuities may put an upper limit, or cap, on the index-linked interest rate. This is the maximum rate of interest the annuity will earn. In the example given above, if the contract has a 6% cap rate, 6%, and not 6.3%, would be credited. Not all annuities have a cap rate.
- **Floor on Equity Index-Linked Interest:** The floor is the minimum index-linked interest rate you will earn. The most common floor is 0%. A 0% floor assures that even if the index decreases in value, the index-linked interest that you earn will be zero and not negative. As in the case of a cap, not all annuities have a stated floor on index-linked interest rates. But in all cases, your fixed annuity will have a minimum guaranteed value.
- **Averaging:** In some annuities, the average of an index's value is used rather than the actual value of the index on a specified date. The index averaging may occur at the beginning, the end, or throughout the entire term of the annuity.
- **Interest Compounding:** Some annuities pay simple interest during an index term. That means index-linked interest is added to your original premium amount but does not compound during the term. Others pay compound interest during a term, which means that index-linked interest that has already been credited also earns interest in the future. In either case, however, the interest earned in one term is usually compounded in the next.
- **Margin/Spread/Administrative Fee:** In some annuities, the index-linked interest rate is computed by subtracting a specific percentage from any calculated change in the index. This percentage, sometimes referred to as the "margin," "spread," or "administrative fee," might be instead of, or in addition to, a participation rate.

For example, if the calculated change in the index is 10%, your annuity might specify that 2.25% will be subtracted from the rate to determine the interest rate credited. In this example, the rate would be 7.75% ( $10\% - 2.25\% = 7.75\%$ ). The company subtracts the percentage only if the change in the index produces a positive interest rate.

- **Vesting:** Some annuities credit none of the index-linked interest or only part of it, if you take out all your money before the end of the term. The percentage that is vested, or credited, generally increases as the term comes closer to its end and is always 100% at the end of the term.

#### **Indexing Method Types:**

- **Annual Reset:** Index-linked interest, if any, is determined each year by comparing the index value at the end of the contract year with the index value at the start of the contract year. Interest is added to your annuity each year during the term.
- **High-Water Mark:** The index-linked interest, if any, is decided by looking at the index value at various points during the term, usually the annual anniversaries of the date you bought the annuity. The interest is based on the difference between the highest index value and the index value at the start of the term. Interest is added to your annuity at the end of the term.
- **Point-to-Point:** The index-linked interest, if any, is based on the difference between the index value at the end of the term and the index value at the start of the term. Interest is added to your annuity at the end of the term.

#### **Additional Benefits (Riders):**

Recently, this classification of products has become more enticing to investors by adding guarantees similar to investment programs offered from insurance companies. Utilization of such guarantees may increase cost, reduce performance, and limit liquidity.

Before investing in an EIA, you should ask your FP how the interest rate is calculated, and what indexing method is used. The issuing insurance company reserves the right to change the participation rates, interest rate caps, and margin/ spread/ administrative fee after the first contract year. Guarantees are subject to the claims-paying ability of the issuing insurance company. Therefore, financial ratings of the issuing insurance company are a critical factor when choosing an EIA. EIAs are not suitable for all individuals and are considered long-term illiquid investments. Withdrawals in excess of the free withdrawal privilege may incur surrender penalties and may negatively affect the way interest is credited to your contract. There may be a potential tax penalty if you redeem or withdraw from your annuity before you reach age 59 ½. Interest on many EIAs is credited retroactively depending on the index-calculation method. Death prior to an upcoming index-calculation date may result in a payout equal only to the value on the previous index-calculation date. Death benefits vary depending on the issuing insurance company; however, the insurance company will usually pay the full accumulation value to the beneficiary upon the death of the owner or annuitant. EIAs do not participate in dividends distributed from stocks of their respective index. You should discuss these issues with your FP and review each EIA to decide which meets your

specific needs. Past performance of the index is no guarantee of future changes in the index or of future indexed earnings.

