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**Item 1:  
Cover Page**

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**Brochure of  
NEXTCAPITAL ADVISERS, INC.**

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February 12, 2015

**This brochure provides information about the qualifications and business practices of NextCapital Advisers, Inc. If you have any questions about the contents of this brochure, please contact us at [advinquiries@nextcapital.com](mailto:advinquiries@nextcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.**

**Additional information about NextCapital Advisers, Inc. is also available on the Securities and Exchange Commission's website 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.**

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**Item 2:**  
**Material Changes**

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NextCapital Advisers, Inc. ("NextCapital Advisers") is a newly organized investment adviser. This brochure is NextCapital Advisers' initial disclosure document prepared according to regulatory requirements and rules. Therefore, NextCapital Advisers has not previously filed any annual updates to this brochure and has no material changes to report.

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**Item 3:**  
**Table of Contents**

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Item 1: Cover Page .....	1
Item 2: Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation .....	5
Item 6: Performance-Based Fees and Side-by-Side Management .....	6
Item 7: Types of Clients .....	6
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9: Disciplinary Information .....	9
Item 10: Other Financial Industry Activities and Affiliations .....	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Item 12: Brokerage Practices .....	10
Item 13: Review of Accounts .....	11
Item 14: Client Referrals and Other Compensation .....	11
Item 15: Custody .....	11
Item 16: Investment Discretion .....	11
Item 17: Voting Client Securities .....	11
Item 18: Financial Information .....	12

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#### Item 4: Advisory Business

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NextCapital Advisers is a Delaware corporation, which was formed and filed to register with the Securities and Exchange Commission as an investment adviser in December 2014. NextCapital Advisers is a wholly owned subsidiary of NextCapital Group, Inc. ("NextCapital Group").

The mission of NextCapital Group is to deliver personal, objective and world-class portfolio and planning services to investors.

NextCapital Group, through its subsidiaries, is a leading provider of portfolio management and 401(k) managed account software. NextCapital Group's founding team was responsible for building out the first automated 401(k) portfolio management platform, the first electronic advisor and one of the first online banks. NextCapital Group's wholly owned subsidiary, NextCapital Software, Inc. ("NextCapital Software") powers the portfolio tracking tools for the Wall Street Journal Digital Network and provides financial and forecasting software to companies, such as Transamerica and JPMorgan Chase. NextCapital Software also partners with Russell Investments to provide automated portfolio management for employees saving for retirement in 401(k) plans.

NextCapital Group currently offers two primary web-based services:

- **NextCapital:** "NextCapital" is a free service, made available through NextCapital Software. NextCapital provides a central place for investors to holistically organize, analyze and manage their investment portfolios. NextCapital securely and automatically connects to client brokerage, retirement, banking and other financial accounts, allowing clients to view, manage and control their portfolios from one place, with one password. NextCapital is available to clients free-of-charge through [www.nextcapital.com](http://www.nextcapital.com) and partner sites, including the Wall Street Journal, Barron's and MarketWatch. NextCapital was previously offered by NextCapital Group and its predecessors prior to the launch of NextCapital Software in November 2014.
- **NextCapital Premium:** "NextCapital Premium" is a fee-based service providing investment advice from NextCapital Advisers and advanced financial analytics and related services from NextCapital Software. Clients using NextCapital Premium pay a monthly fee to gain access to: (i) investment advice and (ii) additional software-based portfolio-management tools and services, including tools available as part of the standard NextCapital service and enhanced tools for the NextCapital Premium service. NextCapital Premium provides a range of analytics and advisory services, including: (i) portfolio construction and management (e.g., asset allocation/reallocation and recommendation of specific securities to include or remove from a portfolio), (ii) financial planning (e.g., analysis of retirement savings/spend down and college education savings and other life milestones), (iii) general recommendations (e.g., identifying cost reduction opportunities, optimizing tax efficiency and investment tax saving strategies, risk and diversification levels) and (iv) sophisticated financial analytics tools and measurements. Investment recommendations made available through NextCapital

Premium generally consist of low-cost exchange traded funds or index-based mutual funds. To produce such recommendations, NextCapital Advisers uses a proprietary algorithmic advice engine and personalized information collected through our account aggregation service, among other methods.

NextCapital does not currently provide discretionary or non-discretionary investment management services, or participate in any wrap fee programs. NextCapital Advisers does not execute trades for clients. As such, clients must make an independent determination as to whether to follow any recommendation made by NextCapital Advisers and make its own arrangements for execution of any desired recommendations.

