

**Form ADV Part 2A****Betterment Client Brochure**

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**January 2, 2024****Item 1 - Cover Page**

This brochure provides information about the qualifications and business practices of Betterment LLC (“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 (“SEC”). If you have any questions about the contents of this brochure, please contact us at [support@betterment.com](mailto:support@betterment.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Betterment is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Summary of Material Changes**

The most recent annual update of this Form ADV Part 2A Brochure and Wrap Program Appendix was on March 30, 2023. In that update, Betterment amended its advisory brochure on Form ADV Part 2A and Wrap Fee Program Appendix 1 to reflect that Betterment Securities earns revenue from participating Transfer Sweep Program banks based on certain balances maintained in those accounts.

On May 1, 2023, Betterment amended Item 9 of its advisory brochure on form ADV Part 2A and Wrap Fee Program Appendix 1 to reflect a settlement.

On June 30, 2023, Betterment amended its advisory brochure on Form ADV Part 2A and Wrap Fee Program Appendix 1 to reflect that Betterment offers 529 education savings services to certain clients, and that Betterment Securities will charge \$75 for the full or partial transfer to another brokerage firm of any Account.

On August 31, 2023, Betterment amended its advisory brochure on Form ADV Part 2A to reflect that it no longer supports Decentralized Finance and Metaverse crypto portfolios.

On January 2, 2024, Betterment amended its advisory brochure on Form ADV Part 2A and Wrap Fee Program Appendix 1 to update its description of the Core portfolio strategy and to add a new Value Tilt portfolio strategy.

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## Item 4 - Advisory Business

### Firm Description

Betterment LLC (“Betterment”), a Delaware limited liability company organized in 2009, is an SEC-registered investment adviser that maintains its principal office at 27 West 23rd Street, 6th Floor, New York, NY 10010. Betterment is a wholly-owned subsidiary of Betterment Holdings, Inc. (“Holdings”), which is also the parent company of MTG LLC dba Betterment Securities, Betterment for Business LLC, Betterment Financial LLC, and Argonaut Asset Management, LLC.

### Types of Advisory Services

Betterment offers investment advisory services to clients primarily over the internet via its interactive online platform and mobile application (collectively, Betterment’s “online interface”). For certain clients receiving Supplementary Services (as defined below), Betterment also provides investment advice over the phone, video, or email communications with Betterment financial consultants.

This Brochure is meant to help you understand the nature of the advisory services offered by Betterment, whether the advisory services offered by Betterment are right for you, and the potential conflicts of interest associated with Betterment services. You should review it carefully.

Betterment provides investment advice and discretionary asset management services for clients that span (1) portfolios composed of exchange-traded funds (“ETFs”) and, in certain cases, mutual funds, stocks, and bonds (collectively, “traditional securities”), (2) portfolios composed of digital assets (“crypto” or “crypto assets”), and (3) a cash management offering. Traditional securities portfolios consist of sets of globally diversified stock and bond allocations, which Betterment typically constructs from low-cost, liquid, index-tracking ETFs, as further described in Item 8 below. Traditional securities portfolios and Betterment’s cash management offering are offered through the Wrap Fee Program, as defined and further described in the *Wrap Fee Program Brochure Appendix* below (traditional securities portfolios and cash management, collectively “wrap accounts”). Crypto portfolios consist of allocations of crypto assets that provide diversified exposure to a variety of crypto sectors, which Betterment typically constructs based on market capitalization, risk-return profile, and other factors, and which include a cash allocation, as further described in Item 8 below.

A wrap fee program has a fee structure that provides clients with advisory and brokerage services for a bundled fee with no additional account activity charges for execution of trades. As such, Betterment charges Wrap Fee Program clients a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services associated with holding and trading securities provided by its affiliated broker-dealer, Betterment Securities.

With respect to Betterment Crypto (as defined below), clients are charged a single investment advisory fee by Betterment as well as transaction expenses associated with crypto trading and custody assessed by Betterment's third-party partner, Gemini Trust Company LLC ("Gemini"), which serves as the custodian of client crypto accounts.

Betterment offers investment advisory services to three types of clients:

- (1) a retail service whereby individuals, trusts, and other legal entities receive advisory services from Betterment (such clients are referred to as "Retail Clients");
- (2) a platform whereby individuals, trusts, and other legal entities receive advisory services from Betterment and from an unaffiliated registered investment adviser or other provider of investment advice ("Advisor"), subject to Betterment's approval, with which the individual, trust or legal entity has an independent relationship (such clients are referred to as "Third-Party Advised Clients" and such business is referred to as "Betterment for Advisors"); and
- (3) a platform whereby employer-sponsored retirement plans ("Retirement Plan Clients") and plan participants ("Participants") receive 401(k) plan advisory services from Betterment, acting in an ERISA 3(38) fiduciary capacity, and 401(k) recordkeeping and/or administrative services from our affiliate, Betterment for Business LLC (such platform, collectively with certain employee financial wellness products offered through our retail service, "Betterment at Work").

Retail Clients, Third-Party Advised Clients, Retirement Plan Clients and Participants are collectively referred to in this brochure as "clients." Retail Clients, as well as Third-Party Advised Clients if elected by their Advisor and agreed to by Betterment, are eligible to receive crypto advisory services (such services, "Betterment Crypto"), as well as participate in Betterment's Wrap Fee Program. Crypto assets cannot be held in Individual Retirement Accounts ("IRA"s), 401(k) accounts, or HSAs (defined below).

Retail Client accounts are managed by Betterment pursuant to each client's Advisory Agreement and the client's instructions. Third-Party Advised Client accounts are managed by Betterment pursuant to each client's Betterment for Advisors Sub-Advisory Agreement and in conjunction with the Advisor's and/or Third-Party Advised Client's instructions. Retirement Plan Client accounts are managed by Betterment pursuant to an Advisory Agreement specific to the Retirement Plan Client's employer-sponsored 401(k) plan, as well as terms and conditions to which Participants agree and Participants' instructions. Clients who receive Betterment Crypto services also agree to a specific Crypto Addendum to their Advisory Agreement, as well as Gemini's User Agreement. Clients with an IRA also agree to specific custodial agreements with Millennium Trust Company, which serves as the custodian for Betterment IRA accounts and 401k plan assets. Clients with a Health Savings Account ("HSA") agree to a specific HSA Addendum to their Advisory Agreement, as well as a Custodial and Deposit Agreement with

Optum Bank. Clients with a 529 Education Savings Account that is serviced by Ascensus College Savings Recordkeeping Services, LLC (“Ascensus”) and integrated with the Betterment interface agree to a 529 Addendum to their Advisory Agreement, as well as terms issued by their selected 529 plan. Clients who use Betterment’s Student Loan Management Services agree to a Student Loan Management Addendum to their Advisory Agreement, as well as the User Consent and Privacy Policy of Spinwheel Solutions Inc. (“Spinwheel”).

Betterment additionally offers Retail Clients with a balance of at least \$100,000 in Betterment traditional securities, crypto, and Cash Reserve (as defined below) accounts (“Account Balance Threshold”) the opportunity to receive discretionary and non-discretionary advisory services over the phone, email, or other mediums from Betterment’s team of financial consultants through participation in Betterment’s Premium offering. Clients who do not receive Betterment Premium Services and who receive Betterment’s investment advisory services online are referred to as clients of the Betterment Digital plan. Clients receiving Betterment Crypto services receive such crypto advisory services either online through the Betterment Digital plan, or with the addition of Betterment Premium Services. In connection with Betterment’s Premium offering, Betterment reserves the right, in its sole discretion, to reduce or waive the Account Balance Threshold. The Account Balance Threshold does not include funds held in Betterment for Advisors, Betterment at Work, or Betterment managed HSAs offered in partnership with Optum Bank (each as described below).

No minimum account size is required to maintain a Betterment Digital wrap account or crypto account. The minimum deposit is \$10.

Betterment’s investment advisory services, both relating to Wrap Fee Program and Betterment Crypto, are not designed to provide clients with a comprehensive financial plan. Wrap Fee Program services are built to advise clients on how to achieve particular financial goals that clients indicate in their account. All of Betterment’s services are highly dependent on receiving accurate information from clients. If clients provide Betterment with inaccurate information or fail to update promptly the information provided to Betterment when it changes, the quality and applicability of Betterment’s investment advisory services could be materially impacted.

In addition, there are other pieces of information about a client’s personal financial situation that are not elicited through Betterment’s online interface that could inform Betterment’s advice if it were provided to Betterment. This is true even for clients who communicate with Betterment’s financial consultants via phone, video or email. Similarly, not every piece of information that we collect is factored into your investment advice. Clients should consider this limitation on Betterment’s service, which is a function of Betterment primarily providing an internet-based service.

Before depositing funds with Betterment, or in any investment or cash account, investors should consider paying off debt, particularly to ensure that minimum debt payments are made on time to avoid late payment penalties, extra interest, and higher finance charges. Investors should also

consider prioritizing paying off high-interest debt, which typically is associated with credit card debt or unsubsidized student loan debt. Also, investors should consider the options that are available to them through workplace savings plans provided by their employers that offer match programs.

## **Tailored Services and Investment Restrictions**

### **A. Wrap Fee Program**

With respect to Betterment's Wrap Fee Program, clients customize their accounts according to their financial situation and investment goals, and choose among several portfolio strategies described in the *Wrap Fee Program Appendix* attached below. To use Betterment's services, clients and/or their Advisors must inform Betterment of their financial situation and preferences through Betterment's online interface. Based on this information, Betterment will recommend clients an asset allocation of stock to bonds for the selected securities portfolio strategy, or if a Third-Party Advised Client, the Advisor will recommend their clients an asset allocation based on the selected securities portfolio strategy or Custom Portfolio (defined below).

In its Wrap Fee Program, Betterment generally organizes its advice into one of five categories – education, retirement, safety net/emergency fund, major purchase, and general investing – each with different attributes and a discrete advice model. After identifying an advice type, clients or their Advisors select a securities portfolio strategy and provide details about their investing purpose. Betterment solicits input on a client's anticipated time horizon in order to recommend an allocation, which is a specific set of asset classes (i.e. stocks, bonds, and if applicable, other asset classes) and the relative distribution among those asset classes in which a client's account will be invested (the "Allocation"). Betterment allows clients to adjust the recommended Allocation to their own risk preference and provides information about the risk level of the selected Allocation. An Allocation differs depending on whether a client's goal is taxable or tax-advantaged and when the client expects to draw on their goal. In general, Betterment will recommend to clients who indicate a more conservative advice type (such as a safety net/emergency fund) or shorter time horizon a more conservative Allocation and will recommend to clients who indicate a more aggressive investment advice type or longer time horizon a more aggressive Allocation. Clients and/or their Advisor either accept the recommended Allocation or elect a different Allocation based on their or their client's own risk tolerance or preferences. Betterment's advice framework is described in more detail in the *Betterment Wrap Fee Program Appendix*.

Clients and/or their Advisors have the ability to impose reasonable restrictions on the management of their portfolios. Clients and/or their Advisors are able to restrict the securities purchased for their accounts by electing a Flexible portfolio strategy to choose from the available pre-selected asset classes and adjust allocation weights. Clients and/or their Advisors also have the ability to enable or disable several of Betterment automated portfolio management features. The investment advisory services provided in connection with

Betterment's Wrap Fee Program are described in more detail below in the *Betterment Wrap Fee Program Appendix*.

## B. Betterment Crypto

With respect to Betterment Crypto services, clients choose among several crypto portfolios strategies based on their investment preferences. Clients have the ability to impose reasonable restrictions on the management of their crypto account by electing to exclude (or include if previously excluded) any crypto asset from their portfolio by using a block asset feature in Betterment's online interface, which causes Betterment to generate a trading order to sell the blocked crypto in the account's next available trading opportunity, subject to the trading limitations described below in *Item 12 - Brokerage Practices*. Each crypto portfolio strategy consists of crypto assets that are chosen and weighted to fit the particular investment goal of the strategy as a whole, as well as a cash allocation used to help manage liquidity constraints with Gemini's exchange as well as to draw from to satisfy Betterment's annualized investment advisory fee, as described in *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss* below. Betterment provides clients with information about each crypto portfolio strategy to inform their decision-making but does not make recommendations to clients that they invest in crypto or any particular Crypto Portfolio (defined below). More information about the Crypto Portfolio strategies is described below in *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*.

Clients should understand that investing in crypto is highly speculative and only appropriate for individuals with a high risk tolerance and who are able to bear the risk of potential loss. Due to the aggressive and speculative nature of cryptocurrency, crypto portfolios are not suitable for investors looking for conservative strategies, low risk, lack of or low volatility, or capital preservation. Betterment advises clients to limit their crypto investment to no more than 5% of their reported total investable assets, and clients who are also Third-Party Advised Clients should discuss with their Advisors the appropriate amount of investable assets to allocate to crypto, if any. Betterment does not monitor the amount of a client's crypto investments relative to the client's reported total investable assets.

## Wrap Program

As described above, Betterment offers its investment advisory services for wrap accounts through the Betterment Wrap Fee Program. For more information about the Wrap Fee Program, please see the *Wrap Fee Program Brochure Appendix* attached below. Betterment charges a wrap fee that covers the cost of its investment advisory services, as well as custody and trading services provided by its affiliate, Betterment Securities.

Betterment Crypto services are offered outside of its Wrap Fee Program because Crypto Portfolios are subject to trading fees charged by Betterment's crypto custodian, Gemini, and Betterment charges a different investment advisory fee for Betterment Crypto as compared to



its Wrap Fee Program. There are also certain automated portfolio management features, such as tax loss harvesting and dividend reinvestment, available in Betterment's Wrap Program for wrap accounts, that are unavailable for crypto accounts. Both traditional securities portfolios and crypto portfolios are automatically rebalanced, as described below in *Item 8 - Methods of Analysis, Investment Strategies, Risk of Loss*.

## **Assets Under Management**

As of August 30, 2023, Betterment managed \$40,881,859,440 in client assets on a discretionary basis.

## **Item 5 - Fees and Compensation**

### **A. Wrap Fee Programs**

Betterment charges an asset-based wrap fee that covers the costs of its investment advisory services as well as associated trading and custody services provided by its affiliated broker-dealer, Betterment Securities. Betterment's asset-based wrap fees are calculated based on client's Wrap Account Balance (as defined below) as of the close of each calendar day, accrued daily, and typically charged as of the last business day of each month. Third-Party Advised Client's fees are accrued daily and typically charged as of the last business day of each month or quarter. Retirement Plan Clients' fees are accrued daily over a quarter and typically charged as of the last business day of each quarter.

Retail Clients pay a \$4 per month wrap fee for their Digital wrap accounts (\$48 annually). If at any point, a Retail Client's Total Account Balance (as defined below) exceeds \$20,000 or the Retail Client enables a monthly \$250 recurring deposit (such recurring deposit amount subject to change at any time), that client will pay an annualized Digital wrap fee of 0.25% their Wrap Account Balance instead of the \$4 per month fee. If a Retail Client's Total Account Balance fluctuates over \$20,000 for any day in a given month, the Digital wrap fee for that day will be accrued based on the daily equivalent of the 0.25% annualized fee on the Wrap Account Balance rather than the daily equivalent of \$4 per month. For any day that a Retail Client's Total Account Balance is less than \$20,000 and that client does not otherwise qualify for the asset-based fee, they will be charged the daily equivalent of the \$4 monthly fee for that day. For clients with Total Account Balances around \$20,000, the monthly fee may be more than \$4 per month if on certain days the Total Account Balance exceeded \$20,000. "Total Account Balance" is the combined account balance of a Retail Client's Betterment accounts in a "Household" (as that term is defined in the Advisory Agreement), inclusive of balances held in traditional securities accounts, crypto accounts, Cash Reserve, and Checking accounts. "Wrap Account Balance" is the account balance in Retail Client's traditional securities accounts. For more information on Betterment's pricing, please review [www.betterment.com/pricing](http://www.betterment.com/pricing).

HSA accounts are subject to an annualized fee of 0.50% of their account balance, which includes Betterment's annualized wrap fee of 0.25% as well as an additional, 0.25% asset-based fee for the HSA administrator. 401(k) accounts are subject to additional fees for recordkeeping services,

unless the plan sponsor has elected to allocate those fees to itself, as described below in the *Wrap Fee Program Appendix*. For certain clients, Betterment's annualized wrap fee is reduced by discounts and other promotions, including those described below. Retail Clients who receive Betterment Premium Services pay a wrap fee of 0.40% of their account balance in annualized fees, which includes Betterment's 0.25% annualized wrap fee plus 0.15% for access to Premium Services provided by Betterment's team of financial consultants. Betterment waives its wrap fee on Retail Client account balances held in Cash Reserve. Betterment includes assets transferred in-kind to Betterment in its calculation of a client's account balance. For more information about the fees associated with Betterment's Wrap Fee Program, in particular with respect to Third-Party Advised Clients and Retirement Plan Clients, please refer to the *Wrap Fee Program Brochure Appendix* attached below.

Typically on the last business day of the relevant period (month or quarter), Betterment instructs Betterment Securities to sell securities in an amount that will generate cash proceeds to satisfy a client's fee obligation. If a client's account exclusively consists of mutual funds, due to small price fluctuations in mutual funds that may occur on the transaction date (the last business day of the period), Betterment will accrue any fees over- or under-assessed and apply the difference to adjust the following period's fees. Betterment will automatically debit the prorated amounts of the fees from the assets in a client's account on a monthly or quarterly, as applicable, basis in arrears.

