



BETTERMENT WRAP FEE BROCHURE

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This brochure provides clients with information about Betterment LLC (hereinafter Betterment) and the Betterment Wrap Fee Program that should be considered before becoming a client of the program. This information has not been approved or verified by any governmental authority.

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General Information

Betterment, offers the Betterment Wrap Fee Program, where appropriate, to interested prospects and advisory clients. Betterment, a limited liability company organized under Delaware law, is an SEC Registered Investment Adviser. Betterment maintains its principal office at 853 Broadway, Suite 1208, New York, NY 10003. If you have questions regarding the material contained herein, please contact Betterment at support@betterment.com or at (212) 228-1628.

Program Description and Investment Strategy

Betterment is a simple, smart way of managing savings and investments. We try to avoid lengthy documents and legalese, but it is important that Betterment customers understand the nature of their investments. This Wrap Fee Brochure is meant to provide that understanding therefore you should review it carefully.

When an individual invests in securities, he or she must first determine what securities to purchase or sell. This process is often done in consultation with an investment advisor such as Betterment. When the decision making phase is complete an order is placed with a broker-dealer to execute the agreed transaction in the securities markets. Investment advisors generally place these orders on behalf of their clients. Typically investment advisors charge a fee that covers managing a portfolio but not the broker-dealer expenses related to executing trades. In the typical arrangement, those trade execution expenses are an additional charge to the client. A wrap fee program is a popular alternative to a typical advisory fee structure that provides clients with advisory and brokerage execution services for one all-inclusive fee. The “Fee” section below gives full details on our fee, but here is the bottom line: Our wrap fee is 0.90% of assets under management. This means that for every \$100 in your account we charge \$0.90 per year – this amount covers everything from investment selection to account setup to trade execution. There are no additional fees for our services.

Betterment is organized as a wrap fee program because it best allows us to achieve our mission of simplifying smart saving and investing for our clients. For example, the wrap fee gives clients the freedom to add to or withdraw money from their accounts and change their balance allocations without incurring any separate expenses for those activities.

Our mission is to help clients make better financial decisions. We think that a simpler product, with fewer choices, helps clients focus on making the best investments and the most important choices. The Betterment platform is uncomplicated by the many confusing choices and assessments that individuals confront in traditional investment advisories. Our investment philosophy is that well-diversified holdings in the stock market offer reliably good long-term returns with low risk. Further, individual, non-institutional investors trying to ‘beat the market’ rarely do so and often underperform market indices. Our philosophy further recognizes that investors also require an outlet that isn’t at all subject to the fluctuations of the markets; for those needs United States Treasury bonds represent a safe haven that return income far out sizing the interest rate on typical savings accounts. We provide clients with intuitive, interactive tools to tailor our investment philosophy to their individual needs.

Minimum Investment

Betterment is open to all individuals. There is no minimum investment.

Portfolio Management Services

The investments offered at Betterment are integrated in our online portfolio management platform where clients manage their Betterment account by setting an “Allocation” between classes of Funds available through the program. When clients deposit to or withdraw money from their Betterment account, they are initiating transactions for the purchase or sale of proportional interests in the available Funds, in an amount that corresponds to their Allocation. Similarly, when clients adjust their Allocation they are initiating transactions to exchange available Funds for one another to reflect the updated Allocation.

Betterment ‘rebalances’ client portfolios so that in the face of fluctuating market prices each client’s portfolio remains controlled to within a narrow range of his or her Allocation.

Betterment recommends rebalancing because we believe it will produce superior long-term returns and because it simplifies account management for clients.

Betterment’s portfolio management services also include a dividend reinvestment system. Dividend reinvestment means that dividends from the client’s Funds are used to purchase additional investments in accordance with a client’s designated allocation.

To participate in Betterment, clients are required to agree to have their accounts automatically rebalanced and their dividends automatically reinvested.

Investment Tools

In addition, the portfolio management platform provides tools to help clients project their expected returns, access information related to transactions, and understand their account’s prior performance. The platform also includes various community-based features which give clients the opportunity to learn from each other and further optimize their investments.

Trade Execution, Account Maintenance, and Asset Custody

When clients choose Betterment they are also choosing the brokerage services of Betterment Securities, a FINRA member broker-dealer. Betterment Securities is an affiliate of Betterment. Pursuant to contractual authority from the client, Betterment Securities will maintain all client accounts and execute all securities transactions in client accounts without separate commission costs. Participation in Betterment requires the appointment of Betterment Securities as broker. Betterment Securities’s execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should consider whether or not the appointment of Betterment Securities as the sole broker may or may not result in certain costs or disadvantages to the client as a possible result of less favorable executions.

