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**Form ADV Part 2A Appendix 1  
Wrap Fee Program Brochure**

Date of Brochure: March 31, 2022

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of AE Wealth Management, LLC (also referred to as we, us, AEWM and AE Wealth Management throughout this disclosure brochure). If you have any questions about the contents of this brochure, please contact AE Wealth Management Compliance at 866-363-9595 or [compliance@ae-wm.com](mailto:compliance@ae-wm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AE Wealth Management is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**\*Registration as an investment adviser does not imply a certain level of skill or training.**

## **Item 2 – Material Changes**

This section discusses material changes that have been made to this Brochure since the last annual update. The last annual amendment was on March 29, 2021, and since that time, the following material changes have been made.

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

Language describing investment adviser representatives acting as portfolio managers has been added.

A section describing Sub-Advisory Services has been added.

Language explaining that investment adviser representatives have an incentive to act as portfolio managers has been added.

Language explaining that when AE Wealth Management is the primary adviser, investment management services are only provided on a wrap fee basis has been added.

Language explaining that mutual fund share classes with more favorable fee and expense structures are sometimes available at another custodian or in another account/portfolio structure has been added

A section describing the treatment of no Transaction Fee Securities has been added.

Charles Schwab was added to the portions of this section that explain brokerage services provided by TD Ameritrade.

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

Client Assets Managed by AE Wealth Management has been updated to reflect our current regulatory assets under management, our current assets under administration, and our current total platform assets.

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

A section explaining Accommodation Accounts has been added.

### **Item 9 – Additional Information**

This section has been updated to disclose a recent regulatory action with the Arizona Corporation Commission. On September 1, 2021, AE Wealth Management entered into a consent order with the Securities Division of the Arizona Corporation Commission settling an administrative action. In this matter, the Arizona Corporation Commission found that AE Wealth Management violated A.R.S. § 44-3241(A)(2). In particular, the Arizona Corporation Commission found that AE Wealth Management failed to disclose to 240 investment advisory clients (households) that their co-adviser's investment adviser representative had various unreported disclosures, and misled clients regarding the reason for the co-adviser's rebranding of their firm. AE Wealth Management consented to cease and desist from

committing or causing future violations, to an administrative penalty of \$150,000, and to return investment advisory fees in the amount of \$1,159,400.97 to the co-adviser's clients.

Language describing the use of investment products wholesaled by an affiliated broker-dealer has been added.

A section describing a marketing agreement related to Allianz Buffered Outcome ETFs has been added.

Language has been added describing a cash incentive plan and case by case loans that AE Wealth Management and Advisors Excel (an entity affiliated with AE Wealth Management) offer to investment adviser representatives.

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

AE Wealth Management is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Kansas. AE Wealth Management filed its initial application to become registered as an investment adviser on February 2016.

The principal owners of AE Wealth Management are DDC Holdings, LLC, the Karlun M. Callanan 2016 Irrevocable Trust A, and the Jennifer A. Foster 2016 Irrevocable Trust A. David Callanan and Cody Foster are the primary owners of DDC Holdings LLC. David Callanan is the trustee of the Karlun M. Callanan 2016 Irrevocable Trust A and Cody Foster is the trustee of the Jennifer A. Foster 2016 Irrevocable Trust A.

#### **Introduction**

The investment advisory services of AE Wealth Management described in this disclosure brochure are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of AE Wealth Management or by an investment adviser representative of an Independent Registered Investment Advisor that has entered into an agreement with AE Wealth Management to provide investment management services for clients (referred to as your investment adviser representative throughout this brochure). Your investment adviser representative typically is not an employee of AE Wealth Management; rather, your investment adviser representative typically is an independent contractor of AE Wealth Management. Your investment adviser representative is typically limited to providing the services and charging asset management fees in accordance with the descriptions detailed in this brochure. Your investment adviser representative is generally allowed to set investment management fees within a range prescribed by AE Wealth Management. As a result, the rates actually charged by two different investment adviser representatives of AE Wealth Management or an associated Independent Registered Investment Advisor may vary for similar services. The exact services you receive and the fees you will be charged will be specified in your advisory services agreement.

#### **Model Portfolio Solutions**

AE Wealth Management offers model portfolio selection services, which allows AE Wealth Management to exercise discretion to select model portfolios managed by AE Wealth Management and/or third-party investment managers. Additionally, investment adviser representatives that meet certain requirements are allowed to develop their own model portfolios and offer them to clients or other independent advisors. These models are approved by the AE Wealth Management Chief Investment Officer prior to being available and are reviewed on a periodic basis. An investment adviser representative will assist you in completing a client profile questionnaire and review the information you provide. We will then select the model portfolio(s) that aligns with your disclosed financial circumstances, risk tolerance and investment objectives. AE Wealth Management will exercise its discretionary authority to implement the selected model portfolio(s) and to trade your account based on information and/or signals provided by the manager(s) of the model portfolio(s). In some instances, we will recommend a third-party manager that utilizes separately managed accounts. When this is the case, you will open an account that only holds the securities selected by such third-party manager. The third-party manager will directly trade the securities in the account based on the applicable investment strategy. We will be available to answer questions that you may have regarding your account. We will have the ability to select the model portfolio(s) as well as the ability to reallocate funds from or to the model portfolio(s) and funds in other accounts over which you

have granted us discretionary authority.