#### B. Betterment Crypto

Betterment charges clients receiving Betterment Crypto advisory services through Betterment's Digital offering an annualized fee of 1.0% of their crypto account balance for Betterment Crypto advisory services. Clients receiving Betterment Crypto advisory services through Betterment's Premium offering are charged an annualized fee of 1.15% of their crypto account balance, which includes Betterment's 1.0% annualized crypto fee plus 0.15% for access to Premium Services provided by Betterment's team of financial consultants. Third-Party Advised Clients also pay a separate fee to their Advisor that Betterment debits from their crypto account. Betterment does not receive any portion of the fees paid to an Advisor.

Betterment's asset-based crypto advisory fees are calculated as a prorated amount of client's daily balance reported by Gemini as of midnight Eastern Time on each calendar day, over a month and typically charged as of the last business day of each month. On the last business day of the month, Betterment assesses crypto fees by considering the cash allocation of the crypto portfolio and whether the crypto portfolio has drift that can be reduced (described below in *Item 8 - Methods of Analysis*). If a client's crypto account has reducible drift, Betterment will instruct Gemini to sell crypto assets in an amount that will generate cash proceeds to satisfy client's fee obligation and reduce drift in the crypto portfolio. If the client's crypto account does not have reducible drift, Betterment will instruct Gemini to transfer funds from the cash allocation sufficient to satisfy the fee obligation. If a client's cash allocation in its crypto account is insufficient to cover Betterment's fees for that month, Betterment will accrue any fees over- or under-assessed and apply the difference to adjust the following month's fees. Betterment will

automatically debit the prorated amounts of the fees from the assets in a client's Crypto Account on a monthly basis in arrears.

Clients receiving Betterment Crypto services also bear expenses associated with trading and custody of crypto assets charged by the cryptocurrency custodian, Gemini, as discussed in *Item 12 - Brokerage*. Gemini charges a custody and trading fee that fluctuates based on trading volume, up to 0.15% per trade. Clients can review per-trade fees actually paid to Gemini on their crypto account statements and in the transaction activity section of Betterment's online interface. Betterment does not receive any portion of the trade fees paid to Gemini.

### C. Discounts

For certain clients, Betterment's wrap fee and/or crypto advisory fee is reduced by discounts and other promotions, including those described below. All of Betterment's asset-based fees for Retail Clients are subject to a 0.10% discount (the "Discount") on the portions of their balances above \$2 million, except for clients who receive specific fee discounts. Balances in a client's wrap account and crypto account are counted towards the \$2 million threshold, but any funds in Cash Reserve, and any 401(k) account through Betterment at Work are not subject to the Discount and are not included when determining its availability.

Regardless of the balance in their retail accounts, clients who (i) are eligible to participate in a Betterment at Work 401(k) plan or (ii) maintain an Optum HSA pay Betterment's Digital fee of 0.25% of assets in their retail wrap account, rather than a \$4 per month fee. If a Participant's relationship with their employer ends and the Participant elects to rollover their Betterment 401(k) into a Betterment IRA, the former Participant will pay Betterment's \$4 per month fee on their wrap account, unless such their Total Account Balance exceeds \$20,000 or the former Participant takes certain other actions described above. If a client's Total Account Balance is less than \$20,000, the \$4 monthly fee in a Betterment IRA is likely to be greater than fees paid in their 401(k).

As described in the *Wrap Fee Program Brochure Appendix* attached below, Betterment offers a Satisfaction Guarantee pursuant to its Wrap Fee Program to Retail Clients. If for any reason, a Retail Client who is subject to the Digital wrap fee of 0.25% is not completely satisfied with Betterment's Wrap Fee Program services, at that client's request, Betterment will waive its annualized Digital wrap fee of 0.25% on a client's Wrap Account Balance for an upcoming period of 90 days. The Satisfaction Guarantee applies only to the digital wrap fee charged by Betterment, and does not apply to balances of crypto accounts, balances subject to the Minimum Fee, cash held in Cash Reserve, Premium Services fees, or to balances held through Betterment for Advisors or Betterment at Work. The Satisfaction Guarantee is not available to clients subject to the \$4 monthly fee.

Betterment reserves the right, at its sole discretion, to waive portions of its fees or offer pricing that differs from its standard fees.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

Betterment does not charge performance-based fees.

## **Item 7 - Types of Clients**

### **A. Clients**

Betterment offers investment advisory services to three types of clients: Retail Clients, Third-Party Advised Clients and their Advisors, and Retirement Plan Clients and their Participants (see types of clients described above in *Item 4*). Retail Clients, as well as Third-Party Advised Clients if enabled by their Advisor, are eligible to invest in crypto, as well as traditional securities portfolios and cash management solutions. Retirement Plan Clients and Participants are not able to invest in crypto.

Betterment's clients include individuals, trusts, employer-sponsored plans (and their Participants) and other legal entities (subject to Betterment's approval) who are U.S. residents and maintain a checking account with a U.S. bank. Clients investing in Betterment Crypto must be individual U.S. residents (Betterment does not support crypto accounts for trusts, employer-sponsored plans, or other legal entities). There is no minimum account size to maintain a wrap account or crypto account with the Betterment Digital plan. Retail Clients with a balance of at least \$100,000 in Betterment wrap accounts and crypto accounts are eligible to participate in the Betterment Premium plan. The Account Balance Threshold does not include funds held in Betterment for Advisors, Betterment at Work, or Betterment managed HSAs offered in partnership with Optum Bank. The minimum deposit is \$10. See Item 4 - Types of Advisory Services for a description of the agreements that govern each client's advisory relationship.

### **B. Premium Services**

Betterment Premium clients are eligible to schedule telephone consultations with a financial consultant, affiliated with Betterment, who will provide discretionary investment advice, non-discretionary investment advice, and/or personalized financial planning, including advice relating to debt, such as student loans and credit card debt, mortgages, savings, and retirement (including pensions and social security), crypto and tax-related advice that does not constitute legal advice or advice requiring licensure as a Certified Public Accountant or IRS Enrolled Agent (such discretionary advice and non-discretionary advice, "Premium Services"). Betterment also offers Retail Clients and Participants the ability to schedule consultations of non-discretionary advice delivered via telephone or other medium (such non-discretionary advice, "Supplementary Services"). Premium Services and Supplementary Services, whether pursuant to Betterment's Premium plan or Advice Packages (as defined below), are designed to help clients articulate and quantify goals, organize financial data, identify needs and opportunities,

evaluate alternative courses of actions, and determine whether and how Betterment can fit into clients' broader financial plans. Betterment will base any such advice on information provided by clients regarding, among other things, their age, marital and family status, annual income, employment status, liquid net worth (investable assets), debt and other investments, investment goals and investment experience during the financial consultation call, email or onboarding questionnaire. Betterment Premium plan clients are also able to contact financial consultants via email in order to receive more discrete investment advice.

Participation in the Betterment Premium plan will entitle such clients to an unlimited (subject to scheduling availability) number of telephone consultations per year with a licensed Betterment financial consultant in order to receive Premium Services. Premium plan clients are responsible for scheduling such telephone consultations in order to receive such Premium Services. Betterment uses a team-based approach to providing Premium Services and Supplementary Services—if clients receive Premium Services and Supplementary Services on multiple occasions, they are likely to interact with multiple financial consultants. Financial consultants do not monitor client accounts in between consultations.

Information provided by Betterment to Premium plan clients via telephone consultations with financial consultants will be considered in the provision of Betterment's discretionary advisory services, and financial consultants may modify Premium plan client wrap accounts to reflect items discussed in such consultations. With respect to crypto accounts, Betterment financial consultants will not recommend Premium plan clients invest in a crypto account, but if a client elects to invest in a crypto account, financial consultants will assist such clients in managing their crypto account, if requested. Betterment and the financial consultant have discretion over Premium plan client assets or accounts with respect to implementing any such recommendations, as described below in "Premium Authorized Actions".

As a condition of receiving Premium Services, Premium plan clients grant financial consultants the authority to view, receive, access, provide instructions, and modify client's wrap account and crypto account information in all communication mediums Betterment offers. Based on Premium plan client's situation, as determined through questionnaires, written or verbal communications, Premium plan client's account information, or Premium plan client's instruction, financial consultants also have the authority to modify the Premium plan client's investment selections, including but not limited to creating new goals, modifying existing goals, and adjusting such client's settings (e.g., investment strategies, asset allocations, and enabling or disabling automated features). Premium plan clients also grant financial consultants the authority to view, receive, and access information about such clients' external Connected Account(s) (as defined in the *Wrap Appendix* below), Betterment checking account, and Betterment 401(k) account, but financial consultants will not have the ability to provide instructions for, or modify, such accounts. The foregoing authorized actions are collectively, "Premium Authorized Actions". Premium plan clients should not expect Premium Authorized Actions to be completed immediately following a discussion or communication with a financial consultant. Financial consultants will implement changes discussed via telephone consultations or email in Premium plan client's Account within a reasonable time period.

Betterment Premium plan clients may also individually, if they choose, undertake any of the foregoing Premium Authorized Actions, except for modifying investment strategies, which must be done in connection with a financial consultant. Financial consultants are also able to incorporate legacy assets transferred in-kind into the wrap account investment strategies of Premium plan clients. Crypto assets are not able to be transferred in-kind.

### C. Additional Advisory Services

In addition, Betterment provides clients the opportunity to receive non-discretionary services in the form of advice regarding financial goal-setting and investment planning tools through its website (“Simple Services”), and non-discretionary fixed fee packages of Supplementary Services (as defined above) via telephone consultations (“Advice Packages”), each covering a particular financial topic, such as retirement, financial wellness, or crypto, and including a combination of time with a financial professional and access to written materials customized to the client. A detailed description of each Advice Package is available at <https://www.betterment.com/advice-packages/>. Certain Retirement Plan Clients also elect to offer Supplementary Services via telephone consultations to their Participants (“Financial Coaching”).

Information provided to Betterment Digital plan clients and 401(k) plan Participants by financial consultants solely in connection with Advice Packages and Financial Coaching, respectively, will not be considered in the provision of Betterment’s discretionary advisory services unless Betterment’s online interface solicits such information and the client also enters such information into Betterment’s online interface. Betterment financial consultants will not monitor, or provide continuing advice on, accounts held at institutions other than Betterment.

Advice Packages and Financial Coaching will not include, among other things, a comprehensive financial plan and certain investment topics, such as investments in real estate, that fall outside the scope of the Supplementary Services. Any tax information provided by Betterment is for educational purposes only, and is not a substitute for the advice of a qualified tax advisor. You should consult with your tax advisor to discuss tax-related concerns.

There can be no assurances that any client’s financial goals and objectives will be met through receipt of Supplementary Services. As with Betterment’s Premium plan, Betterment uses a team-based approach to providing Supplementary Services—if clients receive Supplementary Services on multiple occasions, they are likely to interact with multiple financial consultants.

In addition, Betterment reserves the right, in its sole discretion, to offer any client, without charge, certain Supplementary Services through email or telephone communications, subject to the conditions and limitations described above. Clients are under no obligation to accept or follow any recommendations made by a financial consultant as part of the Supplementary Services. In connection with Supplementary Services, neither Betterment nor the financial consultant will have any discretion over client assets or accounts with respect to implementing any such recommendations.

Betterment previously offered to Retail Clients, regardless of account size, a matching service whereby Betterment provided such Retail Clients at their request, with the contact information of a dedicated third-party registered investment advisor on the Betterment for Advisors platform that requested their contact information be made available, through the Betterment's Advisor Network program. When a Retail Client elected to participate in the Advisor Network program, they received the names and contact information of one or more third-party B4A advisor(s) participating in the Advisor Network. After an initial phone call with such advisor(s), the Retail Client could enter into a separate agreement on such terms, including fee terms, as mutually agreed between such client and such advisor. Betterment did not receive any additional compensation from the Retail Client or the third-party advisor for providing this matching service, aside from Betterment's advisory fee. Betterment no longer offers the Betterment Advisor Network program to either third-party advisors on the B4A platform who may wish to participate in the Advisor Network, or to existing and new Retail Clients who may request to be connected with a third-party advisor. Betterment conducted an initial vetting of firms participating as third-party advisors in the Advisor Network program and continues to conduct due diligence annually for those firms grandfathered into the program with existing Retail Client relationships from Advisor Network program recommendations.

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

### **Investment Strategies**

Betterment currently offers (i) several traditional securities portfolio strategies composed primarily of stock and bond ETFs to Retail, Retirement Plan, and Third-Party Advised Clients, (ii) a cash management account, Cash Reserve (as defined in the *Wrap Fee Program Appendix*), to Retail and Third-Party Advised Clients, and (iii) several crypto investment portfolio strategies to clients receiving Betterment Crypto services, in each case, subject to limitations on availability as described below. Betterment's Executive Investment Committee (the "EIC") is responsible for Betterment's investment strategy, portfolio management, advice, and financial planning models, consistent with its charter and Betterment's policies. The EIC determines which portfolio strategies to make available to clients directly and through Advisors and oversees each portfolio strategy, except to the extent described below. The EIC may delegate part or all of this responsibility to a subcommittee.

Betterment makes available four categories of portfolio strategies: Betterment Constructed Portfolios, Third-Party Portfolios, Custom Portfolios, and Crypto Portfolios.

#### **A. Betterment Constructed Portfolios**

Betterment Constructed Portfolios are portfolios composed of securities for which Betterment selects the underlying securities and weightings of those securities associated with particular

Allocations. Betterment Constructed Portfolios are composed of publicly traded exchange-traded funds (“ETFs”). The selection process for Betterment Constructed Portfolios is intended to satisfy a broad set of potential client financial goals, including but not limited to maximizing returns, minimizing investment costs, limiting volatility, and diversifying investments. Betterment makes available Betterment Constructed Portfolios to Retail Clients, Retirement Plan Clients, and Third-Party Advised Clients.

The current Betterment Constructed Portfolios are:

- **Betterment Core portfolio strategy.** Betterment’s Core portfolio strategy offers a set of globally diversified stock and bond allocations with broad market exposure, and is composed of low-cost, liquid, index-tracking ETFs from diverse providers.
- **Socially Responsible Investing portfolio strategies.** Betterment’s Socially Responsible Investing portfolio strategies allocate to ETFs that consider environmental, social, and governance (“ESG”) criteria when selecting their underlying holdings, as well as funds that use shareholder engagement strategies to encourage socially responsible corporate behavior. Clients choose from among three areas of focus: Broad Impact, Climate Impact, and Social Impact.
- **Innovative Technology portfolio strategy.** Betterment’s Innovative Technology Portfolio strategy substitutes specific exposures to U.S. value stocks (relative to Betterment’s Core portfolio strategy) with an allocation to an innovation ETF that invests in high-growth potential U.S. and global companies in various industries using existing and emerging technologies, such as clean energies, semiconductors, robotics, automation, and blockchain.
- **Betterment Value Tilt portfolio strategy.** Betterment’s Value Tilt portfolio strategy offers a set of globally diversified stock and bond allocations, with a U.S. value and small capitalization tilt as well as increased international markets exposures relative to the broader market.
- **Flexible portfolio strategy.** Betterment’s Flexible Portfolio strategy makes available a number of asset classes for Clients and/or their Advisors to choose from in order to construct their own portfolios. Betterment selects the underlying ETFs that represent each asset class and which asset classes to make available in the Flexible Portfolio strategy, and Clients and/or their Advisors can choose their asset classes and adjust allocation weights.

The portfolio strategies that Betterment offers are subject to change. More information about Betterment’s Constructed Portfolio strategies can be found in Betterment’s online interface and in its publicly available portfolio strategy disclosures.

## B. Third-Party Portfolios



Betterment also offers Retail Clients, Retirement Plan Clients, and Third-Party Advised Clients the opportunity to select certain portfolio strategies that are constructed and updated by third-party managers (“Third-Party Portfolios”). Betterment does not select the underlying securities in Third-Party Portfolios but periodically reviews the Third-Party Portfolios to ensure that they remain consistent with the portfolio objectives identified by the third-party manager.

The current Third-Party Portfolios are:

- **Variable Bonds portfolio strategy.** The Variable Bonds portfolio strategy is designed by BlackRock and composed entirely of BlackRock-managed bond ETFs. The Variable Bonds portfolio strategy allows investors to choose between four yield/risk profiles and is available to all clients.
- **Smart Beta portfolio strategy.** The Smart Beta portfolio strategy is designed by Goldman Sachs Asset Management (“GSAM”) and composed of certain Goldman ActiveBeta™ equity and fixed income ETFs, in addition to traditional passive ETFs. The Smart Beta portfolio strategy offers investors the opportunity to seek outperformance by taking more systematic risk at a given allocation of stocks and bonds relative to conventional market capitalization weighted portfolios. The Smart Beta portfolio strategy is available to all clients.
- **Vanguard CRSP portfolio strategy.** The Vanguard CRSP portfolio strategy is designed by Vanguard and composed of Vanguard-managed broad market equity and investment grade fixed income ETFs based on global market capitalization weights. This portfolio strategy is available only to Third-Party Advised Clients.

