

Form ADV Part 2

BETTERMENT WRAP FEE BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of Betterment LLC (hereinafter “Betterment”), a registered investment adviser. Registration does not imply a certain level of skill or training but only indicates that Betterment has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission. If you have any questions about the contents of this brochure, please contact us at support@betterment.com or at 888-428-9482. 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 Betterment is available on the SEC’s website at www.adviserinfo.sec.gov.

Summary of Material Changes

The most recent previous update of this Wrap Fee Program brochure was March 24, 2015. The material changes introduced in this update are:

- an update to the amount of Betterment's assets under management; and
- amendments to reflect that Betterment now provides advisory services to employer-sponsored retirement plans, and plan participants as part of the Wrap Fee Program.

There are also non-material updates that have been made to the Wrap Fee Program brochure in order to enhance the description and explanation of the Wrap Fee Program.

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Services, Fees, and Compensation

General Information

Betterment offers the Betterment Wrap Fee Program to prospective and current clients. Betterment, a limited liability company organized under Delaware law, is an SEC Registered Investment Adviser. Betterment maintains its principal office at 61 West 23rd Street, 5th Floor, New York, NY 10010. Betterment is a sponsor of the Betterment Wrap Fee Program. Betterment Securities is a sponsor of the Betterment Wrap Fee Program. If you have questions regarding the material contained herein, please contact Betterment at support@betterment.com or at 888-428-9482.

Program Description and Investment Strategy

Betterment is a smart, simple way of managing savings and investments. This Wrap Fee Brochure is meant to help you understand the nature of your investments. 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 and keeping custody of client assets. In the typical arrangement, those trading expenses are an additional charge to the client. A wrap fee program is a common alternative to a typical advisory fee structure that provides clients with advisory and brokerage services for one all-inclusive management fee with no additional account activity charges.

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 portfolio allocation (as between stock and bond exchange-traded funds) without incurring any separate expenses for those activities.

Betterment offers three services as part of the Wrap Fee Program: (1) a retail service where an individual, with Betterment's assistance, can participate in the Betterment Service; (2) an institutional platform whereby an individual in conjunction with a non-Betterment investment advisor or other provider of investment advice (subject to Betterment's approval) with which the individual has a pre-existing, independent relationship ("Advisor") can participate in the Betterment Institutional Service; and (3) a platform which allows employer-sponsored retirement plans and plan participants to participate in the Betterment For Business Service in conjunction with an affiliate, Betterment For Business LLC.

Fees

Betterment retail clients pay an all-inclusive annualized wrap fee ranging from 0.15% to 0.35% of the client's account balance (0.15% for accounts with balances greater than \$100,000; 0.25% for accounts with balances between \$10,000 and \$100,000; and 0.35% for accounts with balances below \$10,000). For clients who maintain balances under \$10,000, and who do not auto-deposit at least \$100 per month, the fee is \$3 per month.

Betterment Institutional clients pay an all-inclusive annualized wrap fee of 0.25% of the client's account balance for Betterment's services (please see the fee schedule attached to Betterment's Advisory Agreement or Betterment Institutional Advisory Agreement (collectively, the "Advisory Agreements"). Clients may pay a separate fee to their Advisor. You will be able to view information about the fees on Betterment's website.

Employer-sponsored retirement plan clients pay an all-inclusive annualized wrap fee ranging from 0.10% to 0.60% of plan assets, depending on the size of the plan. You will be able to view this information on bettermentforbusiness.com.

Betterment's fees are not negotiable. The fees include charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting performed by Betterment. In the case of employer-sponsored retirement plans, the fees also include recordkeeping services provided by Betterment For Business. Clients participating in this program appoint Betterment Securities as their broker-dealer for the program, and accordingly 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 procedures are designed to attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Client should consider that, depending on the amount of activity in a client's account and the value of custodial, trade execution, advisory, and other services that 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 fees to some accounts that differ from the standard fee schedule.

