



# Working with an HD Vest Advisor and Choosing the Right Services for You

## UNDERSTANDING DIFFERENCES BETWEEN COMMISSION-BASED ACCOUNTS AND FEE-BASED ACCOUNTS

HD Vest provides a broad array of financial services through a network of more than 4,500 Advisors across the United States. Depending on your particular needs, you may choose different types of accounts and levels of services offered through an HD Vest Advisor. An HD Vest Advisor may meet with you to establish your goals and then recommend appropriate solutions. However, it's important for you to be aware of the different types of accounts and services available to you, and the features and considerations for each, so you can determine which is right for you. These choices can have important consequences in terms of the legal rights and responsibilities that attach to your relationship with HD Vest, the compensation we earn, and the amount of disclosure you are entitled to receive regarding topics like compensation and conflicts of interest. You should take these considerations into account when deciding which type of account best suits your individual needs.

### WHO IS HD VEST FINANCIAL SERVICES®?

HD Vest Financial Services (“HD Vest”) is the holding company for the group of companies providing financial services under the HD Vest name. HD Vest provides financial services primarily through two of its subsidiaries: HD Vest Investment Services<sup>SM</sup> and HD Vest Advisory Services<sup>SM</sup>. HD Vest Investment Services is a broker/dealer registered with the Securities and Exchange Commission, and generally provides brokerage and investment transaction, custody and execution services. HD Vest Advisory Services is registered with the Securities and Exchange Commission to provide investment advisory services and financial planning. Your Advisor may be affiliated with both companies for the purpose of offering you a broader range of financial services. HD Vest uses the term “Advisor” to refer to the representative assigned to your account, whether he or she is providing brokerage services, investment advisory services, or both.

### DIFFERENCES TO CONSIDER BETWEEN ACCOUNT TYPES

An important decision you face when investing through HD Vest is whether to open a commission-based account or a fee-based investment advisory account.

#### Working with Your HD Vest Advisor in a Commission-Based Account

The primary service you obtain with a commission-based account is the recommendation and execution of individual securities transactions. Your Advisor, acting as a Registered Representative of HD Vest Investment Services, may provide education and recommendations concerning securities investments including stocks, bonds, mutual funds, variable insurance, annuities, and other investment products. Any advice provided or recommendation made relates solely to the specific transaction being proposed. HD Vest Investment Services does not act as a fiduciary, and generally does not have an ongoing obligation to monitor your account after the transaction is executed. HD Vest Investment Services may also have a more limited obligation to disclose information about conflicts of interest. Account services are included in the sales commission you pay on transactions you decide to execute and other account-related fees, and you do not pay a separate fee for ongoing “advice” from your Advisor.

Transactions in commission-based accounts are executed in one of two ways:

- 1. Through a traditional brokerage account**, where securities and funds are held by our clearing firm, First Clearing, LLC (“First Clearing”). First Clearing executes and clears trades on behalf of HD Vest Investment Services, and provides other services relating to the brokerage account, such as delivering confirmations and account statements, and processing distributions.
- 2. Directly with a product sponsor** (e.g., a mutual fund, insurance company for variable annuities or insurance, or a Section 529 Plan for education savings). In this case, there is no account opened directly with HD Vest or its clearing firm; instead, you will open an account with the product sponsor, and any funds and securities will be held directly by the product sponsor or its designee. Many of the account servicing functions, such as mailing confirmations and statements and processing distributions, are performed directly by the product sponsor or its agent.