Third-Party Portfolios include ETFs sponsored by the third-party manager or an affiliate thereof, for which the manager or its affiliate receives fees. Each such third-party manager is therefore subject to a conflict of interest in that it is incentivized to include such affiliated ETFs in constructing such portfolios. Furthermore, to the extent any Third-Party Portfolio is updated by the applicable third-party manager, such updates are delivered to Betterment and updated after such updates are delivered to other users of such Third-Party Portfolio (including affiliates of the relevant manager). Clients should also understand that certain of Betterment’s services are restricted or operate differently for clients who elect a Third-Party Portfolio as compared to Betterment’s Core portfolio strategy. Third-Party Advised Clients should consult their Advisor for additional information about any other Third-Party Portfolios available to them. More information about Betterment’s Third-Party Portfolios can be found in Betterment’s online interface and in its publicly available portfolio strategy disclosures.

### C. Custom Portfolios

Betterment also offers Advisors the ability to construct their own Advisor-designed custom portfolios (each a “Custom Portfolio”) available to Third-Party Advised Clients. A Custom

Portfolio consists of a set or multiple sets of securities and allocations with underlying return and volatility assumptions either provided to Betterment by the Advisor or provided by Betterment and confirmed by the Advisor. Betterment continues to manage the accounts of Third-Party Advised Clients who elect a Custom Portfolio on a discretionary basis. For any Third-Party Advised Client who elects a Custom Portfolio, Betterment will allocate the client's assets in accordance with the Custom Portfolio. For Custom Portfolios, the Advisor and not Betterment is responsible for ensuring the Custom Portfolio (1) is suitable for its Third-Party Advised Clients, and (2) is constructed and updated in a manner consistent with the Third-Party Advised Client's financial situation and investment objectives.

For certain Dimensional Fund Advisors LP ("DFA") authorized Advisors on the Betterment for Advisors platform, an Advisor may design a Custom Portfolio constructed entirely of DFA mutual funds and ETFs (such Custom Portfolio, a "DFA Portfolio"). For DFA Portfolios, Betterment provides feedback to Advisors regarding the risk and diversification of DFA Portfolios, but Betterment is not responsible for determining whether a particular DFA Portfolio is appropriate for a particular Third-Party Advised Client, or for making any adjustments to a DFA Portfolio's allocation over time.

Betterment does not independently review and/or approve Advisor-designed Custom Portfolios. Betterment's EIC has determined to make Custom Portfolio functionality available to Advisors but does not determine which Custom Portfolios may be offered to clients or oversee each Custom Portfolio strategy. Third-Party Advised Clients should consult their Advisor for additional information about Custom Portfolios available to them, including whether any of Betterment's advice or portfolio management services are restricted or operate differently for a Custom Portfolio as compared to Betterment's Core portfolio strategy.

#### D. Crypto Portfolios

Crypto portfolios are portfolios for which Betterment selects the individual crypto assets and weightings of those crypto assets ("Crypto Portfolios"). Crypto Portfolios are composed of crypto assets and include a variable cash allocation, which can vary based on liquidity constraints at Gemini. The cash allocation for a crypto account varies but typically does not exceed 5% of account assets. These thematic portfolio strategies seek to capture broad market exposure to the crypto market or certain sub-sectors of the crypto market. Betterment provides clients with information about each Crypto Portfolio to inform their decision-making but does not make recommendations to clients that they invest in crypto or any particular Crypto Portfolio.

The current Crypto Portfolios are:

- **Betterment Universe:** The Universe portfolio strategy includes allocations to the entire investable base of crypto assets offered within Betterment Crypto services (which is more limited than the entire crypto universe). It provides broad exposure to multiple

crypto sectors, including cryptocurrencies, decentralized finance, and the metaverse. Given the broad-based exposure, the Universe portfolio strategy is both market-capitalization and risk-parity weighted, as described below in *Methods of Analysis*.

- **Betterment Sustainable Crypto:** The Sustainable Crypto portfolio strategy is composed of many of the same assets as the Universe portfolio strategy and relies on both market-capitalization and risk-parity weighted construction approaches, but with a focus on energy efficiency. This portfolio excludes any digital assets that use proof of work (PoW) to validate transactions, because PoW is an energy-intensive consensus mechanism that requires specialized hardware and significant computing power.

Gemini maintains minimum order sizes in order to place crypto trades on its exchange. Gemini's minimum order sizes fluctuate based on market conditions, and can increase or decrease month to month. If a client invests less than the minimum account balance necessary to exceed these thresholds, such client's Crypto Portfolio will include fewer crypto assets relative to the target allocation of the Crypto Portfolio and will not be eligible for rebalancing, as further described in *Methods of Analysis*. Clients can review an estimated minimum account balance necessary to exceed these thresholds at [www.betterment.com/legal/portfolio-minimum](http://www.betterment.com/legal/portfolio-minimum).

Additional information about each Betterment Crypto Portfolio, including selection criteria and methodologies, is available at [www.betterment.com/legal/crypto-portfolios](http://www.betterment.com/legal/crypto-portfolios).

## **Methods of Analysis**

### **A. Wrap Fee Program**

For information about the methods of analysis utilized in Betterment's Wrap Fee Program, including Betterment's portfolio management tools available in the Wrap Fee Program, please refer to the *Wrap Fee Program Brochure Appendix* below, specifically in *Item 6: Portfolio Manager Selection and Evaluation*.

### **B. Betterment Crypto**

Betterment does not recommend crypto or any particular Crypto Portfolio to clients, but rather provides information about each crypto portfolio strategy to assist clients in determining whether any Crypto Portfolio strategy fits their investment objectives and, if so, which ones.

Betterment only considers crypto assets that are supported by Gemini for trading and custody for inclusion in its Crypto Portfolios. Betterment regularly monitors the available population of crypto assets available at Gemini with respect to existing portfolio strategies and to identify new assets or crypto portfolio strategies for development. Crypto assets are screened by Betterment before they are eligible for inclusion in the Betterment Crypto Portfolios. The screening process for Crypto Portfolios is based on several criteria, including the market-capitalization of the asset, liquidity profile, whether the asset is supported by Gemini for custody, and whether a particular crypto asset has been specifically deemed a security by U.S. Congressional statute, final

regulatory rulemaking of a U.S. regulator, or pursuant to a final court decision (as Betterment constructs Crypto Portfolios with the objective of excluding crypto assets that have been deemed to be securities, as described below in *Risk of Loss*). The screening process means that not all available crypto investments at Gemini will be eligible for Crypto Portfolios, or included in the Betterment Universe portfolio strategy. Betterment has discretion to make modifications to the Crypto Portfolios, including to add or remove one or more crypto assets, or change the relative holdings of each crypto asset in a crypto portfolio strategy. Betterment also has discretion to make changes to the screening criteria it considers relevant for the inclusion of crypto assets in Crypto Portfolios. Clients can find a list of the currently supported Crypto Assets in their account settings in Betterment's online interface.

Once screened, Betterment applies a market-capitalization and risk-parity allocation strategy to assign weights to the various crypto assets in each Crypto Portfolio. Betterment employs both market-capitalization and risk-parity portfolio construction approaches to provide diversified exposure to a range of crypto projects and applications with improved risk-return characteristics, as compared to an exclusively market-capitalization based construction approach. To learn more about each Crypto Portfolio's construction methodology, please refer to the portfolio disclosures available at [www.betterment.com/legal/crypto-portfolios](http://www.betterment.com/legal/crypto-portfolios).

Gemini maintains minimum order sizes in order to place crypto trades on its exchange. Gemini's minimum order sizes fluctuate based on market conditions, and can increase or decrease month to month. If a client invests less than the minimum account balance necessary to exceed these thresholds, such client's Crypto Portfolio will not receive the entire recommended portfolio until their account balance meets the account balance minimum. Betterment will also not rebalance a Crypto Portfolio until it meets the account balance minimum necessary to exceed Gemini's minimum order sizes to generate the required assets. The minimum is a function of the Crypto Portfolio's target allocation and the price and quantity of individual crypto assets, which will vary based on market conditions. Clients can review an estimated minimum account balance necessary to exceed these thresholds at [www.betterment.com/legal/portfolio-minimum](http://www.betterment.com/legal/portfolio-minimum).

All Crypto Portfolio strategies that exceed the account balance required to surpass Gemini's minimum order size thresholds include automatic rebalancing. To reduce risk of overexposure to a particular crypto asset, Betterment will rebalance client Crypto Portfolio account so that, in the face of fluctuating crypto prices, each client's crypto account remains controlled within a specific range of the Crypto Portfolio strategy's specified allocation. Betterment typically attempts to rebalance a client's account when a Crypto Portfolio is identified as having drifted from its intended allocation outside of certain tolerance parameters and when Betterment's rebalancing algorithm can identify sufficient rebalancing opportunities (i.e. trades) to reduce drift. The tolerance parameters Betterment uses to rebalance crypto accounts may change over time and are different from the parameters used in its Wrap Fee Program.

Note that, due to limitations of Gemini, Betterment is not able to track tax information for crypto assets. Any transactions involving crypto assets, including automatic rebalancing, can result in taxes, including at short term capital gains rates. Betterment is also constrained by

available liquidity at Gemini. If liquidity is unavailable in certain crypto assets, or if Gemini takes certain actions to freeze, suspend trading for, or delist a crypto asset, Betterment will be unable to rebalance client's Crypto Portfolio at that time or in those impacted assets.

When clients make deposits or withdrawals from their crypto accounts, an algorithm determines the specific crypto assets to trade based on the client's portfolio strategy, if the client has elected to exclude any crypto assets from its crypto account, and available liquidity at Gemini for the particular trades. Algorithms also determine the specific trades that are made in a client's crypto account to effect rebalancing. The behavior of these algorithms is described in more detail in the Crypto Portfolios product disclosure. Betterment does not permit clients to transfer crypto assets in-kind (through a blockchain transaction) to Betterment or withdraw crypto assets in-kind (through a blockchain transaction). Clients should be aware of this limitation, and understand that deposits, withdrawals, and transfers into and out of a crypto account can only be made in fiat.

Crypto Portfolios are not compatible with Betterment's suite of tax feature functionality available in its Wrap Fee Program, including tax loss harvesting, tax coordinated portfolios, and tax minimization. Crypto also does not typically pay dividends, and clients who invest in Crypto Portfolios will not receive crypto dividends from the assets in their Crypto Portfolios. Crypto Portfolios are also not compatible with Betterment's automatic dividend reinvestment feature.

Crypto portfolios do not currently support crypto forks or airdrops. Forks and airdrops may adversely impact the value of the original crypto assets and the successor crypto assets. Gemini has sole discretion to decide whether or not to support forks and airdrops into crypto accounts. Gemini may (i) not accommodate the new crypto asset; (ii) only accommodate the new crypto asset after a significant period; or (iii) have a contractual right to claim the new crypto asset for its own account. Absent Gemini, Betterment does not have any systems in place to participate in forks or airdrops. As a result, clients may not benefit from crypto assets provided through airdrops, and crypto assets subject to forks may be rendered useless or of no or little value.

Betterment will not accept authority to vote proxies for clients' crypto assets. Some crypto features, including participation in governance activities, may be considered similar to participating in shareholder votes. Though some crypto holders have the ability to vote on topics that directly or indirectly affect return on investment through on-chain governance, Gemini's infrastructure does not support this capability and makes no promise of doing so in the future. As such, clients are currently unable to participate in such crypto governance activities for crypto held in their crypto account at Gemini.

## **Risk Factors**

Investing involves risk that clients should be prepared to bear. Betterment does not guarantee the future performance of any client account or portfolio. Clients must understand that investments made pursuant to its investment advisory services involve risk and are subject to

various market, currency, economic, security, and business risks. Clients should carefully consider the risks and uncertainties described below before investing with Betterment. Additional risks and uncertainties that we are unaware of, or deem immaterial, may also become important factors that adversely impact Betterment's business or client investments.

#### A. Generally Applicable Risks

**Market Risk:** Client investments and Betterment's investment advisory services are directly impacted by market conditions that are outside of Betterment's control, such as economic and political conditions, changes and volatility in financial markets, volatility of particular investments, including crypto assets, changes in markets in which such transactions are processed, interest rates, inflation rates, regulatory changes, and other broad political, social, and economic trends. These changes can arise suddenly and the full impact of market changes on investments can remain uncertain. Market risk includes:

- *Market Decline Risk:* Market declines, such as a recession or other prolonged downturns in investment markets, may adversely affect clients' investment performance. Significant downturns in general economic or political conditions may also cause clients to be reluctant to make additional investments.
- *Concentration Risk:* If a client has a high allocation to a particular asset class or classes, to the extent those asset classes underperform relative to other assets in the market, a client's overall performance may be adversely affected. Conversely, if a client has a low allocation to a particular asset class or classes that outperform the market over a particular period, a client's investments may underperform relative to the overall market. With respect to crypto, concentrating investments in the crypto sector increases a clients' risk of loss, because developments that adversely impact one crypto asset may adversely impact the crypto industry as a whole.
- *Volatility Risk:* Betterment's advisory services are based in part upon assumptions derived from historical returns, expected returns, and past price volatility. Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.
- *Correlation Risk:* While Betterment strives to construct diversified portfolio strategies, it is possible that different or unrelated asset classes may exhibit similar price changes in similar directions, which may adversely affect a client's account and may become more acute in times of market upheaval or heightened volatility.
- *Liquidity Risk:* While Betterment strives to ensure client trades are executed at the best prices reasonably available under the circumstances, illiquid markets for an investment may prevent clients from selling their investments at all, or at an advantageous time or price. With respect to traditional securities portfolios, Betterment's use of exchange traded funds (ETFs) in its portfolio strategies mitigates liquidity risk because ETFs tend to be liquid but this risk cannot be completely eliminated. Additionally, clients who hold

fractional shares of ETFs in their portfolios are unable to transfer fractional shares outside of the Betterment platform because markets for fractional shares do not exist; fractional shares in Betterment Accounts can only be liquidated. With respect to Crypto Portfolios, Betterment relies on its custodian and exchange partner, Gemini, for crypto trade execution. Risks specific to crypto investing are described in more detail below.

- *Inflation, Currency, and Interest Rate Risk:* Asset prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to decline and may reduce the purchasing power of an investor's future earnings. Inflation also generally leads to higher interest rates, which may cause the value of many types of investments to decline.

**Investment Advice Risk:** Betterment does not guarantee the results of any investment advice given to clients. All investing involves risk, and Betterment makes no assurances that the investment objectives of any offered portfolio strategy will be achieved. Although Betterment offers diversified portfolio strategies, there is no guarantee that any particular asset allocation or mix of investments will provide a specified return or meet clients' investment objectives. Furthermore, Betterment bases its investment advice on information self-reported by clients or information linked and authorized by clients to be provided by third-party vendors (e.g., Plaid). Betterment's services are highly dependent on receiving accurate information from clients, and Betterment does not independently verify the accuracy or completeness of provided information. If clients provide Betterment with inaccurate information or fail to promptly update information provided to Betterment when it changes, the quality and applicability of Betterment's advisory services could be adversely impacted.

**Software and Algorithm Risk:** Betterment provides investment advisory services primarily over the internet. Clients input information about themselves and their investing goals in Betterment's online interface and our software generates recommendations and constructs and manages portfolios based on information provided. Although Betterment has standards governing the design, development, and testing of software before it is put into production with client assets, there is a risk that software may not perform as intended or as disclosed. Betterment's algorithms may not perform as intended for a variety of reasons, including but not limited to incorrect assumptions, changes in the market, available liquidity, and/or changes to data inputs. Betterment periodically modifies its algorithms, or a computer system's code or underlying assumptions, and these changes may have unintended consequences. Betterment conducts testing designed to ensure that our algorithms continue to function as intended when new code is introduced and existing code is updated. Although such testing is intended to ensure that code changes do not create unintended consequences, clients should understand that testing, no matter how comprehensive, cannot guarantee the absence of code-related issues with our algorithms.

**Security Risk:** As technology has become more common in financial services, client accounts have become potentially more susceptible to operational, information security, and related risks through cybersecurity incidents. While Betterment maintains safeguards to ensure the security of its systems and software, a cyber incident may result from either intentional attacks or

unintentional events and include, but are not limited to, gaining unauthorized access to login credentials or to digital systems, misappropriating assets or sensitive information, causing a client account to lose proprietary information, corrupting data, or causing operational disruption, including denial-of-service attacks on websites. Betterment has established policies and procedures reasonably designed to reduce the risks associated with cyber incidents, including the risk that federal securities laws are broken due to a cyber incident. However, there can be no assurance that these policies and procedures will prevent cyber incidents.

**Regulatory Risk:** Investment performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the US government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the retirement legislation and tax code that could affect assets, interest income, income characterization and/or tax reporting obligations. There are also particular regulatory risks associated with the crypto industry, described below.

**Socially Responsible Investing Risk:** Clients investing in Betterment's SRI Portfolios or the Betterment Sustainable Crypto Portfolio may choose such investments based on their environmental, social, or governance (ESG) characteristics, rather than based on projected performance alone. While Betterment strives to ensure that its SRI Portfolios perform substantially similarly to the Betterment Core Portfolio over an assumed moderate- to long-term time horizon, over shorter time horizons SRI Portfolios or the Betterment Sustainable Crypto Portfolio may have lower returns as compared to the Core Portfolio (for non-crypto investments) or the Universe Portfolio (for crypto investments). ESG focused investments may also reduce clients' exposure to certain sectors or types of investments, which could adversely impact an investment's performance. Additionally, clients may disagree with the 'socially responsible' classification of an investment, particularly for SRI assets that seek SRI change through shareholder engagement or other governance strategies. SRI norms differ by industry and region, and SRI norms may evolve over time. An investment that is classified as SRI today may cease to be considered so in the future. More information about Betterment's SRI Portfolios and Betterment's Sustainable Crypto Portfolio can be found in their respective product disclosures on Betterment's online interface.