The fee is calculated as a prorated amount of a client's average daily balance over a calendar quarter and charged in four installments at or around 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 (as defined below) or any portion of the assets of an advisory client. In certain circumstances disclosed in the Advisory Agreements, Betterment reserves the right to charge client for special requests or other irregular services.

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

The only other fees Client will incur from Betterment are the fees embedded in the securities purchased on Client's behalf; Betterment does not earn or receive such fees. As part of the Betterment Institutional Service, the Advisor may charge client a separate fee; Betterment does

not receive any portion of this fee. As part of the Betterment For Business Service, Betterment For Business LLC may charge employers or employer-sponsored plans separate fees for certain administrative tasks related to plan administration. Betterment does not receive any portion of this fee.

Account Requirements and Types of Clients

Betterment is open to all individuals, trusts, employer-sponsored plans and other legal entities (subject to Betterment's approval) who are U.S. residents and maintain a checking account with a U.S. Bank. There is no minimum account size to maintain a Betterment account. The minimum initial deposit is \$10. Participation in the Betterment Institutional Service also requires that client have an independent contractual relationship with an Advisor. Employer-sponsored retirement plan clients must also execute an Administrative Services Agreement with Betterment For Business.

Portfolio Manager Selection and Evaluation

Betterment directly manages the portfolios of all clients on the Betterment retail platform pursuant to the Advisory Agreement. Betterment directly manages the portfolios of all clients on the Betterment Institutional Platform pursuant to the Betterment Institutional Advisory Agreement in conjunction with an Advisor. Employer-sponsored retirement plans are directly managed by Betterment as a 3(38) fiduciary, pursuant to an Investment Advisory Agreement specific to the Betterment For Business Service (see below for specific employer-sponsored retirement plan services).

Portfolio Management Services

We think that a simpler financial product, with focused options, helps clients center on making clear choices and the best investment decisions. Our methodology advises clients to invest in well-diversified stock market holdings, for strong long-term returns, coupled with Treasury bonds, for steady income superior to typical bank interest rates and lower volatility than the equities markets. We implement this methodology by recommending a portfolio of broad market index Exchange Traded Funds and Treasury Bond Exchange Traded Funds ("Funds"). With our basic methodology in place, Betterment's online platform enables clients and/or their separate registered investment advisors to fine-tune their Allocation to match to their individual needs.

The investments offered at Betterment are integrated with the Betterment website where clients and/or their Advisors manage a Betterment account by setting an Allocation between portfolios of Funds available through the program. When clients deposit to or withdraw money from their Betterment account, they are requesting that Betterment purchase or sell the available Funds, in an amount that corresponds to their Allocation. Similarly, when clients and/or their Advisors adjust a client's Allocation they are requesting that Betterment exchange available Funds for one another.

Betterment offers 'rebalancing' of client portfolios so that in the face of fluctuating market prices each client's portfolio remains controlled to within a narrow range of the Allocation. Betterment recommends rebalancing because it has been shown to improve returns and because it simplifies account management for clients.

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

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

Investing in securities involves risk of loss that clients should be prepared to bear.

Investment Tools

In addition, the Betterment website provides tools to help clients and/or their separate registered investment advisors project clients' expected returns, understand their risks, access information related to transactions, and review their account's prior performance.

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 does not operate the Betterment website. 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 or other fees. Participation in Betterment requires the appointment of Betterment Securities as broker. Betterment Securities's 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 momentarily while changes clients make to their accounts when markets are closed will be processed the next business day. Transactions are sometimes subject to processing delays which can cause significant time lapses between the time clients have initiated a change to an account and execution. In particular, processing delays may mean that account changes initiated 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 treat all customers fairly and improve execution, Betterment Securities effects aggregated block transactions involving multiple Betterment Accounts. These transactions are not subject

to any mark-ups, mark-downs, or dealer spreads. In conducting these transactions no client is favored over any other client and each client that participates in an aggregated transaction will participate at the average share price for transactions in the aggregated order.