You should be aware that there may be other model portfolios not recommended by our firm, that are suitable for you and that may be less costly than models recommended by our firm. No guarantees can be made that your financial goals or objectives will be achieved through the Model Portfolio Solutions program or by a recommended/selected model portfolio. Further, no guarantees of performance can ever be offered by our firm

### **Direct Asset Management Services**

When direct asset management services are utilized, AE Wealth Management, in coordination with your investment adviser representative, will individually select the securities held in your account on a discretionary basis. We will have the ability to buy or sell securities on your behalf without your prior permission for each transaction. Nevertheless, you will have the ability to impose restrictions on the management of your account, including the ability to instruct us not to purchase certain securities.

We will manage your account based on your financial situation, investment objectives, and risk tolerance. Accordingly, we will need to obtain certain information from you to determine your financial situation, investment objectives, and risk tolerance. As part of this process, an investment adviser representative will assist you in completing a client profile questionnaire and review the information you provide. You will be responsible for notifying us of any updates regarding your financial situation, investment objectives, or risk tolerance and whether you wish to impose or modify any existing investment restrictions.

The financial situation, investment objectives, and risk tolerance for each client of AE Wealth Management is unique. As a result, we may give advice to another client or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer, we may not lawfully use or disclose this information. We will also not allow our clients to use this information.

### **Sub-Advisory Services**

In certain instances, your investment adviser representative will not be a representative of AE Wealth Management but instead will be a representative of an Independent Registered Investment Adviser that has entered into an agreement with AE Wealth Management to provide certain investment management services for its clients. In such instances, the Independent Registered Investment Adviser is your primary investment adviser and AE Wealth Management is a sub-advisor. The sub-advisory services offered by AE Wealth Management include but are not limited to: providing the primary adviser with access to custodians, conducting trades in custodial accounts as directed by the primary adviser, providing access to model portfolios managed by AE Wealth Management, providing access to model portfolios managed by third

party investment managers, providing a platform to assist the primary adviser with implementing model portfolios managed by the primary adviser, providing account monitoring and reporting tools to the primary adviser, providing planning tools to the primary adviser, and conducting billing/fee deduction activities on behalf of the primary adviser.

When AE Wealth Management acts as a sub-adviser, you will not enter into an investment management agreement with AE Wealth Management. You will enter into an investment management agreement with your primary adviser, and the primary adviser will delegate, to AE Wealth Management, its discretionary authority to conduct trades on your behalf in specified accounts held at a custodian. AE Wealth management will use this discretionary authority to implement model portfolio selections or direct trade instructions provided by your primary adviser. When AE Wealth Management acts as a sub-adviser, your primary adviser is responsible for ensuring that it complies with all applicable statutes, regulations, and rules. Furthermore, your primary adviser is responsible for assessing whether instructions, provided to AE Wealth Management, regarding the selection of a model portfolio, the purchase of a security, or the sale of a security meet the applicable suitability/best interest standards.

### **Fees and Compensation for Asset Management Services**

Fees for services provided through our wrap fee program are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a monthly calendar basis and calculated based on the average daily balance of the account for the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. Under the average daily balance method, each day's balance for the month is summed then divided by the number of days in the month, to compute the average daily balance. The average daily balance is then multiplied by the monthly portion of the annual fee to determine the monthly fee due. The services under this program continue in effect until terminated by either party by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by AE Wealth Management to you. If services are terminated at any time other than the last business day of the month, fees for the final billing period will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees for investment management services are negotiable by your investment adviser representative based upon the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, the total amount of assets under management for the client, and the portfolio(s) chosen.

Based upon the above negotiability factors, your investment adviser representative is allowed to set the fee for investment advisory services up to a maximum amount of 2.5% annually. The fee charged to each client includes a portion attributable to AE Wealth Management and a portion attributable to the manager of the selected model portfolio (if applicable). Typically, the model manager's fee will range from 0.00% to 0.75% annually. A typical distribution for an annual fee of 1.75% would include an allocation of 1.35% to AE Wealth Management (including the asset based custodial fee), and an allocation of .01% to .50% to the manager of the selected model portfolio. The preceding is for illustrative purposes only. The annual fee charged by AE Wealth Management will be specified in the client's agreement with AE Wealth Management. When your investment adviser representative manages his/her own model portfolios, a portion of your investment advisory fee is not allocated to a model manager. However, AE Wealth

Management does not require your investment adviser representative to lower your overall fee in such circumstance. As a result, your investment adviser representative is incentivized to select model portfolios that he/she manages in lieu of model portfolios managed by third-party managers.

AE Wealth Management believes that its annual fee is reasonable in relation to: (1) services provided, and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

In most circumstances, fees for investment management services will be deducted from your account by the qualified custodian(s). You must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to AE Wealth Management. You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted. At AE Wealth Management's discretion, we may agree to bill you for fees incurred instead of deducting the fees from your account.

When AE Wealth Management acts as your primary adviser, this asset management service of AE Wealth Management is only offered through a wrap fee program. Therefore, you will only pay fees based on assets under management and you will not pay a separate commission, ticket charge, or custodial fee for the execution of transactions in your account. If there is a low number of trades/transactions in your account(s) that is managed by AE Wealth Management, it is likely that the wrap fee will accrue more expenses than an account that is charged on a transactional basis.

If AE Wealth Management is acting as a sub-adviser to your primary adviser, your primary adviser will inform AE Wealth Management as to whether services delivered by AE Wealth Management are provided on a wrap fee or non-wrap fee basis. If services are provided on a non-wrap fee basis, you will pay separate commissions, ticket charges, and custodian fees for the execution of transactions in your account. These charges will be in addition to the investment management fee that you pay us and your primary adviser.