## B. Crypto-Specific Risks

**Cryptocurrencies and Crypto Assets.** Crypto assets represent a speculative investment and involve a high degree of risk. Supply is generally determined by a computer code, not by a central bank or identifiable legal entity, and prices can be extremely volatile. Cryptocurrency and crypto asset exchanges have been closed due to fraud, failure, security breaches, and legal noncompliance. Client assets held on a crypto asset exchange that shuts down may be lost. Several factors may affect the price of cryptocurrencies and crypto assets, including, but not limited to supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the



trading of crypto or the use of crypto as a form of payment. There is no assurance that cryptocurrencies and/or crypto assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will grow. Some risks particular to crypto assets include:

- *Volatility:* Crypto assets generally are highly volatile and speculative. The prior performance of a crypto asset is not necessarily indicative of future results. Many crypto assets have experienced high levels of performance and rapid increases in price, followed by significant downturns in performance and similarly rapid decreases in price. Clients should be prepared to bear the risk of loss of their investment in crypto assets.
- *Limited Investment history:* Crypto assets have only emerged as an investment opportunity in the past several years and are thus a relatively untested source of returns. It is unclear what the long-term profitability of crypto assets will be, and their short history thus far is particularly unreliable for predicting future success.
- *Availability and Free tradeability:* Betterment will only incorporate a limited number of types of crypto assets into its Crypto Portfolios, and clients will not have exposure to certain other types of crypto asset investments through Betterment. Additionally, if regulators determine that digital assets that are incorporated into Crypto Portfolios are not freely tradeable and/or constitute securities, this could adversely affect their value and the number of crypto assets available through Betterment's Crypto Portfolios.
- *Technology Risk:* Cryptocurrencies and crypto assets are created, issued, transmitted, and stored according to protocols run by computers in the cryptocurrency and crypto assets network. It is possible these protocols have undiscovered flaws which could result in the loss of some or all client assets. There may also be network scale attacks against these protocols that result in the loss of some or all client assets. Some assets may be created, issued, or transmitted using experimental cryptography that could have underlying flaws. Advancements in quantum computing could break the cryptographic rules of protocols that may be negatively affected by technological advances that undermine the cryptographic consensus mechanism underpinning blockchain and distributed ledger protocols. Betterment makes no guarantees about the reliability of the cryptography used to create, issue, or transmit crypto assets.
- *Blockchain Risk:* Certain crypto assets rely on or are built on a public or third-party blockchain, and the success of such blockchain is likely to have a direct impact on the success of the crypto assets, as well as the success of other blockchain and decentralized data storage systems that are being used by the crypto assets. There is no guarantee that any of these systems or their sponsors will continue to exist or be successful. This could lead to disruptions of the operations of the crypto assets listed on the platform and could negatively affect any crypto assets held by a client.

**No FDIC or SIPC Protection:** CRYPTO IS NOT SUBJECT TO FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC") OR SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC") COVERAGE, AND THEREFORE CLIENT CRYPTO ASSETS ARE NOT SUBJECT TO THE PROTECTIONS

ENJOYED BY DEPOSITORS WITH FDIC INSURANCE OR INVESTORS WITH ACCOUNTS AT SIPC MEMBER INSTITUTIONS. WHILE PRIVATE INSURANCE MAY BE AVAILABLE AT TIMES, CLIENT CRYPTO ASSETS ARE NOT INSURED BY BETTERMENT OR GEMINI.

**Crypto Regulatory Risk:** There is significant uncertainty regarding the regulatory treatment of crypto assets in the U.S. As a result, many crypto assets are either unregulated or in the early stages of regulation by U.S. federal and state governments and self-regulatory organizations. As crypto assets have grown in popularity, certain U.S. agencies, such as the SEC, the Financial Crimes Enforcement Network and other offices within the U.S. Treasury Department, and the Commodity Futures Trading Commission (“CFTC”), have begun to examine crypto assets and entities that operate within the crypto asset ecosystem in depth. The SEC views a significant portion of crypto assets as securities and has been involved in multiple enforcement actions, settlements, and federal court cases regarding the regulatory status of crypto assets, their issuers, and intermediaries involved in the industry. The CFTC has declared that certain crypto assets (such as Bitcoin) are commodities and regulates certain margin transactions in such assets as well as derivatives referencing crypto assets. To the extent that any type of crypto asset is determined to be a security, commodity, derivative, or other regulated asset where Betterment has not anticipated that treatment, or to the extent that a U.S. or foreign government or quasi-governmental agency exerts additional regulatory authority over crypto assets, Betterment’s Crypto Portfolios may be adversely affected. Because of this regulatory uncertainty, Betterment regularly monitors regulatory developments and offers Crypto Portfolios through a SEC-registered investment adviser entity. Betterment constructs Crypto Portfolios with the objective of excluding crypto assets that specifically have been deemed to be securities by U.S. Congressional statute, final regulatory rulemaking of a U.S. regulator, or pursuant to a final court decision. The effect of any future regulatory change on crypto and Betterment’s Crypto Portfolios is impossible to predict, but such change could be substantial and adverse.

**Crypto Custodial Risk:** Betterment partners with Gemini Trust Company, LLC, a New York state registered trust company, to provide crypto custody and trade execution services. Betterment holds all client crypto assets at Gemini. Betterment relies on Gemini for custody and trading services, and any operational issues at Gemini could impact clients’ ability to transact in crypto. Gemini also has the ability to freeze trading in a particular crypto asset, in a particular client account, or in all Betterment client accounts if it identifies the account has received assets that are subject to scrutiny (including but not limited to anti-money laundering and fraud risks). If Gemini were to freeze trading in a client account, a client would be unable to transact until Gemini lifted the freeze. If Gemini were to freeze trading in a particular crypto asset, clients invested in that asset would be unable to sell or withdraw funds in that asset. If Gemini, or any other service provider upon which Betterment relies, were to experience financial, regulatory, or other difficulties that adversely affects its operations, client’s Crypto Portfolios would be adversely affected. This is particularly acute in light of the changing regulatory and business environment for crypto assets. If Gemini is no longer able to successfully provide services to Betterment clients, and an alternative custodian is not immediately available, this could have an

impact on Betterment's ability to continue to offer Betterment Crypto. Events such as bankruptcies or misappropriation of funds have occurred in major crypto providers, creating a systemic risk for the crypto landscape. If Gemini were to declare bankruptcy or otherwise be unable to perform trading and custody services for Betterment clients, Betterment Crypto Portfolios could be adversely impacted.

**Crypto Liquidity Risk:** Betterment relies on Gemini as its provider of crypto trading and execution services. In the event that Gemini is unable to fulfill Betterment's trading orders, or markets for a particular crypto asset become unavailable or illiquid, clients likely would be unable to transact in their crypto assets at all, or at an advantageous time or price. Gemini also maintains minimum order sizes, which are reported in fractions of crypto coins and fluctuate based on market conditions. In the event a client's holdings of a particular crypto asset drop below Gemini's minimum order value, clients will be unable to place orders to sell holding. Similarly, clients should understand that if they fail to deposit or maintain a crypto portfolio balance above Gemini's minimum order size requirements, Betterment is not be able to purchase all the coins for the client's selected Crypto Portfolio and client's Crypto Portfolio will not rebalance. Clients should also understand that at a low balance, Betterment will likely be unable to liquidate their assets with Gemini, and such clients should be able to withstand a complete loss of investment. To learn more about Crypto Portfolio behavior at low balances, clients should review the Crypto Portfolio product disclosure available at [www.betterment.com/legal/crypto-portfolios](http://www.betterment.com/legal/crypto-portfolios).

**Crypto Security Risk:** In addition to the general security risks discussed above related to client accounts and Betterment systems, cryptocurrency custody and on-chain transactions are controlled using an implementation of public-key cryptography. Gemini must protect crypto assets using the confidentiality of private keys, and related techniques such as an air gap to limit access. These controls can fail, resulting in the theft of the asset or an incident where the asset becomes unavailable for future on-chain transactions (losing all value). Additionally, the blockchain developers and validators of crypto assets (who record the ownership of crypto assets) may suffer from cyberattacks or other security incidents, or for financial or other reasons cease to perform these functions, and the functioning of the blockchains on which the ownership of crypto assets is recorded and the valuation based could be jeopardized. The types of incidents that might affect blockchain security include hacking, which involves efforts to gain unauthorized access to information or systems or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment; the inadvertent transmission of computer viruses or other malware; or malfeasance or negligent acts of personnel, such as phishing attacks and other forms of social engineering. Any such interruption could result in impermissible transfers of crypto assets and/or loss of crypto assets and/or their value. A cybersecurity incident in Betterment's platform or to the entities involved in the recording and transfer of crypto assets could in turn cause a client account and/or Betterment to incur regulatory penalties, reputational damage, and additional compliance costs associated with corrective measures, and/or financial loss. Cybersecurity failures or incidents impacting a third-party service provider that provides services to a client account, such as the Custodian, or

issuers in whose crypto assets a client account invests, exposes a client account and/or Betterment to these cybersecurity risks such as identity theft, privacy infringements, or denial of service.

**Crypto Forks and Airdrops Risk:** Many crypto assets are open-source projects, and although there may be a group of leaders within a particular crypto asset community, there are no developers that formally control the applicable network. If developers disagree on the direction of the development of a particular crypto asset network, a crypto asset network could “fork” into one or more versions of the network. In addition to forks, certain networks may elect to provide free unsolicited distributions of assets (an “airdrop”) to recipient’s crypto asset wallets. Forks and airdrops may adversely impact the value of the original and successor crypto assets. Gemini, as the custodian of client crypto accounts, has sole discretion to decide whether or not to support forks and airdrops into client accounts. Gemini may (i) not accommodate the new crypto asset; (ii) only accommodate the new crypto asset after a significant period; or (iii) have a contractual right to claim the new crypto asset for its own account. Absent Gemini, Betterment does not have any systems in place to participate in forks or airdrops. As a result of the foregoing, clients may not benefit from crypto assets provided through airdrops, and crypto assets subject to forks may be rendered useless or of no or little value.

**Crypto Cash Allocation Risk:** Each Crypto Portfolio contains a variable cash allocation that varies based on liquidity constraints at Gemini. The average cash allocation for a crypto account is generally targeted at less than 5% of account assets. The cash allocation impacts Crypto Portfolio performance because under certain market conditions, the cash allocation results in lower overall portfolio performance (e.g, when crypto assets outperform cash). The higher the cash allocation, the more likely the client's Crypto Portfolio performance is to be impacted when crypto assets are outperforming cash. Betterment primarily uses the variable cash allocation to manage day-to-day liquidity constraints at Gemini and to deduct its advisory fees. Unless a Crypto Portfolio is identified as having reducible drift (in which case rebalancing will cause transactions in the crypto account to reduce drift and draw Betterment’s advisory fees), Betterment will deduct its advisory fees on a monthly basis from clients’ cash allocation of their Crypto Portfolios. This practice generally seeks to avoid generating crypto transactions, and Gemini’s trade-based fees, on Betterment’s monthly advisory fee assessment. Betterment charges its crypto advisory fees based on a client’s total balance in their crypto account, including the cash allocation. Betterment does not earn interest on the cash allocation, and the cash allocation is held in the client's crypto account at Gemini. With respect to rebalancing, if a client deposits cash and/or the cash allocation exceeds the tolerance parameter from the target cash allocation, the excess cash will be used to purchase crypto assets as a part of rebalancing. If clients request withdrawals from their crypto accounts or their cash allocations dip below the tolerance parameter from the target cash allocation, Betterment will sell crypto assets to generate sufficient cash proceeds to rebalance the Crypto Portfolio. Sales may generate capital gains (or losses) for tax purposes.

#### C. Other Risks for all Portfolios

There are additional risks and uncertainties an investor should consider, including but not limited to: credit risk, emerging market risk, operational risk, as well as reputational risk. There also are risks that we are unaware of, or that we currently see as immaterial, but may impact your investment. Clients should read Betterment's entire Form ADV Brochure, Wrap Program Brochure Appendix, as well as other materials provided by Betterment when deciding whether to use Betterment's services.

## **Item 9 - Disciplinary Information**

On April 18, 2023, Betterment reached a settlement with the Securities and Exchange Commission (the "SEC"). Without admitting or denying the findings, Betterment consented to the entry of an order that states that with respect to Betterment's tax loss harvesting feature ("TLH"), from 2016 to 2019, individual client portfolios were scanned every other trading day despite references to "daily" scans in certain materials. Additionally, the order states that Betterment's disclosures did not adequately reflect that electing different portfolio strategies across investing goals will, depending on the securities held in an account and market conditions, result in fewer harvests than if a client elects the same portfolio strategy for all of their goals. The order also states that two coding errors caused TLH not to operate for a limited number of customers before 2019.

Additionally, the order states that Betterment did not maintain accurate records regarding clients' election of TLH and selection of portfolio strategies, that Betterment did not provide advance notice to clients of material changes to its advisory agreement, and that Betterment did not adopt policies and procedures reasonably designed to ensure disclosures regarding its algorithms were accurate. The settlement order states that Betterment violated Sections 204, 206(2), and 206(4) of the Investment Advisers Act of 1940 and related rules. Betterment consented to the entry of the SEC's order censuring it, requiring it to cease and desist from further violations, and imposing a \$9 million penalty that will be used to compensate affected clients.

## **Item 10 - Other Financial Industry Activities and Affiliations**

Betterment is a wholly owned subsidiary of Holdings, which is also the parent company of Betterment Securities, Betterment for Business LLC, Betterment Financial LLC, and Argonaut Asset Management, LLC.

Betterment Securities, Betterment's affiliate, provides custody and execution services for wrap fee program accounts. Betterment Securities is a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and a member of SIPC. Betterment Securities acts as carrying broker-dealer to serve Betterment's clients. Betterment manages and directs Betterment Securities to trade client assets pursuant to discretionary authority granted by Betterment's clients through the Advisory Agreement. Betterment Securities exercises no discretion with respect to client accounts. Betterment Securities has entered into an agreement

with Apex Clearing Corporation (“Apex”), pursuant to which Apex serves as its clearing broker. Betterment Securities instructs Apex to clear and settle Betterment’s clients’ transactions on an omnibus basis.

Betterment for Business LLC, Betterment’s affiliate, provides administrative services such as recordkeeping, payroll integrations, and plan communications for employer sponsored retirement plans. Betterment for Business LLC acts as an administrator, recordkeeper, and, with respect to certain responsibilities, a 3(16) fiduciary under ERISA.

Betterment Financial LLC, Betterment’s affiliate, makes available checking account services in partnership with a third-party, nbkc bank. Neither Betterment Financial LLC, nor any Betterment affiliate, is a bank.

Argonaut Asset Management, LLC is the former operating entity of Makara, a former SEC-registered investment adviser that provided cryptocurrency investment advisory services. Makara ceased operations in November 2022 and was de-registered with the SEC on January 6, 2023.

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

Betterment maintains a Code of Ethics reasonably designed to help ensure we meet our fiduciary obligations to clients and to detect and prevent violations of securities laws. Betterment’s Code of Ethics establishes standards of conduct for all officers and employees consistent with the code of ethics requirements of Rule 204A-1 under the Investment Advisers Act. For purposes of Betterment’s Code of Ethics, Betterment treats crypto assets like traditional securities and therefore subjects employees to similar prohibitions and disclosures that would be required for other assets.

A copy of Betterment’s Code of Ethics is available to clients and prospective clients upon request by emailing [support@betterment.com](mailto:support@betterment.com).

Betterment or individuals associated with Betterment are permitted to buy or sell assets identical to, or different from, those recommended to clients for their personal accounts. Individuals associated with Betterment are also Betterment clients. Additionally, any related person(s) could have an interest or position in certain assets which are also recommended to clients. In such instances, Betterment or its related persons, may have a financial incentive to buy or sell such assets for client accounts, although this incentive is limited because Betterment generally recommends highly liquid index funds to its clients and because client activity in such funds is unlikely to materially impact their price. Similarly, Betterment, or its related persons, may have a financial incentive to buy or sell crypto assets for client accounts. However, given that crypto assets may be more speculative and volatile than other assets, and trading by the individual or in client portfolios may change the value of the crypto asset to be purchased or

sold, it could also incentivize employees to favor their personal accounts over clients. Betterment endeavors to make decisions in the best interest of its clients, and to eliminate, mitigate, and/or disclose material conflicts of interest that arise between Betterment and clients. In order to monitor conflicts of interest, Betterment monitors non-discretionary transactions in the personal accounts of employees and contractors designated as “Access Persons”, including investing in crypto assets. An Access Person must disclose on an initial and annual basis the holdings of all personal investment accounts, as well as all transactions in such accounts on a quarterly basis.

It is the express policy of Betterment that no person employed by Betterment use material, non-public information obtained during the course of their work in deciding whether to purchase or sell any asset 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.