NextCapital Group's owners include two outside investors, Russell Investments and Transamerica Ventures, as well as NextCapital Group's four founders, John Patterson, Jon Hagen, Dirk Quayle and Robert Foregger. John Patterson, through two family trusts, is the only stockholder of NextCapital Group who directly or indirectly owns greater than a 25% interest in NextCapital Group. Neither Russell Investments nor Transamerica Ventures concedes that it controls NextCapital Group or is otherwise an affiliate of NextCapital Group for purposes of the Investment Advisers Act of 1940, as amended.

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#### **Item 5: Fees and Compensation**

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We charge a fee only for NextCapital Premium. No fee is charged to persons only using the standard NextCapital service.

NextCapital Advisers charges a fixed monthly subscription fee for the use of NextCapital Premium, which is currently \$10.00 per month. This monthly fee is payable in advance on the first day of each monthly billing cycle. The initial billing cycle begins on the date a client's account is upgraded to NextCapital Premium. A client must provide credit card information as part of the online account upgrade process; such credit card information will be stored by a third-party service provider. Each client is solely responsible for any and all fees charged to such client's credit card by the issuer, bank or financial institution, including membership, overdraft and insufficient funds and over the credit limit fees.

NextCapital Advisers reserves the right to modify its fees for NextCapital Premium upon written notice to clients prior to any change. Additionally, NextCapital Premium may be made available to certain clients at a rate different from the rate described herein. NextCapital Advisers may also offer promotional discounts or special offers from time to time.

A client may choose to cancel NextCapital Premium at any time without penalty. In the event a client cancels NextCapital Premium during a billing cycle, NextCapital Advisers will refund a pro rata portion of the monthly fee based on the date of cancellation. NextCapital Advisers may choose not to renew or cancel a client's NextCapital Premium service at any time. If the cancellation of such client's subscription is due to such client's breach of the Terms of Use or other unlawful conduct, NextCapital Advisers will not owe such client any refund.

NextCapital Advisers does not receive compensation for the sale of securities or other investment products. NextCapital Advisers provides objective, non-biased investment recommendations. Neither NextCapital Group nor any of its subsidiaries has any arrangement or relationship with any fund adviser or other person related to any of the investment recommendations provided by NextCapital Advisers.

Clients may also incur other costs or fees from third parties, including brokerage costs charged by their brokers for the execution of trades, fees charged by mutual funds or other investment alternatives, and in some circumstances custodian fees. NextCapital Advisers does not execute trades for clients, and clients must therefore make their own arrangements for the execution of any desired trades at their own cost.

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**Item 6:**  
**Performance-Based Fees and Side-by-Side Management**

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NextCapital Advisers does not charge performance-based fees.

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**Item 7:**  
**Types of Clients**

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NextCapital Advisers generally provides investment advice to individuals seeking independent, objective and actionable investment advice to help such individuals make investment decisions and achieve their financial objectives and goals. NextCapital Advisers, in the future, may also make NextCapital Premium available to third-party investment advisers.

To access NextCapital Premium, a client must do each of the following through NextCapital Group's website:

- Acknowledge that the client has reviewed and accepted our Terms of Use.
- Enroll in NextCapital (i.e., the free financial software service).
- Upgrade to NextCapital Premium (including supplying valid credit card information).

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**Item 8:**  
**Methods of Analysis, Investment Strategies and Risk of Loss**

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**Methods of Analysis and Investment Strategies**

**Overview:** NextCapital Advisers seeks to provide each individual client with a personalized, objective and world-class investment portfolio and an accompanying plan that considers the client's preferences, goals and constraints. Clients who can utilize and benefit from NextCapital Advisers' advice range from novice individual investors to sophisticated investors seeking a core strategy.

The foundation of NextCapital Advisers' investment advice methodology is the NextCapital Retirement Index ("Retirement Index"). The Retirement Index is a proprietary portfolio index that tracks the aggregate global asset allocation of the largest managers of Target Date Funds ("TDFs").

NextCapital Advisers, using the Retirement Index as an allocation-neutral baseline, provides a dynamic framework for personalized portfolio construction and financial planning for both goal-based and target-risk portfolios.