In addition to the fees described above, you may incur certain charges imposed by third parties other than AE Wealth Management in connection with investments made through your account including, but not limited to, ETF sales loads and management fees, sales charges and management fees for alternative investments, mutual fund sales loads, periodic mutual fund fees (e.g. 12b-1 trails) and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by AE Wealth Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. It should be noted that mutual funds often have multiple share classes with differing internal fee and expense structures. At times, the share class with the most favorable fee and expense structure will not be available at your custodian or in the model portfolio(s) that your investment adviser representative selected for you. In such instances, the more favorable share class will be available at a custodian that is not utilized by AE Wealth Management or through a different account/portfolio structure.

### **Treatment of No Transaction Fee Securities**

Certain securities qualify for no transaction fee pricing (i.e., \$0.00 commissions) with our custodians. If you receive services on a wrap fee basis and participate in transactions that qualify for no transaction fee pricing, please know that AE Wealth Management does not require your investment adviser representative to lower his or her fee. AEWM may receive favorable pricing on specific securities offered at our custodians for the trading of ETFs and individual equities. For services you receive through our wrap fee programs, we may compensate the custodian for its custodial services with a portion of the fee that we charge you. AEWM does not always incur custodial service fees from the custodian depending on the products you hold in your account. In the event AEWM does not incur custodial fees, no additional discounts are applied to the fees you pay AEWM.

### **Suitability and Investment Strategy**

Our investment advice is based on your financial situation, investment objectives, and risk tolerance. Investment adviser representatives will assist clients in determining their objective(s), investment strategy, and investment suitability, prior and subsequent to opening an asset management account. Accordingly, we will need to obtain certain information from you to determine your financial situation, investment objectives, and risk tolerance. As part of this process, we will assist you in completing a detailed client profile questionnaire and review the information you provide. You will be responsible for notifying us of any updates regarding your financial situation, investment objectives, or risk tolerance and whether you wish to impose or modify any existing investment restrictions.

The financial situation, investment objectives, and risk tolerance for each client of AE Wealth Management is unique. As a result, we may give advice to another client or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to recommend to you (or select for you if discretionary authority is granted by you) a Model Manager and corresponding model portfolio that we are recommending/selecting for other clients or our personal accounts.

### **Brokerage Recommendations**

In order to utilize our asset management services, AE Wealth Management will require that you establish or maintain a brokerage account with TD Ameritrade/Charles Schwab through their Institutional Platforms or with Fidelity Institutional Wealth Services and/or its affiliate, National Financial Services LLC (collectively "Fidelity"). TD Ameritrade/Charles Schwab and Fidelity are members of FINRA/SIPC/NFA. TD Ameritrade/Charles Schwab and Fidelity are independent and unaffiliated registered broker-dealers and are recommended by AE Wealth Management to maintain custody of clients' assets and to effect trades for their accounts.

The primary factor in suggesting a broker/dealer or custodian is that the services of the recommended firm are provided in a cost-effective manner. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer and money manager suggested by AE Wealth Management must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services, and statement preparation are some of the other factors determined when suggesting a broker/dealer.

### ***TD Ameritrade/Charles Schwab***

TD Ameritrade/Charles Schwab provides us with access to their institutional trading and custody services, which are typically not available to retail investors. We compensate TD Ameritrade/Charles Schwab for their custodial services with a portion of the fee that we charge you. TD Ameritrade/Charles Schwab offers certain securities, including specified equities, mutual funds and exchange traded funds, on a no transaction fee basis. To the extent purchases/sells of securities in your account qualify for no-transaction fee pricing, TD Ameritrade/Charles Schwab reduces the fee assessed to AE Wealth Management for custodial services. However, AE Wealth Management does not lower the investment advisory fee charged to you in a corresponding manner.

Services that we may receive from TD Ameritrade/Charles Schwab include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and allocate the appropriate shares to client accounts; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

TD Ameritrade/Charles Schwab also make available to us (or offsets the cost of) other products and services that benefit our firm but may not benefit clients' accounts. Some of these other products and services assist us in managing and administering clients' accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements);
- Provide research, pricing information, and other market data;
- Facilitate payment of the firm's fees from its clients' accounts; and
- Assist with back-office functions, record keeping, and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at a recommended custodian. TD Ameritrade is also providing other services intended to help our firm manage and further develop our business enterprise. These services may include:

- Consulting,
- Publications and conferences on practice management,
- Information technology,
- Business succession,
- Regulatory compliance, and
- Marketing.

The President of AE Wealth Management serves on the TD Ameritrade Institutional Advisor Panel ("Panel"). The Panel consists of a number of independent investment advisors who inform and provide feedback to TD Ameritrade Institutional ("TDAI") on issues relevant to the independent advisor community. Advisor has been appointed to serve on the Panel for a three-year term by TDAI. TD Ameritrade, Inc. ("TD Ameritrade") does not compensate advisor for serving on the Panel but TDAI pays or reimburses advisor for travel, lodging, and meal expenses advisor incurs in attending in person Panel meetings. The potential benefits received by advisor or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TDAI.

### ***Fidelity Institutional Wealth Services***

Fidelity provides us with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

We compensate Fidelity for its custodial services with a portion of the fee that we charge you. Fidelity offers certain securities, including specified equities, mutual funds and exchange traded funds, on a no transaction fee basis. To the extent purchases/sells of securities in your account qualify for no-transaction fee pricing, Fidelity reduces the fee assessed to AE Wealth Management for custodial services. However, AE Wealth Management does not lower the investment advisory fee charged to you in a corresponding manner.