## **XVII. FIXED ANNUITIES**

Fixed deferred annuities are not securities. Instead, a fixed deferred annuity is an insurance contract between you and an insurance company in which you pay a sum of money, either in a lump sum or through periodic contributions. Fixed deferred annuities pay a fixed rate of interest for a certain period, usually one to five years. Interest payments are contractual obligations of the insurance company. Refer to the policy for specifics regarding when interest is credited and how it is calculated. In reference to general account obligations and guarantees, the ability for the insurance company to meet these obligations to policyholders is subject to sufficient capital, liquidity, cash flow and other resources of the insurance company. Therefore, you will want to pay attention to the financial strength of the insurance company.

## **XVIII. ILLIQUID ALTERNATIVE INVESTMENTS**

Illiquid Alternative Investments include, but are not limited to, Direct Participation Programs (DPPs), Non-traded Real Estate Investment Trusts (REITs), Managed Futures, Business Development Companies, and Private Hedge Funds offerings. These Illiquid Alternative Investments are typically deemed highly speculative, illiquid and can only be offered by certain qualified FPs to qualified or “accredited”\* investors with sufficient net worth and income to afford to purchase illiquid assets. To qualify for Illiquid Alternative Investment offerings, the investor must also possess a certain degree of financial sophistication, and the firm or the FP must have had a substantial pre-existing relationship with the investor prior to the offering. In many cases, the issuer or product sponsor will establish its own investor financial and sophistication qualifications, which may be more stringent than those stipulated by industry rules. Many of these investments are exempt from SEC registration requirements under Regulation D. Additionally, many of these investments have no established secondary market in which to trade. When such offerings are “private” offerings, advertising them to the public is prohibited.

- **Direct Participation Programs and REIT’s:** Direct Participation Programs (DPPs) are business ventures that are designed to let investors participate directly in the cash flow (and in some instances, tax benefits) of the underlying investment. These are generally passive investments that invest in such assets as real-estate or energy related ventures. DPPs are usually organized as a limited partnership or as a general partnership. Although, in the past, they have been used as tax shelters, tax legislation over the years has severely curtailed their tax benefits. These specialty investments may be registered with the SEC or may be exempt from SEC registration under Regulation D of the Securities Exchange Act of 1934. Unless registered with the SEC and publicly traded in an active secondary market, these investments are typically limited to accredited investors and 35 non-accredited investors, and deemed illiquid investments.
- **Managed Futures:** Managed Futures portfolio managers utilize futures contracts as an investment strategy. While Managed Futures can provide diversification and hedging techniques within an overall portfolio, many programs are offered as limited partnerships and are not actively traded in secondary markets. As such, many Managed Futures offered are only for accredited investors who can meet the minimum financial requirements and can cope with the illiquidity of the offering.
- **Business Development Companies (“BDC”):** A Business Development Company (“BDC”) is an investment program that offers investors direct access to investments in the private sector, mainly debt securities. BDCs are regulated under the Investment Company Act of 1940 and must generally invest at least 70% of assets in U.S. private companies or U.S. public companies valued under \$250 million. BDCs are required to distribute 90% of their earnings to shareholders in the form of a dividend.
- **Hedge Funds:** Hedge Funds typically employ very sophisticated investment techniques such as leverage and long/short positions using instruments such as options, futures and other derivatives in various world markets with a goal of generating extra-ordinary returns. Hedge Funds are often organized as private partnerships and are usually open to only a limited number of sophisticated accredited investors. Investments in Hedge Funds require a substantial initial investment, can be highly speculative and are typically illiquid.

Alternative Investment fees can vary and can be as high as 20%. You should refer to the prospectus or offering memorandum for specific costs.

\*Generally, an accredited investor includes an individual who has a net worth, or joint net worth with their spouse, that exceeds one million dollars (\$1 Million USD) at the time of purchase (excluding their primary residence) or whose annual income exceeds \$200,000 (\$300,000 joint income with a spouse) over the past two years and a reasonable expectation of the same income level in the current year. For more information about the definition of an accredited investor, go to [www.sec.gov/answers/accred.htm](http://www.sec.gov/answers/accred.htm).