## **Working with Your HD Vest Advisor in a Fee-Based Investment Advisory Account**

The primary service you obtain with a fee-based advisory account is ongoing investment advice and periodic monitoring of your investments. These services may be on a discretionary basis, meaning your Advisor can place trades, rebalance your portfolio or make other investment decisions on your behalf. As an investment adviser, HD Vest Advisory Services acts as a fiduciary as defined by applicable law, and is required to provide additional disclosure that contains information about your account and material conflicts of interest. Unlike a brokerage account, fee-based investment advisory clients do not pay sales commissions on individual transactions, and instead pay an ongoing fee, which is negotiated between your Advisor and you, and is typically a percentage fee based on the value of the assets in the account. Therefore, the compensation earned by HD Vest Advisory Services is not tied to the number or size of transactions in your account, and your Advisor does not have an incentive to recommend transactions to generate additional sales commissions. On the other hand, HD Vest Advisory Services and your Advisor will earn the advisory fee regardless of whether you execute any transactions. HD Vest Advisory Services also provides financial planning services on a flat-fee basis.

If you decide that a fee-based advisory account is appropriate, you will be required to execute a separate contract concerning the fee-based investment advisory services or program you want to participate in, and you do not have an advisory account unless you have a separate agreement with HD Vest Advisory Services. As the client, you can terminate this agreement at any time.

## **The Choice is Yours: Understand Your Options**

You should consider the importance and value of ongoing, fee-based investment advisory services when comparing various options for obtaining advice, reporting and trade execution. You should also consider the amount of anticipated trading activity when selecting among different types of accounts and assessing the overall cost. If there are prolonged periods of infrequent trading or your portfolio routinely contains significant cash holdings, a fee-based investment advisory account will probably result in higher overall expenses than if commissions were paid separately for each transaction. If you do not need ongoing advice and do not anticipate at least a moderate amount of trading, or if you would rather pay your investment professional based on each transaction you execute, then a commission-based brokerage account may be the right choice for you.

In order to help you decide which services are right for you, the following chart outlines some of the significant differences between commission-based and fee-based accounts. In the chart, HD Vest Investment Services is referred to as “HDVIS,” and HD Vest Advisory Services is referred to as “HDVAS.”

<b>Questions for You to Consider as an Investor</b>	<b>Commission-based Account</b>	<b>Fee-based Advisory Account</b>
<b>How do I know if my account is a “commission-based” account or a “fee-based investment advisory” account?</b>	If you do not have a separate contract with HDVAS outlining the terms of an investment advisory or financial planning engagement, then you do not have a fee-based investment advisory account, and the rules governing commission-based accounts apply.	If you desire to receive advisory services, you will be required to execute a separate contract with HDVAS concerning the investment advisory services or program you are agreeing to participate in, and the fees associated with the account.
<b>How do I prefer to pay fees?</b>	You prefer to pay your Advisor for each transaction that you place. HDVIS and your Advisor will be compensated primarily based on the commissions they receive on the transactions you decide to execute and will earn more compensation if you execute more transactions.	You prefer for the fee to be consistent and not tied to the number or type of transactions on the account. HDVAS and your Advisor are compensated on an ongoing basis for the investment advice and other services they provide. Most HDVAS investment advisory programs charge an annual fee, paid quarterly, based on a percentage of the assets in your account. HDVAS will earn the fee regardless of whether you execute any transactions.
<b>How do HD Vest and my Advisor earn compensation on my account?</b>	HDVIS and your Advisor will be compensated based on the commissions they receive on the transactions you decide to execute. Accordingly, we will earn more compensation if you execute more transactions. The commission and fee schedule for a brokerage account is listed in your account agreement, and the commissions and other compensation for trades made directly with a product sponsor are contained in the product prospectus. We may also be paid by people who compensate us based on what you buy. Therefore, our profits and our Advisors’ compensation may vary by product over time. Your Advisor receives a percentage of the compensation earned by HDVIS, depending on his or her individual agreement with HDVIS.	In general, HDVAS and your Advisor are compensated on an ongoing basis for the investment advice and other account-related services they provide. Most HDVAS investment advisory programs charge an annual fee, paid quarterly, based on a percentage of the assets in your account. Planning services may also be obtained on an hourly or flat-fee basis. Although certain costs of executing securities transactions may be borne by your Advisor or passed on to you in connection with your investment advisory account, there is no “commission” associated with each transaction. Therefore, the compensation earned by HDVAS and your Advisor generally does not depend on how many trades you place.