Fidelity also makes available other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements);
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts);
- Provide research, pricing information and other market data;
- Facilitate payment of our fees from client accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all, or a substantial number, of our accounts, including accounts not maintained at Fidelity. Fidelity also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management,
- Information technology,
- Business succession and transition assistance,
- Regulatory compliance,
- Marketing, and
- Assistance with client paperwork and other items related to transitions to AE Wealth Management.

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to us by independent or related third parties. As a fiduciary, we endeavor to act in your best interest. Our recommendation that you maintain your assets in accounts at Fidelity will be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This creates a conflict of interest.

### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, AE Wealth Management may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for

compliance and operational efficiencies, AE Wealth Management has decided to require our clients to use broker/dealers and other qualified custodians determined by AE Wealth Management.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer or custodian. Except as described above, AE Wealth Management does not receive soft dollar benefits, as described.

### **Training Assistance Received from Service Providers**

AE Wealth Management receives payments from certain service providers to partially offset the costs of providing training events related to investment products, investment management, and compliance topics for investment adviser representatives associated with AE Wealth Management. Such service providers include (but are not limited to) custodians, such as TD Ameritrade/Charles Schwab and Fidelity, as well as mutual fund, exchange traded fund, and unit investment trust providers, such as Wisdom Tree and First Trust. Investment products offered by such mutual fund, exchange traded fund, and unit investment trust providers may be directly recommended or included in model portfolios recommended to clients of AE Wealth Management.

### **Block Trading Policy**

With respect to our asset management services, we may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and is used by our firm when AE Wealth Management believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

AE Wealth Management uses the average price allocation method for transaction allocation. Under this procedure AE Wealth Management will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

### **Additional Compensation, Economic and Non-Economic Benefits**

Our investment adviser representatives can sell securities in their separate capacities as registered representatives of a broker-dealer. In addition, they may sell insurance products in their capacities as independent insurance agents for sales commissions. Please refer to Item 9 to read more about our ability to offer strictly commission-based services through broker-dealers and our insurance activities.

When managing accounts through programs outlined in this disclosure brochure, some of the advice offered by our investment adviser representatives may involve investments in mutual fund products. Load and no-load mutual funds may pay annual distribution charges sometimes referred to as 12(b)-1 fees. However,

our investment adviser representatives generally do not receive any portion of the 12b-1 fees paid and other compensation such as commissions, loads, trails, etc. when holding mutual funds in our asset management program.

You are never obligated to the broker-dealer(s) affiliated with our investment adviser representatives and you are never obligated to purchase investment products through our investment adviser representatives. You have the option to purchase investment products through other brokers or agents that are not affiliated with AE Wealth Management.

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

### **Minimum Account Size**

AE Wealth Management requires a minimum of \$10,000 in order to open an account. Exceptions may be granted to this minimum if approved by both your investment adviser representative and AE Wealth Management for a client's immediate family members or in anticipation of additional deposits in the near future.

### **Types of Accounts**

AE Wealth Management generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Retirement and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations and business entities

You are required to execute a written agreement with AE Wealth Management specifying the particular advisory services in order to establish a client arrangement with AE Wealth Management.

### **Client Assets Managed by AE Wealth Management**

As of February 17, 2022, we have regulatory assets under management in the amount of \$19,640,089,134, which we manage on a discretionary basis. We currently do not manage any client assets on a non-discretionary basis. Additionally, we have \$2,020,536,120 in assets under administration. While we provide administrative services regarding these assets under administration, we are not currently providing continuous investment management services to these assets. Accordingly, we have total platform assets of \$21,660,625,254.

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

AE Wealth Management reviews each third-party Model Manager before selecting them to be included in our program. We also conduct periodic reviews to ensure that the manager is still suitable for our programs. We call these processes “due diligence.” In order to assist us in conducting our due diligence and selection of both Model Managers and specific Model Portfolios, we have contracted with an outside firm. Our Chief Investment Officer conducts oversight of the due diligence review. Each Model Manager is evaluated on the

basis of information provided by the Model Manager including descriptions of its investment process, asset allocation strategies employed, sample portfolios to review securities selections, and the Model Manager's Form ADV Disclosure Brochure (if applicable).

We often request, but do not require, that Model Managers adhere to GIPS/CFA Institute standards, and every attempt is made to obtain performance information that is calculated on a uniform and consistent basis. Certain Model Managers may provide information that does not entirely conform to these requirements. In most cases, performance data approved for client viewing will have been calculated based on a uniform and consistent standard. In the rare instance where this is not possible, the affected performance data should clearly indicate by specific disclosure that it was not calculated based on the uniform standard.

Each Model Manager recommended by AE Wealth Management is screened and selected using a number of criteria, including but not limited to:

- Manager or management team tenure and experience;
- Performance within peer group;
- Portfolio turnover;
- Expenses and costs of Model Manager;
- Meetings with manager of Model Manager; and
- Participation in educational forums and conference calls offered by the Model Manager.

Factors that determine the change of a Model Manager may include the following:

- Performance;
- Change of ownership;
- Strategic or tactical change away from a particular sector or asset class; and
- Costs.

We rely on information obtained from the following sources when researching each Model Manager:

- Model Manager's Form ADV and accompanying documents;
- Model Manager's website and other publicly available information; and
- SEC website.