## **Item 12 - Brokerage Practices**

### **A. Wrap Fee Program**

In order to open a Wrap Fee Program account with Betterment, clients must establish a brokerage relationship with Betterment Securities, Betterment’s affiliated broker-dealer. By entering into an Advisory Agreement with Betterment, clients authorize and direct Betterment to place all securities trades in their accounts through Betterment Securities. As such, Betterment Securities will maintain all client Wrap Fee Program accounts and execute all securities transactions in client accounts without separate commission costs or other fees. Betterment Securities exercises no discretion in determining if and when securities trades are placed; it places securities trades only at the direction of Betterment. Betterment’s Best Execution Committee is responsible for overseeing trade execution, consistent with its charter and Betterment’s trading policies. Betterment seeks to obtain best execution for clients’ securities transactions, and Betterment’s affiliates maintain procedures reasonably designed to obtain the best execution reasonably available under the circumstances at that time, although there can be no assurance that it can be obtained. Clients should understand that the appointment of Betterment Securities as the sole broker for their accounts under this Wrap Fee Program may result in disadvantages to the client as a possible result of less favorable executions than may be available through the use of a different broker-dealer. More information related to trading and custody of securities in the Wrap Fee Program can be found in the *Wrap Fee Program Appendix* in “Trade Execution, Account Maintenance, and Asset Custody” below.

### **B. Betterment Crypto**

Betterment partners with Gemini Trust Company, LLC (“Gemini” or the “Custodian”) to provide crypto trading and custody services. Clients who elect to participate in the Betterment Crypto

offering must open crypto accounts with Gemini and agree to Gemini's User Agreement in order to receive Betterment's crypto investment advisory services.

Gemini is the custodian and crypto asset exchange for client crypto accounts. This is in part because Gemini is one of the only crypto custodians that is a state-regulated trust company. Clients should understand they could receive more favorable execution at another crypto asset exchange, and that Gemini might have more limited liquidity for certain crypto assets relative to other crypto asset exchanges. Additionally, Gemini's transaction costs could be higher than other crypto asset exchanges.

Betterment places trades in clients' accounts for any number of reasons, including in response to client actions such as deposits or withdrawals. Betterment also trades in order to rebalance client accounts, exclude or include certain crypto assets, update its Crypto Portfolio allocations, or otherwise to further the investment objectives that clients specify via Betterment's online interface.

Subject to Betterment's trading policies, described in this section, crypto asset orders initiated on a business day before the market close generally trade on the same business day. However, in certain circumstances transactions are subject to processing delays. For example, orders initiated on non-business days, and after markets close generally will not transact until the next business day, and if Gemini elects to suspend trading in or delist a crypto asset, such trades will generally not transact until the Gemini exchange resumes trading in those crypto assets. Betterment also reserves the right to postpone trades in order to modulate its overall trading volume on a particular business day. Further, account deposits are automatically subject to a processing period that could 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.

Betterment maintains a general approach of placing crypto orders within traditional business hours (Monday to Friday, 9:00am to 5:00pm Eastern), and generally does not place orders on non-business days or after business hours. However, Betterment reserves the right, at any time and without notice, to extend trading hours, delay trading, or otherwise manage trading in crypto assets in response to market events, including placing trades at one or more exchanges apart from Gemini's exchange. Such market events include, but not limited to, market instability, instances of elevated localized volatility, insufficient or unstable market depth (i.e. illiquid markets), price dislocation, incomplete execution, fast markets, rapidly widening bid-ask spreads, and halted crypto assets (as determined by the crypto asset exchange). For the avoidance of doubt, Betterment does not extend, delay or manage trading based on any view about whether markets are likely to rise or fall. Betterment does not try to "time-the-market".

Clients' access to their crypto or cash funds are generally not affected by Betterment's trade management practices, including decisions to extend, delay, or otherwise manage intra-day trading during certain circumstances described above. This is because withdrawals from (as well as deposits into) Betterment accounts are subject to the timing of the ACH network, which



functions as a batch process on a 24-hour cycle and is independent of the time of day a trade occurs.

Betterment Securities, Betterment's affiliated broker-dealer, provides identity verification services for all clients, including clients receiving Betterment Crypto services. Betterment Securities also facilitates the movement of client funds (cash) from their wrap accounts to crypto accounts at Gemini, pursuant to Betterment's instruction with client's authorization.

### C. Transfer Sweep Program

Betterment Securities operates a transfer sweep program ("TSP") where eligible client funds are contributed to, or received into, a non-interest bearing, FDIC-insured deposit account at one or more participating banks. Funds eligible for the TSP include, but are not limited to, deposits, withdrawals, and dividends, and remain in the TSP account for temporary periods while transfers or trades settle or when there has been a delay in completing transfers or trades. Betterment Securities receives payments from participating TSP banks based on certain balances maintained in those accounts. Betterment has a conflict of interest because it has an incentive to increase the balances in the TSP banks in order to increase the revenue Betterment Securities earns. Betterment does not exercise discretion over the period client funds are held at TSP banks, which is typically based on transaction processing times or other factors outside of Betterment's control, and is not influenced by these payments.

### Order Aggregation

With respect to its Wrap Fee Program, Betterment places aggregated orders involving multiple Betterment accounts trading in the same securities. In conducting these transactions no client is favored over any other client and each client who participates in an aggregated transaction will participate at the average share price for transactions in the aggregated order. Betterment or its affiliates do not charge separate fees for any trade execution or custody service provided to clients.

Orders for the purchase or sale of securities are routed by Betterment Securities to Apex, for clearing and execution. Apex is entitled to receive payments or rebates on orders from Betterment Securities, but Apex does not pass on to Betterment Securities any portion of such payments.

With respect to crypto transactions, because Gemini is unable to support aggregate trade orders at this time, Betterment initiates trades in client accounts in trading windows. In the event Gemini does not have sufficient liquidity to trade a particular crypto asset during a particular trading window, Betterment strives to fill client orders to the extent that adequate liquidity is available, subject to execution quality constraints, and will either allow outstanding trades to complete outside of the trading window or will place new orders for uncompleted trades in subsequent trading windows. Betterment crypto trading policies and procedures

mandate that orders will be filled in a fair and systematic manner, and generally prioritize user-initiated trading (deposits, withdrawals, transfers) over system-generated trading (rebalancing).

### **Research and Soft Dollar Benefits**

Betterment has no soft-dollar arrangements and does not receive soft-dollar credits from brokers with whom client portfolio trades are executed.

Betterment does not receive research or other products and services from any broker-dealer in connection with client crypto transactions.

### **Brokerage for Client Referrals**

Betterment does not work with broker-dealers other than its affiliate, Betterment Securities, and Betterment does not receive client referrals from Betterment Securities.

### **Directed Brokerage**

Betterment clients are required to maintain wrap accounts and execute Wrap Fee Program transactions through Betterment Securities. Clients receiving Betterment Crypto services are required to maintain crypto accounts and execute crypto transactions through Gemini. Betterment does not permit clients to direct brokerage.

## **Item 13 - Review of Accounts**

As part of all our service offerings, Betterment's software monitors client accounts on a periodic and ongoing basis. Our algorithms are developed and overseen by our investment advisory personnel and Executive Investment Committee (EIC). Crypto accounts are also overseen by a crypto sub-committee of EIC.

As described in the *Wrap Fee Program Brochure Appendix*, and subject to the limitations for Custom Portfolios and Third-Party Portfolios referenced therein, on a periodic and ongoing basis, Betterment's algorithms review clients' accounts to confirm their portfolios are within a set range of their Allocation (e.g. portfolio drift). If a client's portfolio deviates or drifts from this range, Betterment will rebalance the portfolio back to its target Allocation in certain circumstances. For certain goals, Betterment monitors accounts to determine whether a client is on or off track to meet a particular goal or whether, in Betterment's judgment, client's chosen Allocation is too aggressive or conservative, and indicates the result of that monitoring through Betterment's online interface. Clients should be aware that their individual accounts are generally not actively monitored directly by investment advisory personnel.

Crypto accounts are also regularly monitored to confirm their Crypto Portfolios are within a range of the allocation of the model crypto portfolio weighting. If a client's portfolio deviates

from this range, Betterment will rebalance their portfolio back to its target, subject to liquidity constraints imposed by Gemini's exchange and other circumstances, including but not limited to extreme volatility in a particular crypto asset.

Betterment's investment tools are designed to provide clients with continuous access to account information through Betterment's online interface. Clients can utilize various tools on the interface to review their account and better understand their holdings and performance information. Clients also receive periodic emails from Betterment with information about their accounts, material amendments to their client agreements, as well as links to account statements, and clients should review these emails carefully for relevant information about their accounts and Betterment's services.

Clients are directed on at least a quarterly basis to update their financial situation or investment preferences, and impose any reasonable restrictions on the management of their accounts. At any time, clients may update their financial profile and settings information in their account through Betterment's online interface.

Clients can log into their account through Betterment's online interface at any time to review their account. Clients receive monthly account statements from Betterment Securities, as well as trade confirmations for Wrap Fee Program purchases. Clients with crypto portfolios also receive a monthly crypto account statement from the crypto custodian, Gemini.

For Third-Party Advised Clients or clients receiving sub-advisory services from an Advisor that have been grandfathered through the Advisor Network matching service, clients' agreements with their Advisors govern any additional responsibilities for conducting reviews of clients' accounts that the Advisors may have.

## **Item 14 - Client Referrals and Other Compensation**

Betterment offers compensation to current clients, affiliate marketers (including "bloggers"), solicitors, and other strategic partners who recommend Betterment and refer new clients for certain Betterment accounts (collectively, "Promoters"). The compensation received by a Promoter for referring a Retail Client will depend on the amount of that client's initial deposit and whether it is used to purchase securities in a Wrap Fee Program account or held as cash in Cash Reserve. The compensation received by a Promoter for referring a Retirement Plan Client will depend on the number of Participants in the Plan and compensation can vary based on the time at which a plan is referred. Current clients may refer new clients only through Betterment's Refer-a-Friend program, through which compensation is limited to waivers of Betterment's advisory fee. New clients are advised of such compensation prior to opening an account. Betterment supervises the referral activities of current clients and Promoters. Due to compensation from Betterment, Promoters have an incentive to recommend Betterment, which is a conflict of interest. Clients are not charged any fee nor do they incur any additional costs for being referred to Betterment by a current client or other Promoter. In addition, Betterment

personnel are eligible for variable compensation based on the firm's growth. This compensation is based on firm-wide targets, individual targets, or both. Certain Betterment personnel are also compensated based on assets that they personally attract to the firm. Sales team members who support the Betterment for Advisors and Betterment at Work offerings, and Betterment's Licensed Concierge Team, who provide clients specific guidance on transactions such as rollovers, receive incentive compensation based on revenue from assets (which depends on clients' chosen products or services), advisory firms, retirement plans brought to Betterment, or leads to bring retirement plans to Betterment. Customer support associates also receive compensation when they refer a client to the Licensed Concierge team. The marketing and solicitation activities of these individuals are supervised by Betterment. For additional information, see the Wrap Appendix, Item 9 below.

## **Item 15 - Custody**

Betterment Securities, Betterment's affiliate, provides custody and execution services for Betterment's Wrap Fee Program clients. As a condition of participating in Betterment's Wrap Fee Program, clients must open a brokerage account with Betterment Securities. Betterment manages and directs Betterment Securities to trade clients assets pursuant to the discretionary authority granted by Betterment's clients through the Advisory Agreement. To clear trades, Betterment Securities has entered into an agreement with Apex. Betterment Securities instructs Apex to clear and settle Betterment's clients' Wrap Fee Program transactions on an omnibus basis.

Clients participating in the Betterment Crypto offering hold crypto assets in accounts with Gemini. Gemini is a New York trust company subject to the regulations and standards set forth by the New York State Department of Financial Services (NYDFS) and New York Banking Law. Clients who receive Betterment Crypto services must open accounts with Gemini in their own names, and must agree to Gemini's User Terms, and authorize Betterment to provide discretionary management of such crypto accounts. Gemini prepares and sends monthly account statements to clients. Clients should carefully review Gemini's statements and compare them to the transaction activity provided by Betterment in its online interface. Clients should also be aware that crypto is not legal tender and is not backed by the government. Crypto (including but not limited to bitcoin and ethereum and stablecoins such as USDC), is not subject to FDIC or SIPC protections and has risks. For additional information please see *Item 8 - Risk Factors* above.

For purposes of the Advisers Act, Betterment has custody of client assets because Betterment has access to deduct its advisory fees directly from client assets.

## **Item 16 - Investment Discretion**

Betterment's Wrap Fee Program is discretionary, meaning Betterment can buy and sell investments on clients' behalf when we determine it is appropriate to do so. Betterment

provides clients with information about its offered portfolio strategies to inform their decision-making but does not make recommendations to clients that they invest in any particular strategy. Betterment also has discretionary management authority over clients' crypto accounts with Gemini, meaning that Betterment can direct Gemini to buy and sell crypto on clients' behalf when Betterment determines it is appropriate, including in connection with rebalancing. Each client makes their own decision on whether to invest in a crypto portfolio strategy, which crypto portfolio strategy to choose, and whether to tailor the crypto portfolio strategy as permitted in Betterment's online interface. Betterment trades in response to client actions (such as deposits or withdrawals, Allocation changes, or elections to exclude certain assets from your account), to rebalance client's portfolio, to reinvest dividends in connection with the Wrap Fee Program, or to otherwise further client's investment goals. Clients in the Wrap Fee Program can elect certain features, such as tax loss harvesting, to guide Betterment's management of their accounts. Clients receiving Betterment Crypto services should be aware that tax features, such as tax loss harvesting, are not available for Crypto Portfolios.

Betterment Premium plan clients also receive discretionary investment management services from Betterment financial consultants on their wrap accounts and crypto accounts, as described in more detail above in Item 7 and in the *Wrap Fee Program Brochure Appendix* attached below.

Betterment's Supplementary Services, including its fixed fee Advice Packages, are non-discretionary investment advisory services, and clients choose whether to implement those recommendations in their accounts. Advice Packages cover a range of financial topics, including retirement and crypto. More information about Supplementary Services and Advice Packages can be found in Item 7 above, the *Wrap Fee Program Brochure Appendix* attached below, and on Betterment's online interface at <https://www.betterment.com/advice-packages>.

## **Item 17 - Voting Client Securities**

With respect to the Wrap Fee Program, Betterment clients delegate the authority to receive and vote all proxies and related materials for any security held in Betterment accounts to Betterment. Betterment's Proxy Voting Committee is responsible for ensuring that proxy matters are conducted in the best interest of clients, consistent with its charter and Betterment's policies and procedures. Betterment will only vote on proxies and respond to corporate actions associated with securities that Betterment currently selects for Betterment Constructed Portfolios (as defined above) and will abstain from voting on other securities, including but not limited to those securities only present in third-party portfolios, Advisor custom portfolios, or securities transferred to Betterment via ACATS, in each case that are not already supported in a Betterment Constructed Portfolio. If a security is present in Betterment Constructed Portfolios and outside of Betterment Constructed Portfolios, Betterment will vote on proxies associated with that security in all portfolios in which it is held. Betterment will abstain from voting on such proxies if it determines that abstaining is in the best interest of its clients. Clients may request information regarding how Betterment voted a client's proxies, and

clients may request a copy of Betterment's proxy policies and procedures, which are updated from time to time, by emailing [support@betterment.com](mailto:support@betterment.com).

Betterment Securities earns revenue from companies that issue proxies, for facilitating the processing and delivery of the proxies to Betterment's clients. The revenue earned by Betterment Securities is not contingent on whether or how proxies are voted by Betterment or its clients, and the identity of funds and other securities that Betterment includes in client accounts is not influenced by these payments.

With respect to Betterment Crypto, Betterment will not accept authority to vote proxies for clients' crypto assets. Some crypto features, including participation in governance activities, are similar to participating in shareholder votes. Although some crypto holders have the ability to vote on topics that directly or indirectly affect return on investment through on-chain governance, Gemini's infrastructure does not support this capability and makes no promise of doing so in the future. As such, clients are currently unable to participate in such crypto governance activities for crypto held in their crypto account at Gemini.

## **Item 18 - Financial Information**

**Balance Sheet Requirement:** Betterment does not require or solicit prepayment of more than \$1,200 in advisory fees per client, six months or more in advance. Therefore, Betterment is not required to include a financial statement.

**Discretionary Authority:** Betterment has discretionary authority to manage client assets. 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.

**Bankruptcy Petition:** Betterment has not been the subject of a bankruptcy petition at any time during the past ten (10) years.

\* \* \* \* \*

## Form ADV Part 2A – Appendix 1

### BETTERMENT WRAP FEE BROCHURE

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January 2, 2024

This wrap fee program brochure provides information about the qualifications and business practices of Betterment LLC (“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 (“SEC”). If you have any questions about the contents of this brochure, please contact us at [support@betterment.com](mailto:support@betterment.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Betterment is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Summary of Material Changes**

The most recent annual update of this Form ADV Part 2A Brochure and Wrap Program Appendix was On March 30, 2023. In that update, Betterment amended its advisory brochure on Form ADV Part 2A and Wrap Fee Program Appendix 1 to reflect that Betterment Securities earns revenue from participating Transfer Sweep Program banks based on certain balances maintained in those accounts.

On May 1, 2023, Betterment amended Item 9 of its advisory brochure on form ADV Part 2A and Wrap Fee Program Appendix 1 to reflect a settlement.

On June 30, 2023, Betterment amended its advisory brochure on Form ADV Part 2A and Wrap Fee Program Appendix 1 to reflect that Betterment offers 529 education savings services to certain clients, and that Betterment Securities will charge \$75 for the full or partial transfer to another brokerage firm of any Account.

On January 2, 2024, Betterment amended its advisory brochure on Form ADV Part 2A and Wrap Fee Program Appendix 1 to update its description of the Core portfolio strategy and add a new Value Tilt portfolio strategy.



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## Item 4: 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 that maintains its principal office at 27 West 23rd Street, 6th Floor, New York, NY 10010. Betterment 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](mailto:support@betterment.com).