**NextCapital Retirement Index:** The Retirement Index takes a passive view of asset allocation by using the consensus asset allocation of the world's largest managers of TDFs. The managers that comprise the Retirement Index represent over 95% of the invested assets in public TDFs. Each asset manager has a different perspective on forward-looking capital market expectations, global optimized portfolios and the appropriate risk for each age category, and each asset manager changes its asset allocations over time. The Retirement Index tracks and analyzes each TDF in the index to determine each manager's asset allocation strategy and then generates the market consensus view from the combination of each manager in the index. This process is repeated quarterly to update the market consensus. NextCapital created the Retirement Index (formerly known as MarketGlide) in 2008 and has been updating it quarterly since 2008. Since 2008, the Retirement Index portfolios have consistently tracked the median return of the Target Date industry mutual funds.

By aggregating the Target Date industry views to create a consensus of the best asset managers, the Retirement Index seeks to ensure that investors do not concentrate risk by relying on the economic and asset allocation views of a single asset manager. While security-level indices, such as the S&P 500 index, have provided investors with broad and low-cost equity exposure for decades, the Retirement Index provides investors with access to a more tailored strategy because it is an aggregate index of leading retirement goal asset allocations.

The Retirement Index goal based portfolios start with aggressive portfolios for young investors and glide down in the level of equity risk based on the number of years to expected retirement. Generally, the TDF managers are invested among 16 major global asset classes or styles. The asset classes represented in the Retirement Index are non-overlapping, are minimally correlated with each other, consider global risk factors and are investable using a variety of low-cost fund managers.

**NextCapital Advisers Investment Advice Methodology:** The *Retirement Index* provides a prudent foundation for time-horizon-based investment management – an intelligent portfolio that can be further enhanced with additional client profiling. The investment methodology has default assumptions that NextCapital Advisers will use if certain information is not provided by a client in a questionnaire or otherwise (e.g., if a client does not enter the age at which such client desires to retire, the investment methodology will assume a retirement target age of 65).

NextCapital Advisers also offers personalized recommendations to clients based on a two-step approach:

- First, NextCapital Advisers seeks to assess client needs based on four categories of client information: (i) human capital (i.e., a client's future earnings and savings potential), (ii) financial status (i.e., a client's current net worth and balance sheet), (iii) risk tolerance (i.e., a client's ability to withstand future market volatility and other market events) and (iv) future goals (i.e., a client's goals for retirement, college education, etc.). Based on our highly personalized client profile process, NextCapital Advisers optimizes a client's portfolio and glide path relative to the time-only default allocation. The potential results for each client may include: (i) a customized portfolio allocation and glide path, (ii) wealth and spend-down forecasts, (iii) portfolio insights (e.g., information on topics such as portfolio diversification, investment costs, investment tax liabilities and performance) and (iv) other advice or guidance relating to such client's portfolio.

Depending on the planning scenario, client profile information may be collected in several ways. Clients may complete a proprietary investor profile questionnaire produced by NextCapital Advisers during or after the initial account opening process, provide a high-level estimate of their financial situation and/or link their investment accounts to [www.NextCapital.com](http://www.NextCapital.com) (this option provides NextCapital Advisers with the most detailed security and tax status (e.g., 401(k), IRA, Roth, etc.) information about a client's financial plan).

- Second, using the client information gathered by NextCapital Advisers, NextCapital Advisers creates a sound financial plan to help clients achieve their financial goals. NextCapital Advisers illustrates to the client the possible outcomes that can be achieved with the recommended investment policy based on the client's current rate of saving and targeted start date of an investment goal, such as retirement. NextCapital Advisers empowers clients to understand the important choices that may help improve their investment and plan outcome. Through a proprietary optimization process, NextCapital Advisers may also provide other important financial recommendations, such as how much to save or when to start saving to reach a specified goal (e.g., a plan to retire at age 65) and when to engage in certain actions (e.g., start taking Social Security benefits at age 62).

NextCapital Advisers licenses the software used to formulate investment recommendations for clients from its affiliate, NextCapital Software. However, NextCapital Advisers is responsible for the investment advice methodology and capital market assumptions used to generate investment recommendations.

### **Risk of Loss**

The identification of investment opportunities is difficult and involves a significant degree of uncertainty. Investing in securities involves a risk of loss. NextCapital Advisers does not guarantee the future performance of any client's account or the success of any investment



recommendation or strategy that NextCapital Advisers may make for a client's portfolio. Potential clients should consider the following risks before subscribing to NextCapital Premium:

*Investment Risks.* Certain investment recommendations made by NextCapital Advisers may be subject to specific risks. For example, exchange traded funds and mutual funds are subject to the risks arising from the portfolio of underlying stocks and other financial instruments, including market and issuer risks.