Investment adviser representatives that meet certain requirements are allowed to develop their own model portfolios and offer them to clients or other independent advisors. These models are approved by the AE Wealth Management Chief Investment Officer prior to being available and are reviewed on a periodic basis. When your investment adviser representative manages his/her own model portfolios, a portion of your investment advisory fee is not allocated to a model manager. However, AE Wealth Management does not require your investment adviser representative to lower your overall fee in such circumstance. As a result, your investment adviser representative is incentivized to select model portfolios that he/she manages in lieu of model portfolios managed by third-party managers. We address this conflict by: (1) disclosing it to you in this brochure and (2) requiring investment adviser representatives to make investment recommendations that are in each client's best interest.

### **General Description of Other Advisory Services**

The following are descriptions of the other primary advisory services of AE Wealth Management. For additional details, please refer to our Form ADV Part 2A disclosure brochure. Please understand that a

written agreement, which details the exact terms of the service, must be signed by you and AE Wealth Management before we can provide you the services described below.

### **Financial Planning & Consulting Services**

AE Wealth Management offers financial planning services, which involve preparing a written financial plan covering specific or multiple topics. We provide full written financial plans, which typically address the following topics: investment planning, retirement planning, insurance planning, tax planning, education planning, portfolio review, and asset allocation. However, our tax planning services are not a substitute for working with a certified public accountant. When providing financial planning and consulting services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. You should be aware that there are important issues that may not be taken into consideration when your investment adviser representative develops his or her analysis and recommendations under a written financial plan.

We also offer consultations in order to discuss financial planning issues when you do not need a written financial plan. We offer a one-time consultation, which covers mutually agreed upon areas of concern related to investments or financial planning. We also offer “as-needed” consultations, which are limited to consultations in response to a particular investment or financial planning issue raised or request made by you. Under an “as-needed” consultation, it will be incumbent upon you to identify those particular issues for which you are seeking our advice or consultation on.

Our financial planning and consulting services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of our investment recommendations through AE Wealth Management or retain AE Wealth Management to actively monitor and manage your investments, you must execute a separate written agreement with AE Wealth Management for our asset management services.

### **ERISA Investment Advisory & Consulting Services**

AE Wealth Management offers investment adviser and consulting services to plan sponsors of ERISA plans. When providing services to a plan sponsor, the Plan sponsor is the client. The services provided by AEWM are provided only to the Plan sponsor or to the Plan Sponsor with respect to the Plan sponsor’s responsibilities to the Plan and not to any Plan participant(s). Services provided to plan sponsors will be outlined in a separate written agreement between AEWM and the Plan sponsor. Services offered include: assisting the plan sponsor with investment policy statement creation, providing ongoing investment recommendations including model portfolio recommendations, providing ongoing investment monitoring, assisting with selection of investment products or managed accounts offered by third parties in connection with the definition of a “Qualified Default Investment Alternative” (“QDIA”) under ERISA recommendation of non-discretionary model portfolios. The services offered also include assisting the Plan sponsor with plan participant enrollment and Plan education. If the services selected by the Plan Sponsor include enrollment and investment education to Plan participants, the services do not include any individualized investment advice to Plan participants with respect to their Plan assets. Fees are negotiated by the investment adviser representative and the Plan sponsor, not to exceed 2.5%. Fees will be calculated by AEWM based on the method and frequency as directed by the Plan sponsor. Fees are calculated and billed quarterly in arrears unless otherwise specified in the separate written agreement between AEWM and the Plan Sponsor.

### **Accommodation Accounts**

As a courtesy, AE Wealth Management allows certain clients to establish accounts at our approved custodians which report through our platform but are not part of our investment management services. We refer to these accounts as Accommodation Accounts. AE Wealth Management does not provide any recommendations, advice, or ongoing monitoring regarding these accounts. Furthermore, securities held in Accommodation Accounts must be traded by the client directly through the custodian. Your investment adviser representative will not instruct the custodian to effect trades in these accounts. AE Wealth Management assess an administration fee of \$2.50 per month for each Accommodation Account to cover the cost of reporting through our platform. We do not collect investment management fees on assets held in Accommodation Accounts. Furthermore, any costs assessed by the custodian in relation to these accounts will be absorbed by AE Wealth Management and not charged to clients. The availability of Accommodation Accounts is determined by each investment adviser representative. Accordingly, these accounts will not be available to all clients.

### **Tailor Advisory Services to Individual Needs of Clients**

AE Wealth Management's asset management services are always provided based on your individual needs. This means, for example, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Performance-Based Fees and Side-By-Side Management**

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. AE Wealth Management does not charge or accept performance-based fees.

### **Methods of Analysis**

AE Wealth Management uses the following methods of analysis in formulating investment advice:

**Charting** - Charting is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

**Cyclical** – The Cyclical Method analyzes investments which are sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend

to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

Fundamental – The Fundamental Method evaluates a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – The Technical Method evaluates securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very

few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

To conduct analysis, AE Wealth Management gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases. There are risks involved with any method of analysis that may be used.

### **Investment Strategies**

AE Wealth Management may employ the following investment strategies when managing client assets and/or providing investment advice:

Value investing. A value investing strategy selects stocks that trade for less than their intrinsic values. Value investors typically seek stocks of companies that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated. Often, value investors select stocks with lower-than-average price-to-book or price-to-earnings ratios and/or high dividend yields. The risks associated with value-investing include incorrectly analyzing and overestimating the intrinsic value of a business, concentration risk, under performance relative to major benchmarks, macro-economic risks, investing in value traps i.e. businesses that remain perpetually undervalued, and lost purchasing power on cash holdings in the case of inflation.