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

Services Specific to Employer-sponsored Retirement Plan Clients

In addition to the above-named services, applicable to all clients, Betterment offers plan sponsors assistance with the development of an Investment Policy Statement (“IPS”).

Under the plan-level Investment Advisory Agreement, Betterment will provide individual plan participants with personalized advice. Plan participants are not required to, but have the option of entering into an agreement with Betterment directly.

Other Information about Betterment’s Portfolio Management

Betterment manages all client assets on a discretionary basis. As of October 6, 2015, Betterment has \$ 2,756,001,258 under management. Betterment’s fees are 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. Betterment does not accept authority to vote client securities.

Client Information Provided to Portfolio Managers

Because Betterment manages all client portfolios directly, we do not share client information with other portfolio managers with respect to the Betterment Service under the Advisory Agreement.

For clients on the Betterment Institutional Service, Betterment provides certain client information to clients’ Advisors that clients explicitly request Betterment provide via the Betterment Institutional Advisory Agreement.

Client Contact with Portfolio Managers

Clients may contact Betterment by phone during our support telephone hours and via email at all times.

Additional Information

Betterment’s Disciplinary History

Betterment has not been subject to any disciplinary events by regulators nor is it party to any legal events that are material to client evaluation of our advisory business.

Betterment's Financial Industry Activities and Affiliations

Betterment CEO Jon Stein is a registered principal of Betterment Securities, a FINRA member broker-dealer. Betterment COO Eli Broverman is a registered principal of Betterment Securities, and is an attorney admitted to practice in New York.

Betterment's Code of Ethics

Betterment maintains a code of ethics that requires all officers and employees to conduct themselves with the highest standards of honest conduct and business ethics in all aspects of their activities concerning Betterment and Betterment clients. A copy of Betterment's Code of Ethics is available to clients and prospective clients upon request.

Participation in Client Transactions and 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 express policy of Betterment that no person employed by Betterment may use material, non-public information obtained during the course of their work to purchase or sell any security prior to any pending transaction(s) being executed for an advisory account. This policy is intended to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

Review of Accounts

Betterment's investment tools are intended for clients to utilize to review their account and better understand their holdings and performance. Betterment personnel conduct only limited, non-periodic individual reviews of client accounts when triggered by certain investment activity and account settings.

For clients using the Betterment Institutional Service, clients' agreements with their Advisors govern any additional responsibilities for conducting reviews of clients' accounts that the Advisors may have.

Client Referrals

Betterment and Betterment Securities offer compensation to current clients, affiliate marketers, solicitors, and other strategic partners who recommend Betterment and refer new clients. New clients are advised of such compensation prior to opening an account. Betterment supervises the referral activities of current customers, affiliate marketers, solicitors, and other strategic partners. Clients are not charged any fee nor do they incur any additional costs for being referred to Betterment by a current client, affiliate marketer, solicitor, or other strategic partner.

Termination of Advisory Relationship

A client agreement may be canceled at any time, by either party, for any reason upon notice in accordance with the Advisory Agreements. Upon termination of any account 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.

Employer-sponsored retirement plan clients can terminate the relationship as provided for under the Investment Advisory Agreement specific to the Betterment For Business Service.

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.

Privacy Policy

Betterment is committed to protecting our clients' private information. Betterment and Betterment Securities have 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 or as otherwise disclosed in Betterment's Privacy Policy. 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 is available on the Betterment website.

Financial Information

To the best of Betterment's knowledge, we are not aware of any financial condition that is reasonably likely to impair Betterment's ability to meet its contractual commitments to its Clients.

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.

Form ADV Part 2B
CLIENT BROCHURE SUPPLEMENT

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March 24, 2015

This Brochure Supplement provides information about certain Betterment employees listed below that supplements the Wrap Fee Brochure you received above. If you have any questions about the contents of this brochure, please contact us at support@betterment.com or at 888-428-9482. Additional information about Betterment is available on the SEC's website at www.adviserinfo.sec.gov.