### PROGRAM DESCRIPTION AND INVESTMENT STRATEGY

Betterment generally offers investment advisory services over the internet and, for clients receiving Supplementary Services (as defined below), via phone or email communications with Betterment's financial consultants. This Wrap Fee Brochure is meant to help you understand the nature of the advisory services offered by Betterment, whether the advisory services offered by Betterment are right for you, and the potential conflicts of interest associated with your participation in the Betterment Wrap Fee Program. You should review it carefully.

Betterment offers investment advice to clients and manages assets through the Betterment Wrap Fee Program. A wrap fee program has a fee structure that provides clients with advisory and brokerage services for a bundled fee with no additional account activity charges for execution of trades. As such, Betterment charges clients (defined below) a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services associated with holding and trading securities provided by its affiliated broker-dealer, Betterment Securities. Please see Item 6 for additional information on brokerage considerations. Additionally, as described in "Other Compensation to Betterment" below, Betterment also receives compensation from Cash Reserve Program Banks (defined below).

Betterment's Wrap Fee Program offers services to three types of clients: (1) a retail service whereby individuals, trusts, and other legal entities receive advisory services from Betterment (such clients are referred to as "Retail Clients"); (2) a platform whereby individuals, trusts, and other legal entities receive advisory services from Betterment and from an unaffiliated registered investment adviser or other provider of investment advice ("Advisor"), subject to Betterment's approval, with which the individual, trust or legal entity has an independent relationship (such clients are referred to as "Third-Party Advised Clients" and such business is referred to as "Betterment for Advisors"); and (3) a platform whereby employer-sponsored retirement plans and plan participants ("Participants") receive 401(k) plan advisory services from Betterment, acting in an ERISA 3(38) fiduciary capacity, 401(k) recordkeeping and/or administrative services from our affiliate, Betterment for Business LLC (such employer clients are referred to as "Retirement Plan Clients"). Retail Clients, Third-Party Advised Clients, Retirement Plan Clients and Participants are collectively referred to in this brochure as "clients."

Betterment additionally offers Retail Clients with a balance of at least \$100,000 in Betterment accounts (“Account Balance Threshold”) the opportunity to receive discretionary and non-discretionary advisory services over the phone, email, or other mediums from Betterment’s team of financial consultants through participation in Betterment’s “Betterment Premium” plan. Clients who do not participate in the Betterment Premium plan are referred to as participants in the “Betterment Digital” plan. Betterment reserves the right, in its sole discretion, to reduce or waive the Account Balance Threshold. The Account Balance Threshold does not include funds held in Betterment for Advisors, Betterment at Work, or Betterment managed health savings accounts (“HSAs”) offered in partnership with Optum Bank (each as described below).

Betterment’s Wrap Fee Program is not designed to provide clients with a comprehensive financial plan and instead is built to advise clients on how to achieve discrete financial goals selected by the client. Betterment’s recommendations are highly dependent on receiving accurate information from clients. If clients provide Betterment with inaccurate information or fail to update promptly the information provided to Betterment when it changes, the quality and applicability of Betterment’s recommendations could be materially impacted.

In addition, there may be other information about a client’s personal financial situation that is not elicited through Betterment’s online interface that could inform Betterment’s advice if it were provided to Betterment. This is true even for clients who receive Supplementary Services (as defined below) and communicate with Betterment’s financial consultants via phone, video, or email. Similarly, not every piece of information that Betterment collects is factored into your investment advice. Clients should consider this limitation on Betterment’s service, which is a function of Betterment primarily providing an automated service.

Before depositing funds with Betterment, or in any investment or cash account, investors should consider paying off debt, particularly to ensure that minimum debt payments are made on time to avoid late payment penalties, extra interest, and higher finance charges. Investors should also consider prioritizing paying off high-interest debt, which typically is associated with credit card debt or unsubsidized student loan debt. Also, investors should consider the options that are available to them through workplace savings plans provided by their employers that may offer match programs.

#### BETTERMENT PREMIUM

Betterment Premium plan clients are eligible to schedule telephone consultations with a financial consultant, affiliated with Betterment, who will provide discretionary investment advice, non-discretionary investment advice, and/or personalized financial planning, including advice relating to debt, such as student loans and credit card debt, mortgages, savings, and retirement (including pensions and social security) and tax-related advice that does not constitute legal advice or advice requiring licensure as a Certified Public Accountant or IRS Enrolled Agent (such discretionary advice and non-discretionary advice, “Premium Services”). Betterment also offers Retail Clients and Participants the ability to schedule consultations of

non-discretionary advice delivered via telephone or other medium (such non-discretionary advice, “Supplementary Services”). Premium Services and Supplementary Services, whether pursuant to Betterment’s Premium plan or Advice Packages (as defined below), are designed to help clients articulate and quantify goals, organize financial data, identify needs and opportunities, evaluate alternative courses of actions, and determine whether and how Betterment can fit into clients’ broader financial plans. Betterment will base any such advice on information provided by clients regarding, among other things, their age, marital and family status, annual income, employment status, liquid net worth, debt and other investments, investment goals and investment experience during the financial consultation call, email or onboarding questionnaire. Betterment Premium plan Clients are also able to contact financial consultants via email in order to receive more discrete investment advice.

Participation in the Betterment Premium plan will entitle such clients to an unlimited (subject to scheduling availability) number of telephone consultations per year with a licensed Betterment financial consultant in order to receive Premium Services. Premium plan clients are responsible for scheduling such telephone consultations in order to receive such Premium Services. Betterment uses a team-based approach to providing Premium Services and Supplementary Services—if clients receive Premium Services and Supplementary Services on multiple occasions, they are likely to interact with multiple financial consultants. Financial consultants do not monitor client accounts in between consultations.

Information provided by Betterment to Premium plan clients via telephone consultations with financial consultants will be considered in the provision of Betterment’s discretionary advisory services, and financial consultants may modify Premium plan client accounts to reflect items discussed in such consultations. Betterment and the financial consultant have discretion over Premium plan client assets or accounts with respect to implementing any such recommendations, as described below in “Premium Authorized Actions”.

As a condition of receiving Premium Services, Premium plan clients grant financial consultants the authority to view, receive, access, provide instructions, and modify client’s account information in all communication mediums Betterment offers. Based on Premium plan client’s situation, as determined through questionnaires, written or verbal communications, or Premium plan client’s account information, financial consultants also have the authority to modify the Premium plan client’s investment selections, including but not limited to creating new goals, modifying existing goals, and adjusting such client’s settings (e.g., investment strategies, asset allocations, and enabling or disabling automated features). Premium plan clients also grant financial consultants the authority to view, receive, and access information about such clients’ external Connected Account(s), Betterment checking account, and Betterment 401(k) account, but financial consultants will not have the ability to provide instructions for, or modify, such accounts. The foregoing authorized actions are collectively, “Premium Authorized Actions”. Premium plan clients should not expect Premium Authorized Actions to be completed immediately following a discussion or communication with a financial consultant. Financial consultants will implement changes discussed via telephone consultations or email in Premium plan client’s account within a reasonable time period.

Betterment Premium plan clients may also individually, if they choose, undertake any of the foregoing Premium Authorized Actions, except for modifying investment strategies, which must be done in connection with a financial consultant. Financial consultants are also able to incorporate legacy assets transferred in-kind into the investment strategies of Premium plan clients.

#### ADDITIONAL ADVISORY SERVICES

In addition, Betterment provides clients the opportunity to receive fixed fee packages of non-discretionary fixed fee packages of Supplementary Services (as defined above) via telephone consultations (“Advice Packages”), each covering a particular financial topic, such as retirement, financial wellness, or crypto, and including a combination of time with a financial professional and access to written materials customized to the client. A detailed description of each Advice Package is available at <https://www.betterment.com/advice-packages/>. Certain Retirement Plan Clients also elect to offer non-discretionary advice via telephone consultations to their Participants (“Financial Coaching”).

Information provided to Betterment Digital plan clients and 401(k) plan Participants by financial consultants solely in connection with Advice Packages and Financial Coaching, respectively, will not be considered in the provision of Betterment’s discretionary advisory services unless Betterment’s online interface solicits such information and the client also enters such information into Betterment’s online interface. Betterment financial consultants will not monitor, or provide continuing advice on, accounts held at institutions other than Betterment.

Advice Packages and Financial Coaching will not include, among other things, a comprehensive financial plan and certain investment topics, such as investments in real estate, that fall outside the scope of the Supplementary Services (as defined in Betterment’s Form ADV Brochure). Any tax information provided by Betterment is for educational purposes only, and is not a substitute for the advice of a qualified tax advisor. You should consult with your tax advisor to discuss tax-related concerns.

There can be no assurances that any client’s financial goals and objectives will be met through receipt of Supplementary Services. As with Betterment’s Premium plan, Betterment uses a team-based approach to providing Supplementary Services—if clients receive Supplementary Services on multiple occasions, they are likely to interact with multiple financial consultants.

In addition, Betterment reserves the right, in its sole discretion, to offer any client, without charge, certain Supplementary Services through email or telephone communications, subject to the conditions and limitations described above. Clients are under no obligation to accept or follow any recommendations made by a financial consultant as part of the Supplementary Services. In connection with Supplementary Services, neither Betterment nor the financial consultant will have any discretion over client assets or accounts with respect to implementing any such recommendations.

Betterment previously offered to Retail Clients, regardless of account size, a matching service

whereby Betterment provided such Retail Clients at their request, with the contact information of a dedicated third-party registered investment advisor on the Betterment for Advisors platform that requested their contact information be made available, through the Betterment's Advisor Network program. When a Retail Client elected to participate in the Advisor Network program, they received the names and contact information of one or more third-party B4A advisor(s) participating in the Advisor Network. After an initial phone call with such advisor(s), the Retail Client could enter into a separate agreement on such terms, including fee terms, as mutually agreed between such client and such advisor. Betterment did not receive any additional compensation from the Retail Client or the third-party advisor for providing this matching service, aside from Betterment's advisory fee. Betterment no longer offers the Betterment Advisor Network program to either third-party advisors on the B4A platform who may wish to participate in the Advisor Network, or to existing and new Retail Clients who may request to be connected with a third-party advisor. Betterment conducted an initial vetting of those firms participating as third-party advisors in the Advisor Network program and continues to conduct due diligence annually for those firms grandfathered into the program with existing Retail Client relationships from Advisor Network program recommendations.

## FEES

### *A. Retail Clients*

Betterment charges an asset-based wrap fee that covers the costs of its investment advisory services as well as associated trading and custody services provided by its affiliated broker-dealer, Betterment Securities. Betterment's asset-based wrap fees are calculated based on client's Wrap Account Balance (as defined below) as of the close of each calendar day, accrued daily, and typically charged as of the last business day of each month.

Retail Clients pay a \$4 per month wrap fee for their Digital wrap accounts (\$48 annually). If at any point, a Retail Client's Total Account Balance (as defined below) exceeds \$20,000 or the Retail Client enables a monthly \$250 recurring deposit, that client will pay an annualized Digital wrap fee of 0.25% their Wrap Account Balance instead of the \$4 per month fee. If a Retail Client's Total Account Balance fluctuates over \$20,000 for any day in a given month, the Digital wrap fee for that day will be accrued based on the daily equivalent of the 0.25% annualized fee on the Wrap Account Balance rather than the daily equivalent of \$4 per month. For any day that a Retail Client's Total Account Balance is less than \$20,000 and that client does not otherwise qualify for the asset-based fee, they will be charged the daily equivalent of the \$4 monthly fee for that day. For clients with Total Account Balances around \$20,000, the monthly fee may be more than \$4 per month if on certain days the Total Account Balance exceeded \$20,000. "Total Account Balance" is the combined account balance of a Retail Client's Betterment accounts in a "Household" (as that term is defined in the Advisory Agreement), inclusive of balances held in traditional securities accounts, crypto accounts, Cash Reserve, and Checking accounts. "Wrap Account Balance" is the account balance in Retail Client's traditional securities accounts. For more information on Betterment's pricing, please review [www.betterment.com/pricing](http://www.betterment.com/pricing).

HSA accounts are subject to an annualized fee of 0.50% of their account balance, which includes Betterment's annualized wrap fee of 0.25% as well as an additional 0.25% asset-based fee for the HSA administrator. 401(k) accounts are subject to additional fees for recordkeeping services, unless the plan sponsor has elected to allocate those fees to itself, as described below. For certain clients, Betterment's annualized wrap fee is reduced by discounts and other promotions, including those described below. Retail Clients who receive Betterment Premium Services pay a wrap fee of 0.40% of their account balance in annualized fees, which includes Betterment's 0.25% annualized wrap fee plus 0.15% for access to Premium Services provided by Betterment's team of financial consultants. Betterment waives its wrap fee on Retail Client account balances held in Cash Reserve. Betterment includes assets transferred in-kind to Betterment in its calculation of a client's account balance.

All of Betterment's asset-based fees for Retail Clients are subject to a 0.10% discount (the "Discount") on the portions of their balances above \$2 million, except for clients who receive specific fee discounts. Balances in a client's wrap account and crypto account are counted towards the \$2 million threshold, but any funds in Cash Reserve, and any 401(k) account through Betterment at Work, are not subject to the Discount and are not included when determining its availability.

Retail Clients who elect to receive Advice Packages will pay for them on a fixed fee basis based on the package they select. A list of Advice Packages is available at: <https://www.betterment.com/advice-packages/>. Betterment provides certain Supplementary Services to prospective participants in the wrap fee program without charge.

Retail Clients grandfathered and participating in the Advisor Network program typically pay a separate fee to their third-party Advisor that Betterment debits from the Account and remits to the Advisor. Betterment does not receive any portion of the fees paid to a third-party Advisor.

#### *B. Third-Party Advised Clients*

Third-Party Advised Clients of Advisors associated with new advisory firms to the Betterment for Advisors platform typically pay an annualized wrap fee that is tiered based on the aggregate balance of all of their Advisor's firm's client accounts at Betterment (not including funds held in Cash Reserve). That wrap fee currently ranges from 0.12% to 0.20% of account balances. Negotiated reductions from these fees are available in Betterment's discretion. Advisors with clients on this pricing structure typically also pay a fixed monthly fee to Betterment.

Third-Party Advised Clients of Advisors associated with advisory firms that engaged Betterment before December 5, 2019, typically pay a wrap fee equal to 0.25% of their account balance for participation in the Wrap Fee Program, subject to the Discount.

Third-Party Advised Clients typically pay a separate fee to their Advisor that Betterment debits from the Account and remits to the Advisor. Betterment does not receive any portion of the

fees paid to an Advisor.

Third-Party Advised Client's fees are accrued daily and typically charged as of the last business day of each month or quarter.

### *C. Retirement Plan Clients*

New Retirement Plan Clients typically pay an annualized wrap fee of 0.25% for participation in the Wrap Fee Program. New Retirement Plan Clients with an affiliated third-party advisor typically pay a reduced annualized wrap fee. Negotiated reductions from Betterment's annualized wrap fee are also available at Betterment's discretion. A plan sponsor may choose to allocate this fee to itself or to Participants. Betterment at Work services for 401(k) recordkeeping performed by Betterment for Business LLC are subject to a separate fee schedule. Retirement Plan Clients' fees are accrued daily over a quarter and typically charged as of the last business day of each quarter. Betterment does not typically accept Retirement Plan Clients unless they also engage Betterment at Work for retirement plan recordkeeping services.

Price quotes are available at <https://www.betterment.com/work/pricing>, although the specific fees charged to individual Retirement Plan Clients vary. Retirement Plan Clients who engaged Betterment before January 1, 2017, generally pay different fees, which are sometimes lower than those paid by newer Retirement Plan Clients, for the services provided by Betterment at Work.

Consistent with its obligations under ERISA, Betterment provides certain information regarding Betterment at Work services and compensation to help Retirement Plan Clients and Participants understand the services we provide their 401(k) plan and review our compensation. Information surrounding the services Betterment provides and fees we receive is provided to Retirement Plan Clients and Participants when they begin their relationship with Betterment and thereafter at least annually.

Regardless of the balance in their retail accounts, clients who (i) are eligible to participate in a Betterment at Work 401(k) plan or (ii) maintain an Optum HSA pay Betterment's Digital fee of 0.25% of assets in their retail wrap account, rather than a \$4 per month fee. If a Participant's relationship with their employer ends and the Participant elects to rollover their Betterment 401(k) into a Betterment IRA, the former Participant will pay Betterment's \$4 per month fee on their wrap account, unless such their Total Account Balance exceeds \$20,000 or the former Participant takes certain other actions described above. If a client's Total Account Balance is less than \$20,000, the \$4 monthly fee in a Betterment IRA is likely to be greater than fees paid in their 401(k).

### *D. Client Fee Considerations*

Clients 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 or by others. The number of transactions made in clients' accounts, as well as the commissions that would be charged for each transaction at another provider, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Since Betterment pays the transaction charges in clients' accounts, Betterment has a financial incentive to place fewer trades or trade less frequently.

Clients should also consider that Betterment receives different amounts of revenue (and incurs different costs) from clients participating in each Betterment service plan (i.e., Betterment Digital and Betterment Premium) and, as a result, Betterment has a financial incentive to recommend the higher priced plan (i.e., Betterment Premium). Retirement Plan Clients who choose also to become Retail Clients should consider that if the total fees that a client pays to Betterment or any of its affiliates as a Retirement Plan Client differs from the total fees the client pays as a Retail Client, Betterment will have an incentive to recommend such client invests funds in the program from which it expects to earn greater compensation. Clients also should consider whether paying for the Betterment Premium plan or paying for Advice Packages is most appropriate for their needs. Betterment reserves the right, at its sole discretion, to waive portions of its fees or offer pricing that differs from its standard fees.