Generally, when clients make changes to their accounts during normal stock market hours transactions will be processed right away while changes clients make to their account when

markets are closed transactions will be processed the next business day. Transactions are sometimes subject to processing delays which can cause significant time lapses between the time client has initiated a change to an account and execution. As a result of processing delays, account changes that occur less than thirty minutes before markets close may not transact until the next business day. Markets generally close at 4:00 PM ET. Further, deposits are automatically subject to a processing period that may be up to five business days or longer; deposit related transactions will not occur until the next business day after this processing period is complete.

To improve execution and limit costs, Betterment Securities effects agency cross transactions and transactions with Betterment's principal account when advantageous. Agency cross transactions and principal transactions are not subject to any mark-ups, mark-downs, or dealer spreads. No client is favored over any other client and each client that participates in an aggregated order will participate at the average share price for transactions in the aggregated order.

Under an arrangement through MTG, client assets are held in custody at Penson Financial Services, Inc. Betterment has chosen to custody assets at Penson because of the firm's long history of security and stability. At Betterment, the safety and security of our client's assets is paramount. Penson will receive fees for its services.

There are never any separate fees for any trade execution or custody service.

Fees

Betterment clients pay an all-inclusive annual wrap fee of 0.90% of assets under management. The fee is not negotiable. This fee includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Clients participating in this program also agree to direct brokerage in their accounts through Betterment Securities. Betterment and Betterment Securities negotiate with trading partners to execute transactions on the most favorable terms available. Betterment Securities's execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. The client should also consider that, depending on the amount of activity in the client's account and the value of custodial, trade execution, advisory, and other services which are provided under the arrangement, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. Betterment may, at its sole discretion, offer some accounts with fees that differ from standard accounts.

The fee is calculated as a prorated amount of a client's average daily balance over a calendar quarter and charged at the end of each quarter. The fee is not charged on the basis of a share of capital gains upon or capital appreciation of the Funds or any portion of the assets of an advisory client.

Fee Payment

Betterment will automatically debit the prorated amounts of such fees from the assets in a client's account on a quarterly basis.

Termination of Advisory Relationship

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Fund Fees and Expenses

All fees paid to Betterment for investment advisory services are separate and distinct from the fees and expenses charged by Funds to their shareholders. These fees and expenses are described in each Fund's prospectus. These fees are generally composed of a management fee and other Fund expenses.

Potential Conflicts of Interest

Betterment or individuals associated with Betterment may buy or sell securities identical to or different than those recommended to clients for their personal accounts. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client.

It is the expressed policy of Betterment that no person employed by Betterment may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Privacy Policy

Betterment is committed to protecting our clients' private information. Betterment has instituted policies and procedures to ensure that customer information is kept private and secure. Betterment does not disclose any non-public personal information about its customers or former customers to any non-affiliated third parties except as required by or permitted by law or agreed to by the client. In the course of servicing a client account, Betterment may share some information with its service providers, such as transfer agents, custodians, broker/dealers, accountants, and attorneys. Betterment restricts internal access to non-public personal information to those employees who need access to such information in order to provide products or services to a particular client. Betterment also maintains physical, electronic, and procedural safeguards to protect client information.

A copy of the Betterment's privacy policy notice will be provided to each client upon opening an account. Thereafter, Betterment will continue to make a copy of the current privacy policy available to its clients on the Betterment website.

Subject to Change

From time to time Betterment may adjust its wrap fee program and policies. In the event of

such adjustments this brochure will be modified as needed and an updated copy will be made available on the Betterment website.

Profiles of the Betterment Team

JON B. STEIN

Chief Executive Officer

Born 1979

Education

B.A., Harvard University, 2001

M.B.A., Columbia Business School, 2009

Business Background

Betterment, Chief Executive Officer, 2007 – Present

First Manhattan Consulting Group, Consultant, 2003-2007

RYAN M. O’SULLIVAN

Founding Member

Born 1973

Education

B.A. Georgetown University, 1995

Business Background

Betterment, Founding Member, 2008 – Present

Kenneth Cole, Le Tigre Division President, 2007 – Present

Madison Trading, Managing Partner, 2002 – Present

Le Tigre, Managing Partner/President, 2003 – 2007

Wachovia Bank, Senior Vice-President of Equity Capital Markets and Investment Banking, 1999 - 2002

ELI D. BROVERMAN

Chief Operating Officer

Born 1978

Education

B.A., Brown University, 2001

J.D., NYU School of Law, 2005

Member New York State Bar Association

Business Background

Betterment, Chief Operating Officer, 2007 – Present

Proskauer Rose LLP, Associate, 2005-2007