Betterment's discretionary investment advice is formulated by a team comprised of more than five Supervised Persons, and Betterment has provided group supplementary information below for the five Supervised Persons with the most significant responsibility for the day-to-day advice provided to Clients.

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

Betterment Securities Principal 2009 – Present

First Manhattan Consulting Group, Consultant, 2003-2007

Securities Series Licenses 7, 24, 63

Disciplinary Information

None

Other Business Activity

Mr. Stein is also a Principal of Betterment Securities, a registered broker-dealer. As discussed in the Wrap Fee Brochure, Clients that seek to engage Betterment's services also agree to direct brokerage in their accounts through Betterment Securities. Betterment charges a wrap fee that includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Betterment Securities does not make commissions per trade for executing trades for Betterment customers.

Additional Compensation

None

Supervision

Mr. Stein is CEO of Betterment, and as such is not subject to additional supervision

ELI D. BROVERMAN

Chief Operating Officer and Chief Compliance 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

Betterment Securities Principal 2009 – Present

Proskauer Rose LLP, Associate, 2005 – 2007

Securities Series Licenses 24, 27, 62

Disciplinary Information

None

Other Business Activity

Mr. Broverman is also a Principal of Betterment Securities, a registered broker-dealer. As discussed in the Wrap Fee Brochure, Clients that seek to engage Betterment's services also agree to direct brokerage in their accounts through Betterment Securities. Betterment charges a wrap fee that includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Betterment Securities does not make commissions per trade for executing trades for Betterment customers.

Additional Compensation

None

Supervision

Mr. Broverman is supervised by Mr. Stein pursuant to Betterment's Policies and

Procedures

ANTHONY J. SCHRAUTH

Chief Product Officer

Born 1982

Education

B.S. The Wharton School of the University of Pennsylvania, 2005

Business Background

Betterment, Chief Product Officer, 2009 – Present

Betterment Securities Information Systems Specialist 2009 – Present

First Manhattan Consulting Group, Associate, 2005 – 2009

Disciplinary Information

None

Other Business Activity

Mr. Schrauth is also an Information Systems Specialist for Betterment Securities, a registered broker-dealer. As discussed in the Wrap Fee Brochure, Clients that seek to engage Betterment's services also agree to direct brokerage in their accounts through Betterment Securities. Betterment charges a wrap fee that includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Betterment Securities does not make commissions per trade for executing trades for Betterment customers.

Additional Compensation

None

Supervision

Mr. Schrauth is supervised by Mr. Stein pursuant to Betterment's Policies and Procedures

DUSTIN M. LUCIEN

Chief Technology Officer

Born 1975

Education

B.Sc. Case Western Reserve University, 1997

Business Background

University Hospitals of Cleveland Department of Neurosurgery Surgery Planning Laboratory, Manager, 1997 – 1999

Parabon Computation, Lead Software Engineer, 1999 – 2001

Oracle Corporation / Phaos Technology, Senior Member of Technical Staff, 2002 – 2005

Layer 7 Technologies, Regional Sales Manager and Solutions Architect, 2005 – 2008

TheLadders.com, Director of Engineering and Product Development, 2008 – 2012

Betterment, Vice President of Engineering, 2013 – Present

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Lucien is supervised by Mr. Stein pursuant to Betterment's Policies and Procedures

DANIEL P. EGAN

Director of Behavioral Finance & Investing

Born 1981

Education

B.A. Boston University, 2003

M.Sc. London School of Economics and Political Science, 2006

Business Background

University of Pennsylvania, Economic Data Analyst, 2004 – 2005

Chiliogon LTD, Economist, 2006

Barclays Wealth and Investment Management, Americas, Behavioral Finance
Specialist, 2007 – 2012

Betterment, Director of Investing, 2012 – Present

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Egan is supervised by Mr. Stein pursuant to Betterment's Policies and
Procedures