## **XIX. OPTIONS**

A buyer of a stock option purchases the right to buy (Call Option) or sell (Put Option) a particular stock at a specified price (strike price) on or before a certain date (expiration date). The buyer is not obligated to exercise his or her right, but can lose ALL of his or her investment in the stock option if the price of the stock does not move in his or her favor prior to the option expiration date.

A seller of a stock option obligates himself or herself to buy (Call Option) or sell (Put Option) a particular stock at a specified price (strike price) on or before a certain date (expiration date). The seller is OBLIGATED to purchase (in the case of a call option) or sell (in the case of a put option) the specified security at the specified price if the purchaser of the option exercises his or her right.

Many options strategies can be considered to be VERY speculative, and investors who participate in the options market should possess substantial investment experience. In order to buy or sell options, you must have an executed Options Trading Authorization form on file.

To learn more about Options, you are encouraged to visit [www.cboe.com](http://www.cboe.com).

## XX. UNIT INVESTMENT TRUSTS

A Unit Investment Trust (UIT) is an investment company that offers an unmanaged portfolio, generally of stocks and/ or bonds. Unlike mutual funds, UITs have a one-time public offering of a specific, fixed number of units. UITs have a termination date that is established when the UIT is created. Redemptions of units will be made at a price that may be more or less than the original price paid. It is possible for you to lose money investing in UITs. UITs may terminate early as described in the prospectus. UITs offer three types of pricing discounts: volume/breakpoint discounts, rollover discounts and NAV pricing for Advisory/Wrap (fee) accounts. Each UIT offering may offer slightly different pricing discounts. When placing a UIT transaction, you will need to consider any liquidation of a UIT holding within the last 30 days as well as other trades placed on the same day by you, your spouse and/or your children under age 21.

UITs have fees and expenses. UIT fees and expenses can be divided into those fees that relate to distribution of the UIT and those that relate to operation of the UIT. UITs assess sales charges on units you purchase. The sales charge for most UITs is composed of three components. First, there is the initial sales charge applied to your purchase amount (equal to approximately 1.00%). Second, most UITs assess a deferred sales charge. The deferred sales charge (equal to approximately 1.45%) is generally deducted in periodic installments following the end of the initial offering period. Finally, most UITs assess a creation and development fee that compensates the UIT sponsor for creating and developing each UIT, including determining the UIT's investment objective and policies, selecting portfolio securities and other administrative functions. The creation and development fee (generally 0.50%) is deducted at the end of the initial offering period. UITs assess an operating expense/organization costs charge against the UIT portfolio's assets for amounts expended to organize the trust itself. UITs separately deduct for operating expenses, including bookkeeping, administrative costs, and trading expenses. These amounts will vary by each UIT. Total expenses of a UIT can range between 0.00% and 11.97%, and all expenses are disclosed in the prospectus.

## XXI. EQUITY-LINKED CERTIFICATES OF DEPOSIT

An equity-linked certificate of deposit is an FDIC-insured certificate of deposit (CD) that ties the rate of return to the performance of a stock index such as the S&P 500 Composite Stock Price Index. The terms of these CDs vary; typically the term is five years. The financial institution calculates your rate of return on the date that the CD matures based on the particular terms of the contract; therefore, there is no guarantee that any payment in excess of the guaranteed payment will be paid. As with any CD, you should understand its terms, verify whether the institution offering the CD is reputable, and assess whether the CD is an appropriate investment for you. Before you invest in these CDs, you should fully understand how their specific features may affect your return and the tax treatment of these products. The offering institution typically outlines this information in the term sheet and the general terms and conditions.