*Reliance on Client Information.* NextCapital Advisers bases its investment recommendations on the information provided to NextCapital Advisers by its clients. As such, if a client were to provide NextCapital Advisers with inaccurate or false information, the quality and applicability of the investment strategies and recommendations made to such client by NextCapital Advisers may be materially impacted.

*Reliance on Quantitative Analysis.* NextCapital Advisers' methodologies and investment strategies rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that NextCapital Advisers will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose clients to the risk of significant losses.

*Time Sensitivity.* The recommendations NextCapital Advisers provides and other information comprising a recommended investment strategy may be time sensitive, especially during times of significant market volatility. Thus, acting on an investment recommendation after the date of recommendation may cause significant losses to a client's portfolio.

*Market Conditions.* The success of NextCapital Advisers' investment strategy and recommendations may be significantly and adversely affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the investments NextCapital Advisers recommends to clients.

**The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved with NextCapital Advisers' investment programs. Prospective clients should consult their own advisers before deciding whether to utilize NextCapital Advisers' services.**

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#### **Item 9: Disciplinary Information**

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There are no legal or disciplinary events that are material to a client's evaluation of NextCapital Advisers or the integrity of NextCapital Advisers' management.

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**Item 10:**  
**Other Financial Industry Activities and Affiliations**

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NextCapital Advisers has no other financial industry activities or affiliations required to be disclosed in this brochure.

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**Item 11:**  
**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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In accordance with the Investment Advisers Act of 1940, NextCapital Advisers has adopted a Code of Ethics for all supervised persons of the firm describing NextCapital Advisers' high standard of business conduct and fiduciary duties to its clients. The Code of Ethics includes written procedures governing the conduct of the firm's supervised persons, including provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at NextCapital Advisers must acknowledge the terms of the Code of Ethics annually, or as amended. Upon request, NextCapital Advisers will provide a copy of the Code of Ethics to clients and prospective clients. To request a copy of the Code of Ethics, please contact NextCapital Advisers at [advinquiries@nextcapital.com](mailto:advinquiries@nextcapital.com)

Neither NextCapital Advisers nor any of its employees recommends to clients, or buys or sells for client accounts, securities in which NextCapital Advisers has a direct material financial interest. NextCapital Advisers does not have investment authority, discretionary or otherwise, to purchase any securities on behalf of clients. Once a recommendation has been generated by NextCapital Advisers, it is in the discretion of the client whether to enter into a transaction based on any such recommendation, when to enter into any such transaction and which broker to use for the execution thereof. However, NextCapital Advisers' officers and employees could conceivably purchase securities for their own accounts that may, in certain instances, be the same securities as those recommended for clients, including shares in the same mutual fund or ETF. The securities that are recommended to clients are highly personalized and are based on each client's profile. Any such purchase of the same securities would be coincidental.

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**Item 12:**  
**Brokerage Practices**

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NextCapital Advisers does not select or recommend broker-dealers for client transactions. Because NextCapital Advisers does not have discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients are responsible for their own broker-dealer transactions, including the commissions payable.

NextCapital Advisers does not pay for any products, research or services from any brokers, nor does NextCapital Advisers receive any referrals from any brokers directing clients to them.

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**Item 13:**  
**Review of Accounts**

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For NextCapital Premium, NextCapital Advisers provides investment recommendations algorithmically, and tests recommendations using hypothetical client test cases, tracking delivered advice and sampling recommendations provided to clients. NextCapital Advisers does not manually review each client account.

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**Item 14:**  
**Client Referrals and Other Compensation**

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NextCapital Advisers currently does not have any third-party referral arrangements whereby NextCapital has agreed to pay such third parties fees for referring clients to NextCapital Advisers.

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**Item 15:**  
**Custody**

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NextCapital Advisers currently does not have custody of the funds and securities in client accounts. Clients may receive periodic statements from the custodian that holds and maintains the client's investment assets. NextCapital Advisers urges each client to carefully review such statements and compare such official custodial records to any account statements that NextCapital Advisers may provide such client. NextCapital Advisers' statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities or other instruments.

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**Item 16:**  
**Investment Discretion**

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NextCapital Advisers does not accept discretionary authority to manage securities on behalf of any clients.

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**Item 17:**  
**Voting Client Securities**

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NextCapital Advisers does not vote proxies on behalf of clients who will receive such notices from their account's custodian. Furthermore, NextCapital Advisers does not take any action on legal notices it or a client may receive from issuers of securities held by a client.

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**Item 18:**  
**Financial Information**

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NextCapital Advisers does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and thus no financial information is required to be provided by NextCapital Advisers.