Tactical asset allocation. A tactical asset allocation strategy allows for a range of percentages in each asset class (such as Stocks = 40-50%). The ranges establish minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters

Strategic asset allocation. A strategic asset allocation strategy calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a "buy and hold" strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client's goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

### **Risk of Loss**

Investing in securities (including stocks, mutual funds, and bonds, etc.) always involves risk of loss. Depending on the different types of investments utilized, there may be varying degrees of risk. Accordingly, you should be prepared to bear investment loss including the loss of your original principal. Further, past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk – When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk – Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **Voting Client Securities**

AE Wealth Management does not vote proxies on behalf of clients. Therefore, it is your responsibility to vote all proxies for securities held in your Account. You will receive proxies directly from the qualified

custodian or transfer agent; we will not provide you with the proxies. Although we do not vote client proxies, AEWB may provide limited clarifications of the issues presented based on AEWB's understanding of the issues presented in the proxy-voting materials. If you have a question about a particular proxy feel free to contact the custodian or transfer agent directly.

### **Item 7 – Client Information Provided to Portfolio Managers**

Our associated investment adviser representatives are responsible for gathering all information provided by you. We will interview and work with you to gather all information needed relative to your investment objectives and needs in order to provide management services. You are responsible for promptly contacting your investment adviser representative to notify us of any changes to your financial situation that will impact or materially influence the way we manage your accounts. We do not share your information with our Model Managers.

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

If a client has any questions for the outside Model Managers, these will be directed to AE Wealth Management who will make inquiries with the Model Manager. It is the policy of AE Wealth Management to provide for open communications between the investment adviser representatives and clients. You are encouraged to contact your investment adviser representative whenever you have questions about the management of your account(s).

### **Item 9 - Additional Information**

#### **Disciplinary Information**

On September 1, 2021, AE Wealth Management entered into a consent order with the Securities Division of the Arizona Corporation Commission settling an administrative action. In this matter, the Arizona Corporation Commission found that AE Wealth Management violated A.R.S. § 44-3241(A)(2). In particular, the Arizona Corporation Commission found that AE Wealth Management failed to disclose to 240 investment advisory clients (households) that their co-adviser's investment adviser representative had various unreported disclosures, and misled clients regarding the reason for the co-adviser's rebranding of their firm. AE Wealth Management consented to cease and desist from committing or causing future violations, to an administrative penalty of \$150,000, and to return investment advisory fees in the amount of \$1,159,400.97 to the co-adviser's clients.

#### **Registration of Management Persons with a Broker-Dealer**

David Callanan, our Chief Executive Officer, is a registered representative of Madison Avenue Securities, a broker-dealer affiliated with AE Wealth Management. Additionally, Mr. Callanan; Christopher Radford, our President; and Shawn Scholz, our Chief Compliance Officer, are registered representatives of AE Financial Services, LLC, a broker dealer that is under common control with AE Wealth Management,

#### **Related Broker-Dealers**

AE Wealth Management is under common control and ownership with two registered broker-dealers, AE Financial Services, LLC, and Madison Avenue Securities LLC. While we do not typically utilize these affiliated broker-dealers when conducting our asset management services, there are instances when your investment adviser representative may recommend products that are not available through our traditional

asset management accounts or make recommendations that can be implemented directly with a broker-dealer. In these instances, our principal owners will benefit when the recommended securities are purchased through either AE Financial Services or Madison Avenue Securities. We address this conflict of interest by: (1) disclosing it to you in this brochure; (2) not requiring you to purchase the recommended securities through AE Financial Services and/or Madison Avenue Securities (you may make the purchase through any broker-dealer you choose); and (3) prohibiting the collection of a retail commission from an affiliated broker-dealer and the assessment of an ongoing management fee by AE Wealth Management on the same security. It should be noted that when products are purchased through AE Financial Services and Madison Avenue Securities, those entities are responsible for assessing whether such purchases meet the applicable suitability/best interest standard.

Your investment adviser representative may recommend investment products that AEWMM accesses through AE Financial Services or Madison Avenue Securities. In such instances, AEWMM will receive its normal investment management fee and AE Financial Services/Madison Avenue Securities will also receive a wholesaling fee for the same product. We address this conflict of interest by: (1) disclosing it to you in this brochure and (2) requiring securities recommendations for products that are managed by AE Wealth Management to be in your best interest.

### **Registered Representative of a Broker-Dealer**

Some of AE Wealth Management's investment adviser representatives are also registered representatives of a securities broker-dealer, such as AE Financial Services or Madison Avenue Securities. When acting, in a separate capacity, as a registered representative, your investment adviser representative will sell securities products to you for commissions. As such, your investment adviser representative will suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. The commissions charged by your investment adviser representative's broker-dealer may be higher than commissions charged by other broker-dealers. Customarily, the registered representatives will also receive periodic payments from a mutual fund company related to purchases of the mutual fund's shares during the period that you maintain the mutual fund investment. Consequently, the objectivity of the advice rendered is biased due to the receipt of commissions and other standard brokerage compensation. We address this conflict of interest by: (1) disclosing it to you in this brochure; (2) not requiring you to purchase any recommended security from a broker-dealer associated with your investment adviser representative or AE Wealth Management (you may make the purchase through any broker-dealer you choose); and (3) prohibiting the collection of a commission/mutual fund fee and the assessment of an ongoing management fee by AE Wealth Management on the same security. It should be noted that when you purchase products through a broker-dealer, that broker-dealer is responsible for assessing whether such purchases meet the applicable suitability/best interest standard.