Betterment's wrap fees are calculated based on client's Wrap Account Balance as of the close of each calendar day, accrued daily, and typically charged as of the last business day of each month, or with respect to Retirement Plan Clients and certain Third-Party Advised Clients, accrued over a quarter and typically charged as of the last business day of each quarter.

Typically on the last business day of the relevant period (month or quarter), Betterment instructs Betterment Securities to sell securities in an amount that will generate cash proceeds to satisfy a client's fee obligation. If a client's account exclusively consists of mutual funds, due to small price fluctuations in mutual funds that occur on the transaction date (the last business day of the period), Betterment will accrue any fees over- or under-assessed and apply the difference to adjust the following period's fees. Betterment will automatically debit the prorated amounts of the fees from the assets in a client's account on a monthly or quarterly, as applicable, basis in arrears.

#### *E. Satisfaction Guarantee*

Betterment offers a Satisfaction Guarantee pursuant to its Wrap Fee Program to Retail Clients. If for any reason, a Retail Client who is subject to the Digital wrap fee of 0.25% is not completely satisfied with Betterment's Wrap Fee Program services, at that client's request, Betterment will waive its annualized Digital wrap fee of 0.25% on a client's Wrap Account Balance for an upcoming period of 90 days. The Satisfaction Guarantee applies only to the digital wrap fee charged by Betterment, and does not apply to balances of crypto accounts, balances subject to the Minimum Fee, cash held in Cash Reserve, Premium Services fees, or to balances held

through Betterment for Advisors or Betterment at Work. The Satisfaction Guarantee is not available to clients subject to the \$4 monthly fee.

No other fees, expenses, or market losses will be waived or reimbursed under this guarantee, including, but not limited to, the fees charged by issuers of particular securities and the fees charged by Advisors. Betterment reserves the right to discontinue or modify this guarantee in the future at any time in its sole discretion. The guarantee does not apply to Third-Party Advised Clients, or to Retirement Plan Clients or Participants.

#### OTHER COMPENSATION TO BETTERMENT AND ITS AFFILIATES

Betterment waives its wrap fee on funds held in Cash Reserve. Betterment receives payments from Cash Reserve Program Banks, which Betterment expects will result in annualized revenue of more than 0% but less than 1.00% of the average, aggregate balance of the daily program deposits at Program Banks (i.e., Betterment expects to earn less than 1.00% of the average balance across all Program Banks over any rolling 365-day period, even if payments to Betterment from Program Banks exceed the daily equivalent of 1.00% on a given day), inclusive of any promotional offers as described below. Additionally, Betterment Securities and other third-party service providers receive compensation for providing operational and administrative services in connection with Cash Reserve. Third-party service provider compensation varies, and Betterment has an incentive to allocate client funds to Program Banks associated with the lowest cost third-party service provider.

The interest rate available on clients' deposit balances is determined by the amount Program Banks are willing to pay on deposits, minus the payments to Betterment and other service providers. Betterment will typically seek to set the amount of the payments it receives to minimize potential variations in the rate of interest received by each client, whether at the standard rate or at a promotional rate of interest. Payments to Betterment from Program Banks vary among banks and from day-to-day and may be waived by Betterment.

In connection with promotional offers, Betterment expects from time to time to waive a portion of the payments to which it is entitled from the Program Banks. Clients who qualify for any such promotion will receive a higher rate of interest on their deposits at the Program Banks than those clients who do not. If the interest rate on a client's deposit balances changes at the end of a calendar month on account of a promotion, and the last day of that month is not a business day, the change in interest rate will be reflected on the first business day of the following month. If an interest rate would have increased on a non-business day, a client may lose one or more days of interest at the higher rate until the next business day.

Betterment has a conflict of interest in setting the amount of payments it receives from Program Banks. Betterment could receive increased payments on a particular day without clients receiving an increased rate of interest. Further, clients should be aware that when payments to Betterment on Cash Reserve balances exceed Betterment's wrap fee (\$4 per

month or 0.25% of account balance), Betterment will have a financial incentive to recommend that clients hold cash. Conversely, when payments to Betterment on Cash Reserve balances are less than Betterment's standard wrap fee, Betterment will have a financial incentive to recommend that clients invest in securities. Depending on the current amount of payments it receives from Program Banks, Betterment's financial incentive to recommend that clients invest in securities or hold cash will differ based on whether a client is receiving a promotional interest rate on Cash Reserve balances or the standard interest rate. Promotions generally provide incentives for clients to maintain more assets in their account than otherwise would be the case, and favor clients with the ability to maintain greater amounts of assets in their accounts.

Betterment Securities operates a transfer sweep program ("TSP") where eligible client funds are contributed to, or received into, a non-interest bearing, FDIC-insured deposit account at one or more participating banks. Funds eligible for the TSP include, but are not limited to, deposits, withdrawals, and dividends, and remain in the TSP account for temporary periods while transfers or trades settle or when there has been a delay in completing transfers or trades. Betterment Securities receives payments from participating TSP banks based on certain balances maintained in those accounts. Betterment has a conflict of interest because it has an incentive to increase the balances in the TSP banks in order to increase the revenue Betterment Securities earns. Betterment does not exercise discretion over the period client funds are held at TSP banks, which is typically based on transaction processing times or other factors outside of Betterment's control, and is not influenced by these payments.

Beginning July 1, 2023, Betterment Securities charges a fee of \$75 per transfer for the full or partial transfer to another brokerage firm of any Account.

As described below, Advisors who serve Third-Party Advised Clients on the Betterment for Advisors platform and have been approved to do so by Dimensional Fund Advisors LP ("DFA") (such Advisors, "DFA-authorized Advisors") have the option to construct Custom Portfolios (defined below) containing DFA mutual funds ("DFA Portfolios"). Betterment's parent, Betterment Holdings, Inc., receives a fixed payment, the amount of which is set annually, from DFA to offset costs associated with having DFA mutual funds available on the Betterment for Advisors platform. Only DFA-authorized Advisors—not Betterment itself—construct DFA Portfolios.

Betterment receives compensation in the form of a flat, one-time payment from Ascensus for each new 529 account opened and funded by a Betterment client who elects an Ascensus-supported 529 plan that participates in our 529 offering. This is a conflict of interest in that Betterment receives a financial benefit when clients open and fund a 529 account with certain 529 plans but not others.

Betterment periodically enters into arrangements with third-party providers of goods and services under which Betterment receives payments in exchange for referring clients to such third-party providers. Betterment will disclose the existence of any such payments, as well as

any conflicts of interest, at the time that Betterment refers a client to the third-party provider.

#### ADDITIONAL COMPENSATION TO THIRD PARTIES

All fees paid to Betterment for investment advisory services are separate and distinct from the fees and expenses charged by the Funds to their shareholders. These fees and expenses are described in each Fund's prospectus, which are available in the "Portfolio" tab of the online interface and are embedded in the securities purchased on clients' behalf. These Fund fees are generally composed of a management fee and other Fund expenses. Betterment and its affiliates do not earn or receive a portion of such Fund fees. Please see Item 6 for more information about portfolio construction.

As noted above, Third-Party Advised Clients, and Retail Clients grandfathered and participating in the Advisor Network program, pay their Advisor a separate fee; Betterment does not receive any portion of this fee. As part of the Betterment at Work services, Betterment for Business LLC charges Retirement Plan Clients separate fees for certain administrative tasks and services related to plan administration (e.g., Participant loans). Retirement Plan Clients may also pay a third-party administrator to perform certain services. Betterment does not receive any portion of fees paid to a third-party administrator.

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

Betterment's clients include individuals, trusts, employer-sponsored plans (and their Participants) 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 an account with the Betterment Digital plan. A balance of at least \$100,000 is required to be eligible to participate in the Betterment Premium plan. This Account Balance Threshold does not include funds held in Betterment for Advisors, Betterment at Work, or Betterment managed HSAs offered in partnership with Optum Bank. The minimum deposit is \$10. All Retail Clients and Third-Party Advised Clients execute an Advisory Agreement with Betterment and a Brokerage Agreement with Betterment Securities. Third-Party Advised Clients have an independent contractual relationship with an Advisor. Retirement Plan Clients must also execute a Master Services Agreement with the Betterment Entities, which includes an Administrative Services Agreement with Betterment for Business LLC.

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

##### SUMMARY

Betterment provides discretionary and non-discretionary investment management services as explained in further detail below. Retail Client accounts are managed by Betterment pursuant to each client's Advisory Agreement and the client's instructions. Third-Party Advised Client accounts are managed by Betterment pursuant to each client's Betterment for Advisors Sub-Advisory Agreement and in conjunction with the Advisor's and/or Third-Party Advised

Client's instructions. Retirement Plan Client accounts are managed by Betterment, in its capacity as an ERISA 3(38) investment manager, pursuant to an Advisory Agreement specific to the Retirement Plan Client's employer-sponsored 401(k) plan, as well as Participants' instructions.

#### PORTFOLIO STRATEGIES

Betterment currently offers several investment portfolio strategies to Retail, Retirement Plan, and Third-Party Advised Clients, subject to limitations on availability as described below. Betterment's Executive Investment Committee (the "EIC") is responsible for Betterment's investment strategy, portfolio management, advice, and financial planning models, consistent with its charter and Betterment's policies. The EIC determines which portfolio strategies to offer to clients directly and through Advisors and oversees each portfolio strategy, except to the extent described below. Betterment currently makes available to clients three categories of portfolio strategies:

##### *A. Betterment Constructed Portfolios*

Betterment Constructed Portfolios are portfolios for which Betterment selects the underlying securities and weightings of those securities associated with particular Allocations (as defined below). Betterment Constructed Portfolios are composed of publicly traded exchange-traded funds ("ETF") securities. The selection process for Betterment Constructed Portfolios is intended to satisfy a broad set of potential client financial goals, including but not limited to maximizing returns, minimizing investment costs, limiting volatility, and diversifying investments. Betterment makes available Betterment Constructed Portfolios to Retail Clients, Retirement-Plan Clients, and Third-Party Advised Clients.

The current Betterment Constructed Portfolios are:

- **Betterment Core portfolio strategy.** Betterment's Core portfolio strategy offers a set of globally diversified stock and bond allocations with broad market exposure, and is composed of low-cost, liquid, index-tracking ETFs from diverse providers.
- **Socially Responsible Investing portfolio strategies.** Betterment's Socially Responsible Investing portfolio strategies allocate to ETFs that consider environmental, social, and governance ("ESG") criteria when selecting their underlying holdings, as well as funds that use shareholder engagement strategies to encourage socially responsible corporate behavior. Clients choose from among three areas of focus: Broad Impact, Client Impact, and Social Impact.
- **Innovative Technology portfolio strategy.** Betterment's Innovative Technology Portfolio strategy substitutes specific exposures, relative to Betterment's Core portfolio strategy, to U.S. value stocks with an allocation to an innovation ETF that invests in high-growth potential U.S. and global companies in various industries using existing and emerging

technologies, such as clean energies, semiconductors, robotics, automation, and blockchain.

- **Betterment Value Tilt portfolio strategy.** Betterment's Value Tilt portfolio strategy offers a set of globally diversified stock and bond allocations, with a U.S. value and small capitalization tilt as well as increased international markets exposures relative to the broader market.
- **Flexible portfolio strategy.** Betterment's Flexible Portfolio strategy makes available a number of asset classes for Clients and/or their Advisors to choose from in order to construct their own portfolios. Betterment selects the underlying ETFs that represent each asset class and which asset classes to make available in the Flexible Portfolio strategy, and Clients and/or their Advisors can choose their asset classes and adjust allocation weights.

The portfolio strategies that Betterment offers are subject to change. More information about Betterment's Constructed Portfolio strategies can be found in Betterment's online interface and in its publicly available portfolio strategy disclosures.

#### *B. Third-Party Portfolios*

Betterment also offers Retail Clients, Retirement Plan Clients, and Third-Party Advised Clients the opportunity to select certain portfolio strategies that are constructed and updated by third-party managers ("Third-Party Portfolios"). Betterment does not select the underlying securities in Third-Party Portfolios but periodically reviews the Third-Party Portfolios to ensure that the portfolios remain consistent with the portfolio objectives identified by the third-party manager.

The current Third-Party Portfolios are:

- **Variable Bonds portfolio strategy.** The Variable Bonds portfolio strategy is designed by BlackRock and composed entirely of BlackRock-managed bond ETFs. The Variable Bonds portfolio strategy allows investors to choose between four yield/risk profiles and is available to all clients.
- **Smart Beta portfolio strategy.** The Smart Beta portfolio strategy is designed by Goldman Sachs Asset Management ("GSAM") and composed of certain Goldman ActiveBeta™ equity and fixed income ETFs, in addition to traditional passive ETFs. The Smart Beta portfolio strategy offers investors the opportunity to seek outperformance by taking more systematic risk at a given allocation of stocks and bonds relative to conventional market capitalization weighted portfolios. The Smart Beta portfolio strategy is available to all clients.

- **Vanguard CRSP portfolio strategy.** The Vanguard CRSP portfolio strategy is designed by Vanguard and composed of Vanguard-managed broad market equity and investment grade fixed income ETFs based on global market capitalization weights. This portfolio strategy is available only to Third-Party Advised Clients.

Third-Party Portfolios include ETFs sponsored by the third-party manager or an affiliate thereof, for which the manager or its affiliate receives fees. Each such third-party manager is therefore subject to a conflict of interest in that it may be incentivized to include such affiliated ETFs in constructing such portfolios. Furthermore, to the extent any Third-Party Portfolio is updated by the applicable third-party manager, such updates may be delivered to Betterment and updated after such updates are delivered to other users of such Third-Party Portfolio (including affiliates of the relevant manager). Clients should also understand that certain of Betterment's services are restricted or operate differently for clients who elect a Third-Party Portfolio as compared to Betterment's Core portfolio strategy. Third-Party Advised Clients should consult their Advisor for additional information about any other Third-Party Portfolios available to them. More information about Betterment's Third-Party Portfolios can be found in Betterment's online interface and in its publicly available portfolio strategy disclosures.

### *C. Custom Portfolios*

Betterment also offers Advisors the ability to construct their own Advisor-designed custom portfolios (each a "Custom Portfolio") available to Third-Party Advised Clients. A Custom Portfolio consists of a set or multiple sets of securities and allocations with underlying return and volatility assumptions provided to Betterment by the Advisor. For any Third-Party Advised Client who elects a Custom Portfolio, Betterment will allocate the client's assets in accordance with the Custom Portfolio. For Custom Portfolios, the Advisor and not Betterment is responsible for ensuring the Custom Portfolio (1) is suitable for its Third-Party Advised Clients, and (2) is constructed and managed in a manner consistent with the Third-Party Advised Client's financial situation and investment objectives. For certain DFA-authorized Advisors on the Betterment for Advisors platform, an Advisor may design a Custom Portfolio constructed entirely of DFA mutual funds and ETFs (such Custom Portfolio, a "DFA Portfolio"). For DFA Portfolios, Betterment provides feedback to Advisors regarding the risk and diversification of DFA Portfolios, but Betterment is not responsible for determining whether a particular DFA Portfolio is appropriate for a particular Third-Party Advised Client, or for making any adjustments to a DFA Portfolio's allocation over time.

Betterment does not independently review and/or approve Advisor-built Custom Portfolios. Betterment's EIC has determined to make Custom Portfolio functionality available to Advisors but does not determine which Custom Portfolios may be offered to clients or oversee each Custom Portfolio strategy. Third-Party Advised Clients should consult their Advisor for additional information about Custom Portfolios available to them, including whether any of Betterment's services are restricted or operate differently for a Custom Portfolio as compared to Betterment's Core portfolio strategy.

#### D. *Cash Reserve*

Betterment also offers Retail and Third-Party Advised Clients the opportunity to participate in Cash Reserve, a program in which Betterment directs client funds among interest-bearing, FDIC-insured deposit accounts at banks that agree to accept funds through the program (“Program Banks”). The rates of interest paid by each Program Bank will differ. Betterment does not guarantee that any client will receive a specified average or composite interest rate on funds invested through the program.

Betterment will endeavor to achieve, on each day, the same average rate of interest across all clients’ balances in the program (except for clients for whom Betterment waives a portion of its payments from the Program Banks in connection with a promotion), subject to certain client-specific factors. Such factors will include the client-imposed limitations set forth below. In allocating funds to the deposit accounts, Betterment considers a number of factors, including: (1) FDIC coverage on deposits held through Cash Reserve only (up to \$250,000 per Program Bank for each FDIC insurable ownership category—e.g., individual or joint—offered by Betterment) (as limited by clients’ decisions to opt out of particular Program Banks); (2) a client’s instruction to opt out of particular Program Banks; (3) maximum or minimum capacity constraints imposed by particular Program Banks as a condition of their participation in Cash Reserve; and (4) aggregate client funds in Cash Reserve. A client could receive a lower average rate of interest than they would otherwise receive as a result of the application of one or more of these factors. Betterment reserves the right, in its discretion, to impose conditions on clients’ ability to opt out of Program Banks, including by requiring clients to furnish proof that they maintain balances in other accounts at such Program Banks.