- **Liquidity Risk:** Investors typically will have limited opportunities, if any to redeem their equity-linked CDs prior to maturity. Moreover, the financial institutions do not guarantee the existence of a secondary market. Many equity-linked CDs do not permit the early withdrawal of your investment without the consent of the financial institution. If you need to withdraw your investment before the CD matures, you will incur withdrawal penalties. You also will lose any interest that you would accrue in a regular CD that has the same terms. There is no exception for CDs held in either a traditional IRA account or a Coverdell Education Savings Account (CSA). Therefore, you should carefully consider your retirement needs or the educational needs of a beneficiary of a CSA before investing in equity-linked CDs. Other equity-linked CDs allow for redemption only on pre-specified redemption dates. Therefore, you may not be able to redeem your equity-linked CD when you may want or need your money to be available.
- **Market Risk:** If the equity-linked CD is sold before maturity, it may be worth less than its purchase amount or face value. The equity-linked CD will be subject to a number of variables, including stock market volatility and changes to the components of the linked index. In addition, there is no guarantee of principal return unless the investment is held to maturity.
- **Call Risk:** An equity-linked CD may be callable. If an equity-linked CD is called, the investor's return may be less than the yield for which the CD would have earned had it been held to maturity. The investor also may not be able to invest their funds at the same rate as the original CD.
- **FDIC Insurance:** In general, equity-linked CDs are insured by the FDIC up to the amount permitted by law. FDIC insurance covers the principal of, and any guaranteed interest on, the equity-linked CDs. Investors should carefully

read the issuer's disclosure about how the FDIC limits apply in specific circumstances.

- **Calculation of Return:** Many financial institutions calculate the return on an equity-linked CD by averaging the closing price of the underlying index over a specific period of time, rather than simply using the closing price upon maturity of your CD to compute your gain or loss. For example, a financial institution may use an average based on the closing price of the S&P 500 every six months during the term of the CD. The formulas used to calculate your return may lessen the impact of a declining market. However, if the market moves steadily upward during the period that you hold the CD, your return may be significantly less than the index's gain during this period. The formulas used by the financial institutions usually do not take into consideration the dividend yield of the relevant stock index.
- **Participation Rates:** The participation rate determines how much of the index's increase will be used to compute the interest calculation. For example, if the S&P 500 goes up 10 percent and the participation rate is 70%, you will get only 7 percent.
- **Caps:** Some equity-linked CDs also set a cap on your gain per year regardless of how well the relevant stock index performed. For example, if the S&P 500 goes up 20 percent and the CD participation rate is 70%, but the cap is 10%, your return will not be 14% (70% of 20 percent), but will be capped at 10%.
- **Tax Treatment:** Equity-linked CDs may be treated differently than traditional CDs for tax purposes. Before investing in these products, you should carefully review the disclosures concerning the reporting of interest income and consult a tax adviser if appropriate.

## **XXII. THINGS TO CONSIDER BEFORE CONSENTING TO AN IRA ROLLOVER**

A decision to roll over plan assets, such as in a 401(k) or 403(b), should reflect consideration of various factors, the importance of which will depend on your individual needs, circumstances and options. Our FP, when providing investment advice regarding an IRA Rollover, does not represent the Plan or the employer. You generally have four options when considering a rollover from a 401(k) plan or 403(b) plan to an IRA:

- **Option 1:** Leave the assets in your former employer's plan, if permitted;
- **Option 2:** Roll over the assets to your new employer's plan, if one is available and rollovers are permitted;
- **Option 3:** Roll over the assets to an IRA;
- **Option 4:** Cash out the account value.

Each choice above offers advantages and disadvantages, depending on desired investment options, tax treatment, your unique financial needs and retirement plans and your desire for access to a financial professional. It is important to carefully consider each option looking at factors such as eligibility, investment options, fees, expenses, risks, rewards, services offered and tax consequences. The decision to roll over plan assets can have a significant long-term impact. Below are examples of factors that may be relevant when analyzing your available options. This list is not exhaustive and certain factors may have more or less relevance, or not be relevant at all, depending on your particular needs, facts and circumstances and your investment profile.