### **Related Investment Advisers**

Madison Avenue Securities LLC (one of the broker-dealers described above) is also an investment adviser registered with the SEC. As previously stated, AE Wealth Management and Madison Avenue Securities are under common control and ownership. Madison Avenue Securities utilizes the AE Wealth Management platform to assist in providing investment advisory services to clients of Madison Avenue Securities. Madison Avenue Securities compensates AE Wealth Management for such services. AE Wealth Management does not consider its investment advisory affiliation with Madison Avenue Securities to create

a material conflict of interest for clients of AE Wealth Management. Clients of Madison Avenue Securities should refer to its Firm Brochure for a description of conflicts of interest related to Madison Avenue Securities.

AE Wealth Management is under common control and ownership with Impact Partnership Wealth, LLC, a separate investment adviser registered with the SEC. Impact Partnership Wealth utilizes the AE Wealth Management platform to assist in providing investment advisory services to clients of Impact Partnership Wealth. Impact Partnership Wealth compensates AE Wealth Management for such services. AE Wealth Management does not consider its affiliation with Impact Partnership Wealth to create a material conflict of interest for clients of AE Wealth Management. Clients of Impact Partnership Wealth should refer to its Firm Brochure for a description of conflicts of interest related to Impact Partnership Wealth.

AE Wealth Management is under common control and ownership with Veta Investment Partners, LLC, a separate investment adviser registered with the SEC. AEW utilizes Veta Investment Partners as a third-party model manager. When AE Wealth Management places a client in a model portfolio managed by Veta Investment Partners, the principal owners of AE Wealth Management benefit. We address this conflict of interest by: (1) disclosing it to you in this brochure; (2) subjecting Veta Investment Partners to the same initial and ongoing due diligence processes that we use to evaluate all third-party model managers; (3) not incentivizing investment adviser representatives to recommend Veta Investment Partners over other third-party model managers; (4) not allowing Veta Investment Partners to compensate AE Wealth Management or its personnel for client referrals; (5) ensuring that the compensation provided to Veta Investment Partners by AE Wealth Management is comparable to the fee provided to similar third-party model managers; and (6) requiring investment adviser representatives to make investment recommendations that are in each client's best interest.

### **Related Insurance Marketing Organizations**

AE Wealth Management is under common control and ownership with Advisors Excel, LLC and Asset Marketing Systems Insurance Services, LLC. Advisors Excel and Asset Marketing Systems Insurance Services are insurance agencies that market/wholesale life insurance and fixed annuities to third-party insurance agents in exchange for a marketing and/or override fee from the issuer of such insurance/annuity products. The investment adviser representatives of AE Wealth Management in a separate capacity as insurance agents utilize the marketing and wholesaling services of Advisors Excel and Asset Marketing Systems Insurance Services. When your investment adviser representative sells you a life insurance/annuity product through Advisors Excel or Asset Marketing Systems Insurance Services, the principal owners of AE Wealth Management benefit. We address this conflict of interest by: (1) disclosing it to you in this brochure and (2) ensuring no advisory fee is charged on insurance products/annuities, which are held outside of the advisory relationship, in addition to the commission the representative earns from the sales of those same product(s).

AE Wealth Management is under common control and ownership with Innovation Design Group, LLC, an insurance agency that provides services to insurance companies concerning the product design and distribution of annuities. Innovation Design Group, LLC has participated in the design of a number of annuities issued by insurance companies that are either distributed exclusively by Advisors Excel or distributed by a small group of insurance marketing organizations of which Advisors Excel is a member. When your investment adviser representative, in his/her separate capacity as an insurance agent, sells you an annuity that was designed by or distributed through Innovation Design Group, the principal owners of

AE Wealth Management benefit. We address this conflict of interest by: (1) disclosing it to you in this brochure and (2) ensuring no advisory fee is charged on an annuity, which are held outside of the advisory relationship, in addition to the commission the representative earns from the sale of those same annuity products.

### **Insurance Agents**

Many of AE Wealth Management's investment adviser representatives serve, in a separate capacity, as insurance agents. When acting, in a separate capacity, as an insurance agent, your investment adviser representative will sell, for commissions, life insurance, annuities, and other insurance products to you. Investment adviser representatives are also eligible to receive incentives and other compensation based on and related to insurance transactions. These incentives include, but are not limited to: gifts, meals, entertainment, participation in bonus programs, forgivable loans, reimbursement for training, marketing assistance, educational efforts, advertising, and travel expenses to conferences and events. Consequently, your investment adviser representative is incentivized to recommend that you purchase insurance products due to the receipt of commissions and other compensation. We address this conflict of interest by: (1) disclosing it to you in this brochure and (2) ensuring no advisory fee is charged on insurance products, which are held outside of the advisory relationship, in addition to the commission the representative earns from the sale the same insurance. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative in his or her capacity as an insurance agent. It should be noted that when you purchase insurance products, the insurance carrier is responsible for assessing whether such purchases meet the applicable suitability/best interest standard.