<b>Do I want HD Vest and my Advisor to monitor my account and provide advice on an ongoing basis?</b>	Because commission-based accounts are transaction-based, HD Vest's suitability obligations end after a particular transaction is executed. There is generally no ongoing obligation to monitor the account or individual securities within the account, or to provide ongoing advice.	When you open an investment advisory account, you are generally entitled to periodic monitoring and/or advice concerning the investments in your account.
<b>What information will I receive concerning transactions in my account?</b>	You will receive confirmation of every transaction either from HDVIS' clearing firm, or from a product sponsor if you invested directly with the product sponsor. In addition, you will receive monthly or quarterly account statements, depending on the type of account.	As with a commission-based account, you will receive confirmation of every transaction either from HDVIS' clearing firm, or from a product sponsor if you invested directly with the product sponsor. You will also receive monthly or quarterly account statements, depending on the type of account. In addition, you will receive a quarterly report outlining the performance of your account
<b>What other disclosures will I receive?</b>	Because HDVIS ordinarily does not act in a fiduciary capacity, the firm's obligation to disclose conflicts of interest is generally limited to those matters that are specifically required to be disclosed by law. HDVIS wants clients to have all information necessary to make an informed decision, and we encourage you to ask for as much information as you feel you need to make an informed decision concerning your investments.	As a registered investment adviser, HDVAS has additional disclosure obligations relating to your investment advisory account. Much of this disclosure is set out in disclosure documents required by the SEC. The required disclosure includes information about compensation we will earn on your account, conflicts of interest, and the background and education of your Advisor.

## ADDITIONAL INFORMATION

Important information about specific mutual fund, variable annuity or insurance and other products, including share classes, investment objectives, the risks involved, and the fees, expenses and other costs that can affect the performance of your investment, can be found in the prospectus relating to the particular product. Many mutual fund and insurance companies make these documents available on their websites, and they are also available from your HD Vest Advisor or directly from the mutual fund or insurance company. Additional information about HD Vest's investment advisory programs is contained in disclosure brochures associated with each program. We strongly encourage you to read and carefully consider this information before investing.

## STAY INFORMED

This discussion is not intended to address all issues or questions concerning differences between commission-based and fee-based accounts. When considering a fee-based investment advisory program, you should be sure that you understand the different investment solutions that are available to you. For example, you could decide that you want a brokerage account for certain investments and an advisory account for others. Your HD Vest Advisor is a valuable resource available to assist you in making investment decisions with your unique needs in mind. You should discuss the different account and service options with your Advisor, and ask any questions you feel you need answered before investing. It's important to note that your goals and needs may evolve over time, and your business relationship with your HD Vest Advisor may change as well. Therefore, we encourage you to evaluate your needs regularly and periodically discuss them with your Advisor. If you have questions about the different types of accounts available through HD Vest, you can also contact the HD Vest Compliance department at (800) 821-8254.

### **Additional Information About Securities Transactions Effected Through HD Vest**

The responsibilities of HD Vest relate specifically to investments or services purchased through HD Vest companies, and do not apply to any other products or services you may obtain from your Advisor. Your Advisor is an independent contractor who may offer additional products and services outside of his or her relationship with HD Vest. For example, HD Vest does not provide or supervise tax, accounting, payroll, or legal services.

All payments for the purchase of securities or insurance through HD Vest should be made by check or wire transfer payable to First Clearing, LLC (our clearing firm), a mutual fund company or an insurance company, not to an Advisor or his or her independent company. When you purchase an investment product through HD Vest, you will receive a confirmation of the transaction and an account statement referencing HD Vest. When you purchase an investment product directly from a mutual fund, insurance company or other product sponsor, you will receive a confirmation and statement directly from that company. If you believe you made an investment through HD Vest, but did not receive a confirmation referencing HD Vest, or if you have any other questions regarding your investments, please call us at (866) 218-8206, option 2.

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