- **Investment Options and Services:** Consider the alternatives to a rollover, including leaving the money in your employer's plan, if permitted, and selecting different investment options, not just the current investment options, and consider those offered by options 2 and 3. By choosing option 3, you may have access to additional investment options as well as access to financial advice and other brokerage services which may not be offered by an employer plan. Some plans, for example, provide access to investment advice, planning tools, telephone help lines, educational materials and workshops. Similarly, IRA providers offer different levels of service, which may include full brokerage service, investment advice, distribution planning and access to securities execution online.
- **Fees and Expenses:** By choosing option 1 or 2, generally fees and expenses are lower than if you were to choose option 3. If you choose option 3, our FP will receive compensation and your costs and expenses may be higher than in your employer's plan. Depending on the plan type, employer plans include administrative fees (e.g., recordkeeping, compliance, trustee fees) and fees for services. In some cases, employers pay some or all of the plan's administrative fees, and plans may have lower fees and expenses than are available in an IRA. Differences in employer plan fees and expenses versus fees and expenses for IRAs can have a material impact on the performance of your retirement account. Consider the long-term impact of any increased costs. Both plans and IRAs typically involve (i) investment-related expenses and (ii) plan or account fees. Investment-related expenses may include sales loads, commissions, the expenses of any mutual funds in which assets are invested and investment advisory fees. Plan fees typically include plan administrative fees (e.g., recordkeeping, compliance, trustee fees) and fees for services such as access to a customer service representative. In some cases, employers pay for some or all of the plan's administrative expenses. An IRA's account fees may include, for example, administrative, account set-up and custodial fees. Fees and expenses for your retirement account and investments can have a significant impact on your retirement savings. If your fees significantly increase after the rollover, you'll end up with less savings at retirement. For example, let's say you want to roll over \$100,000 from your 401(k) account into an IRA. By way of example, if as a result of different fees and costs,

instead of earning say, 6% each year, your IRA earns only 5%. That difference might seem small, but it adds up over time. Based on an initial investment of \$100,000, an IRA earning 6% would grow to \$179,000 in 10 years. But with an extra 1% in fees, you would earn only 5% and your \$100,000 would grow to just \$163,000. In other words, that extra percentage point in fees would cost you \$16,000. And, as more time passes, that 1% difference in fees gets magnified. During the next 10 years your IRA would lose out on another \$39,000. You would only have \$265,000 while someone who earned the full 6% would have \$320,000.

- **Withdrawals and Distributions/Tax Implications:** If you choose option 3 or 4, withdrawals prior to age 59 ½ are subject to a 10% IRS penalty and taxed as ordinary income. Withdrawals from option 1 or 2 made between ages 55 and 59 ½ may be penalty-free. Once you reach age 72\*, options 1, 2 and 3 require periodic withdrawal of certain minimum amounts, known as a required minimum distribution (RMD); however, if you continue to work past age 72\*, you generally are not required to make RMDs from your current employer's plan.

\*If you attained age 70 ½ prior to January 1, 2020, you must begin taking RMD distributions starting April 1st of the year following when you reached age 70 ½.

- **Loans:** Employer plans may offer the ability to borrow from your employer sponsored retirement plan assets, while it is prohibited to borrow from an IRA.
- **Protection from Creditors:** Generally speaking, assets in option 1 and 2 have unlimited protection from creditors under federal law, while assets in option 3 are protected from bankruptcy proceedings only. State laws vary in the protection in lawsuits for assets in option 3.
- **Employer Stock:** If you hold a significantly appreciated employer stock in option 1 or 2, this could have a negative tax consequence if rolling the stock into option 3. The tax advantages of retaining employer stock in option 1 or 2 should be balanced with the possibility that you may be excessively concentrated in employer stock. It can be risky if you have too much employer stock in your retirement account.
- **Any Special Features of the Existing Plan**

These are examples of factors that may be relevant when analyzing available options, and the list is not exhaustive. Other considerations also might apply to your specific circumstances. If you are working with your FP to determine whether to roll over your retirement plan assets, be sure to provide your FP with access to all the information available on the investment options and features of your employer-sponsored plan, so that your FP will have sufficient information to make a sound recommendation. Many 401(k) plan administrators (often your employer) are required to provide plan, investment, and fee information to you. This information may be sent to you by mail or you may have access through a website. Please consult with your legal or tax advisor for more information concerning your individual situation.



Advisory services offered through Capital Analysts or Lincoln Investment, Registered Investment Advisers.  
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