### **Allianz Buffered Outcome ETFs**

AE Wealth Management has a marketing arrangement with Allianz, a company, which among other things, distributes certain exchange traded funds referred to as Buffered Outcome ETFs. When a client of AE Wealth Management holds any of these Buffered Outcome ETFs in an account managed by AE Wealth Management, we receive periodic payments from Allianz based on the value of such Buffered Outcome ETFs. This creates an incentive for us to encourage your investment adviser representative to recommend investment strategies that include Allianz Buffered Outcome ETFs. We address this conflict of interest by: (1) disclosing it to you in this brochure, (2) never requiring your investment adviser representative to recommend investment strategies that include the Buffered Outcome ETFs, and (3) requiring investment adviser representatives to make investment recommendations that are in each client's best interest.

### **Code of Ethics Summary**

AE Wealth Management has established a Code of Ethics that applies to all of its supervised persons. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. This fiduciary duty is considered the core underlying principle for our Code of Ethics which also covers our Personal Securities Transactions Policies and Procedures. AE Wealth Management has the responsibility to make sure that the interests of all clients are placed ahead of AE Wealth Management's own investment interests. AE Wealth Management will disclose material facts along with potential and actual conflicts of interest to clients. AE Wealth Management seeks to conduct business in an honest, ethical, and fair manner and will take reasonable steps to avoid circumstances that might negatively affect our duty of loyalty to clients. This section is intended to provide clients with a summary of AE Wealth Management's Code of Ethics. Clients may receive

a complete copy of the Code of Ethics upon request.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

At times, AE Wealth Management or associated persons of the firm will buy or sell for their personal accounts, investment products identical to those recommended to clients. In some instances, such transactions by AE Wealth Management or associated persons of the firm will be at the same time a transaction in the identical investment product is recommended to clients. This creates a conflict of interest. It is the express policy of AE Wealth Management that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. AE Wealth Management and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

To mitigate conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons).

Any associated person not observing our policies is subject to sanctions up to and including termination.

### **Account Reviews**

Accounts subject to our asset management services are reviewed at least annually. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by investment adviser representative of record, with reviews performed in accordance with your investment goals and objectives.

### **Account Statements and Reports**

For our asset management services, you will be provided with transaction confirmation notices and regular quarterly account statements in writing directly from the qualified custodian. Additionally, AE Wealth Management may provide you periodic performance reports.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by AE Wealth Management.

You are encouraged to compare any reports or statements provided by us, a sub-adviser, or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

### **Client Referrals and Other Compensation**

AE Wealth Management pays certain persons cash fees for client referrals. If a client is referred to us by a referring party, the referring party will provide the client with a document describing AE Wealth Management's relationship with the referring party, the compensation that AE Wealth Management is

providing the referring party, and any material conflicts of interest. Once an investment management account is established, the referring party will receive ongoing compensation based on a percentage of the assets under management associated with the account.

Our investment adviser representatives, acting in their separate capacities as insurance agents, receive commissions and other incentive awards for the recommendation/sale of annuities and other insurance products. Clients should be aware that the receipt of commissions and additional compensation itself creates a conflict of interest. Due to the non-fiduciary capacity the investment adviser representatives are acting in, as insurance agents outside of an advisory recommendation, this can impact the insurance products they select when making recommendations.

Advisors Excel, LLC and Asset Marketing Systems Insurance Services, LLC provide AE Wealth Management investment adviser representatives bonus compensation based on the amount of annuity sales during a specific period of time which is a conflict of interest. They also provide indirect compensation by providing marketing assistance, business development tools, technology, back office/operations support, business succession planning, business conferences, and incentive trips. Although some of these services can benefit a client, other services obtained by AE Wealth Management investment adviser representatives from Advisors Excel, LLC or Asset Marketing Systems Insurance Services, LLC such as marketing assistance, business development, and incentive trips will not benefit an existing client and is a conflict of interest.

In addition to the compensation discussed above, AE Wealth Management and Advisors Excel have initiated a cash incentive plan. Pursuant to this plan, investment adviser representatives are eligible to receive cash payments based on a combination of the sale of insurance products through Advisors Excel and the value of securities that are managed by AE Wealth Management. The methodology used to calculate the cash payment is weighted in favor of insurance products. As a result, your investment adviser representative is incentivized to recommend insurance products. Furthermore, AE Wealth Management and Advisors Excel offer business loans to investment adviser representatives on a case-by-case basis. At times, AE Wealth Management will forgive a portion of all of such loans based on certain factors such as remaining with AE Wealth Management and Advisors Excel for a specified time period. As a result of the cash incentive plan and business loans described above, your investment adviser representative is incentivized to remain associated with AE Wealth Management and Advisors Excel.

AE Wealth Management investment adviser representatives may receive bonus payments from an insurance company for selling a targeted number of annuities during a specified period of time which creates a conflict of interest. AE Wealth Management investment adviser representatives may also receive bonuses based on their overall assets under management during a specific period of time. These bonuses may include cash payments and/or qualification for networking and business trips. These benefits are not a result of achieving sales quotas related to specific product lines. This presents a conflict of interest which AE Wealth Management addresses by providing disclosures, following procedures and the firm's fiduciary obligation to each client.

At times, AE Wealth Management investment adviser representatives receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are the result of informal expense sharing arrangements in which product sponsors will underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are made by those sponsors for which sales have been made or for which it is anticipated

sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of clients. AE Wealth Management attempts to control for this conflict by always basing investment decisions on the individual needs of clients.

**Financial Information**

AE Wealth Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, AE Wealth Management has not been the subject of a bankruptcy petition at any time.