Client funds are held at Program Banks through omnibus accounts in the name of Betterment Securities, on behalf of Betterment clients. Betterment Securities maintains records of each client’s deposits in Cash Reserve. More information about Cash Reserve, including the timing of transactions, is available at <https://www.betterment.com/legal/cash-reserve>. Betterment retains ongoing discretion to direct client funds held through Cash Reserve into ETFs or other securities in addition to, or instead of, among Program Banks. Participating clients would be notified of any such change.

#### ADVICE FRAMEWORK

To use Betterment’s services, clients and/or their Advisors must inform Betterment of their financial situation and preferences through Betterment’s online applications. Based on this information, Betterment will recommend clients an asset allocation of stock to bonds for the selected portfolio strategy, or if a Third-Party Advised Client, the Advisor will recommend their clients an asset allocation based on the selected portfolio strategy or Custom Portfolio.

#### A. *Advice Type*



Betterment organizes its advice into an advice type framework that generally falls into five categories – education, retirement, safety net/emergency fund, major purchase, and general investing – each with different attributes and a discrete advice model. After identifying an advice type, clients or their Advisors select a portfolio strategy and provide details about their investing purpose. For example, clients or Advisors can input a goal time horizon and/or edit their desired Allocation (defined below). For complex goal types like retirement, Betterment’s advice models factors in other variables such as, but not limited to, the impact of Social Security, tax rates, inflation, and anticipated future spending based on current employment and geographic location.

#### *B. Allocation*

Betterment solicits input on a client’s anticipated time horizon, in conjunction with the advice type as described above, in order to recommend an allocation, which is a specific set of asset classes (i.e. stocks, bonds, and if applicable, other asset classes) and the relative distribution among those asset classes in which a client’s account will be invested (the “Allocation”), or if the client does not have a time horizon input associated with the advice type (i.e. general investing), Betterment allows clients to adjust an Allocation to their own risk preference and provides information about the corresponding time horizon. As described above, for Betterment Constructed Portfolios, Betterment determines the specific securities that compose an asset class for an Allocation, and Betterment reserves the right to change the specific assets within an asset class without notice to clients as determined in good faith for the benefit of clients. For Third-Party Portfolios and Custom Portfolios, Betterment receives Allocation updates from the third-party provider or Advisor and interpolates the Allocations into Betterment’s portfolio management software, but Betterment does not determine the specific securities or Allocations that makeup these portfolios.

An Allocation may differ depending on whether a client’s goal is taxable or tax-advantaged and when the client expects to draw on their goal. In general, Betterment will recommend to clients who indicate a more conservative advice type (such as a safety net/emergency fund) or shorter time horizon a more conservative Allocation and will recommend to clients who indicate a more aggressive investment advice type or longer time horizon a more aggressive Allocation. Clients and/or their Advisor either accept the recommended Allocation or elect a different Allocation based on their or their client’s own risk tolerance or preferences, as well as impose reasonable restrictions on the management of their portfolios.

Betterment gives clients and Advisors real-time feedback on their selected Allocations by providing estimated performance figures in the interface, customized to the individual client’s goal. Forward projections can vary based on scheduled recurring deposits, scheduled one-time deposits, goal time horizon, and for retirement goals, tax filing status, location (zip code), and employment. Betterment projects estimated performance based on client inputs and assumptions for anticipated market returns, volatility, risk-free rates, future tax rates, and expected inflation. Forward projections regarding the likelihood of various investment outcomes

are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

For Betterment's Core portfolio, SRI portfolios, Innovation Technology portfolio, and the Smart Beta portfolio, and except for general investing and safety net/emergency fund advice types where the client does not specify a time horizon, Betterment offers a feature to automatically adjust client allocations to be more conservative as their goal time horizons approach (such feature, "auto-adjust"). Auto-adjust is automatically enabled when a client or their Advisor elects Betterment's recommended Allocation for an eligible goal and portfolio strategy. With auto-adjust enabled, the default Allocation of a goal will automatically adjust to be increasingly more conservative as the client approaches their goal's target date. For clients who elect a different Allocation from Betterment's recommended Allocation or elect to disable the auto-adjust feature, Betterment will not automatically adjust the applicable Allocations based on the passage of time. Betterment will, however, automatically and periodically adjust the Allocations of Participants who have not exercised control over their employer-sponsored accounts to match Betterment's recommendations for those accounts.

#### ONGOING MANAGEMENT

##### *A. Rebalancing and Dividend Reinvestment*

Betterment's portfolio management tools include automatic rebalancing and automatic dividend reinvestment. For all portfolio strategies that exceed a minimum account balance required for rebalancing and unless clients elect to turn off rebalancing, Betterment will generally rebalance client portfolios so that, in the face of fluctuating market prices, each client's portfolio remains controlled within a specific range of the client's Allocation. Betterment typically rebalances a client's account when a portfolio is identified as having drifted by 3% or more and cash flows are not sufficient to enable Betterment to reduce such drift, although clients can request to have Betterment only rebalance their accounts in response to cash flows. Clients can review an estimated minimum account balance necessary to enable rebalancing at [www.betterment.com/legal/portfolio-minimum](http://www.betterment.com/legal/portfolio-minimum). Clients should understand that Betterment has discretion to limit or postpone rebalancing in order to prioritize other trading activity on any given day, including days where extreme market conditions produce a higher volume of trading. For Third-Party Advised Clients, the rebalancing threshold differs for certain Advisor-designed Custom Portfolios. Except in the case of Third-Party Advised Clients or Betterment Premium plan clients utilizing tax-aware migration strategies, when clients elect to change their investment strategy, Betterment immediately rebalances that client's portfolio into the newly elected strategy, which can result in the realization of both short- and long-term capital gains or losses for any securities that are sold. To participate in Betterment's offerings, clients agree to have their dividends automatically reinvested in accordance with their Allocation.

##### *B. Tax Saving Strategies*

Betterment offers optional tax loss harvesting (“TLH”) and tax coordinated asset location (“Tax Coordination”). The value provided by these optional services will vary depending on each investor’s personal circumstances, and clients should carefully read Betterment’s disclosures for each of these services, and the documents linked therein, before enabling them. Clients should understand that Betterment has discretion to limit or postpone tax loss harvesting in order to prioritize other trading activity on any given day, including days where extreme market conditions produce a higher volume of trading.

Clients should also be aware that electing different portfolio strategies across their investing goals will, depending on the securities held in an account and market conditions, cause the tax loss harvesting algorithm to identify fewer opportunities to harvest losses than it would if a client elects the same portfolio strategy for all of their goals. The tax loss harvesting algorithm is designed to reduce the potential for wash sales and permanently disallowed losses for such clients by seeking to avoid harvests in asset classes where there is overlap between one or more securities in the portfolio strategies elected.

The TLH Disclosure Statement is available at <https://www.betterment.com/legal/tlh-disclosure/> and the Tax Coordination Disclosure Statement is available at <https://www.betterment.com/legal/tax-coordination>. For the avoidance of doubt, Betterment’s TLH and Tax Coordination services are not designed to, and do not, provide comprehensive tax advice to clients. Clients are solely responsible for the determination of whether, and when, to enable these features in their accounts, as well as any tax consequences arising from any transaction associated with these features.

### *C. Connected Accounts*

Betterment provides clients the opportunity to link external accounts to Betterment via Betterment’s online interface (such accounts, “Connected Accounts”). Clients can also link Connected Accounts to a specific Betterment goal within the interface. Betterment’s investment advice will not base its recommendations on Connected Accounts except as specifically disclosed in the interface.

Connected Accounts, including those with debt, are reflected in the summary presentation of a client’s profile in Betterment’s online interface but are not associated with any particular portfolio or investment goal unless a client has elected to link a Connected Account to a specific goal in the interface. Betterment offers employees of Betterment at Work employers the ability to link external student loan accounts to Betterment and make repayments through payroll contributions, employer match (if applicable), and/or a linked checking account, such services described in more detail below. Except for Student Loan Management Services, Betterment does not otherwise collect information that would allow it to provide advice on Connected Accounts with debt. Betterment also offers employees of Betterment at Work employers the ability to integrate certain externally managed, Ascensus-supported 529 accounts and make

contributions through payroll deductions, employer match (if applicable), and/or a linked checking account, as described in more detail below.

Clients should also understand that entries made in Betterment's Investing Journal feature, which allows clients to record notations concerning the context for specific transactions, are not directly incorporated into Betterment's advice to individual clients. The Investing Journal feature is instead designed to provide clients with a place to create notations for their own reference and to allow Betterment to collect information that can be used to improve its overall offering.

#### USE OF ALGORITHMS

Betterment uses algorithms to advise clients and manage their accounts. These algorithms are developed, overseen, and monitored by Betterment's investment advisory personnel. When a Retail Client or Retirement Plan Participant creates a Betterment account, identifies an investing goal and/or time horizon, and selects a Betterment Constructed Portfolio strategy, an algorithm, developed by Betterment's investment advisory personnel, determines Betterment's recommended Allocation based on these inputs from the Client. Betterment does not recommend an allocation for Third-Party Advised Clients, who are instead recommended an allocation by their Advisor. Algorithms also generate advice regarding other investment decisions, including but not limited to Allocation selection, savings and withdrawal rates, automatic rebalancing, and account type selection.

When clients make deposits or withdrawals from investing goals, elect to change portfolio strategies, or donate shares, an algorithm determines the specific securities to trade based on a client's Allocation, current tax lots, and other directions that they have provided to Betterment. If clients opt into Betterment's TLH or Tax Coordination services, algorithms also determine the specific trades that are made in a client's account to effect such services, described in more detail in each product disclosure. Algorithms may not perform as intended for a variety of reasons, including but not limited to incorrect assumptions, changes in the market, and/or changes to data inputs. Betterment periodically modifies its algorithms, or a computer system's code or underlying assumptions, and these changes may have unintended consequences. Betterment conducts testing designed to ensure that our algorithms continue to function as intended when new code is introduced and existing code is updated. Although such testing is intended to ensure that code changes do not create unintended consequences, Clients should understand that testing, no matter how comprehensive, cannot guarantee the absence of code-related issues with our algorithms. In the event of a software malfunction or other error that results in Client losses, Betterment will review and remediate the software exception or other error, and if appropriate, will compensate Client for losses caused by Betterment, subject to a \$10 de minimis loss threshold.

The algorithms described above will generate recommendations only from information that is input into the algorithm. Betterment does not provide a comprehensive financial plan and although Betterment collects a variety of information from clients, individualized information

about every aspect of a client's personal financial situation is not elicited through Betterment's online interface, and therefore, not considered by Betterment's algorithms. Clients should be aware of this limitation when considering Betterment's service.

#### TRADE EXECUTION, ACCOUNT MAINTENANCE, AND ASSET CUSTODY

In order to open a Wrap Fee Program account with Betterment, clients must establish a brokerage relationship with Betterment Securities, an affiliated broker-dealer registered with the SEC and a member of FINRA and SIPC. By entering into an Advisory Agreement with Betterment, clients authorize and direct Betterment to place all trades in their accounts through Betterment Securities. As such, Betterment Securities will maintain all client accounts and execute all securities transactions in client accounts without separate commission costs or other fees. Betterment Securities exercises no discretion in determining if and when trades are placed; it places trades only at the direction of Betterment.

Betterment's Best Execution Committee is responsible for overseeing trade execution, consistent with its charter and Betterment's trading policies. Betterment seeks to obtain best execution for client's securities transactions and its affiliates maintain procedures reasonably designed to obtain the best execution reasonably available under the circumstances at that time, although there can be no assurance that it can be obtained. Clients should understand that the appointment of Betterment Securities as the sole broker for their accounts under this Wrap Fee Program may result in disadvantages to the client as a possible result of less favorable executions than may be available through the use of a different broker-dealer.

Clients should understand the Betterment Wrap Fee Program is a discretionary investment advisory program (except for advice provided through Supplementary Services, which is non-discretionary), and not a self-directed brokerage service. Unlike self-directed brokerage accounts, Betterment clients do not enter individual buy and sell orders for specific securities to be executed at particular times. Rather, Betterment places orders to buy and/or sell securities with Betterment Securities consistent with the discretionary authority granted to it by clients, which includes, among other things, the authority to select which securities to buy and sell and when to place orders for the execution of securities. If you want to control the specific time during the day that securities are bought and sold in your account (e.g., you want the ability to "time the market"), you should not use Betterment's service.

Betterment trades in client accounts for any number of reasons, including in response to client actions such as asset Allocation changes, deposits, or withdrawals. Betterment also trades in order to rebalance client accounts, to change investment options, or otherwise to further the investment objectives that clients specify via Betterment's online interface.

Subject to Betterment's trading policies, described in this section, Betterment generally trades on the same business day. However, transactions will be subject to processing delays in certain circumstances. For example, orders initiated on non-business days and after markets close

generally will not transact until the next business day, and halted securities will generally not transact until the exchange resumes trading in those securities. Additionally, orders for mutual funds placed after the daily deadline disclosed on Betterment's online interface will not transact until the next business day. Betterment maintains a general approach of not placing securities orders during approximately the first thirty minutes after the opening of any U.S. market session to avoid periods of market instability, which are common during this time. Betterment generally stops placing orders arising from Allocation changes in existing portfolios approximately thirty minutes before the close of any market session. Betterment continues placing orders associated with deposit and withdrawal requests until market close. Betterment maintains a general approach of not placing orders around the time of scheduled Federal Reserve interest rate announcements. This time period, during which markets often exhibit instability, is typically fifteen to thirty minutes before and after such announcements. Betterment also reserves the right to postpone trades in order to modulate its overall trading volume on a particular business day. Further, account deposits are automatically subject to a processing period that could 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.

In addition, Betterment reserves the right, at any time and without notice, to delay or manage trading in response to market instability. Betterment delays or manages trading when it determines it is appropriate to respond to extraordinary circumstances of market instability, as evidenced by extreme instances of elevated localized volatility (i.e., minute-to-minute spikes in implied volatility), insufficient or unstable market depth, price dislocation, incomplete execution, fast markets, rapidly widening bid-ask spreads, and halted securities (as determined by the exchange). In the event Betterment delays placing orders in response to extraordinary market volatility for greater than sixty consecutive minutes during Betterment's typical trading hours of 10:00 a.m. to 4:00 p.m. Eastern, Betterment will undertake to provide notice of such delay to Clients (Retail and Third-Party Advised) and Participants by posting a message via Betterment's online interface and, separately, to Advisors on the Betterment for Advisors platform via email. For the avoidance of doubt, Betterment does not delay or manage trading based on any view about whether markets are likely to rise or fall.

Clients' access to their funds are generally not affected by Betterment's trade management practices, including decisions to delay intra-day trading during extraordinary circumstances of market instability. This is because withdrawals from (as well as deposits into) Betterment accounts are subject to the timing of the ACH network, which functions as a batch process on a 24-hour cycle and is independent of the time of day a trade occurs.

Betterment places aggregated orders involving multiple Betterment accounts trading in the same securities. 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. Betterment or its affiliates do not charge separate fees for any trade execution or custody service provided to clients.

Orders for the purchase or sale of securities are routed by Betterment Securities to Apex, the clearing broker used by Betterment Securities, for managed execution. Apex is entitled to receive payments or rebates on orders from Betterment Securities, but Apex does not pass on to Betterment Securities any portion of such payments.

Betterment maintains a policy for addressing trade errors, through which Betterment seeks to mitigate any associated harm from a trade error reasonably ascertainable at the time of mitigation to an affected client, consistent with Betterment's fiduciary duty. Betterment does not retain profits from correcting trade errors.

#### SERVICES SPECIFIC TO EMPLOYER-SPONSORED RETIREMENT PLAN CLIENTS

Under the Retirement Plan Investment Advisory Agreement, Betterment provides individual plan Participants with personalized advice. Plan Participants are not required to, but have the option of, becoming Retail Clients.

#### OTHER SERVICES SPECIFIC TO EMPLOYEES OF BETTERMENT AT WORK EMPLOYERS

If Betterment at Work employers offer, and their employees elect to receive, student loan management services from Betterment, such services will include non-discretionary financial advice relating to how clients may prioritize the repayment of their linked student loans, as well as the ability to make student loan repayments via payroll deduction, employer match (if applicable), and/or from a linked checking account. More information about Student Loan Management Services can be found in Betterment's online interface and in its publicly available [product disclosure](#).

Additionally, if Betterment at Work employers offer, and their employees elect to receive, 529 education savings services from Betterment, such services will include non-discretionary financial advice relating to the selection of a 529 plan, as well as the ability to make contributions to certain externally managed 529 accounts with Ascensus-supported, participating plans via payroll deduction, employer match (if applicable), and/or from a linked checking account. More information about 529 education savings services can be found in Betterment's online interface and in its publicly available [product disclosure](#).

#### OTHER INFORMATION ABOUT BETTERMENT'S PORTFOLIO MANAGEMENT

*HSAs.* In partnership with Optum Bank, Betterment Retail Clients can elect to invest in an HSA account to save for medical costs. Optum Bank is a national HSA provider and member of the FDIC. Betterment provides discretionary investment advisory services to HSAs as part of its Wrap Fee Program.

*Municipal Bonds.* Clients with taxable accounts in eligible portfolio strategies who live in California or New York who have a balance of, or intent to fund, at least \$100,000 to their account, are provided the option to further customize their portfolios by adding exposure to

California or New York municipal bonds, respectively, in lieu of national municipal bonds. Disclosures of the benefits and risks of adding state-specific municipal bond exposures are delivered to eligible clients when they contact Betterment customer support regarding this option. Funds held in Cash Reserve are not counted toward this \$100,000 threshold. Betterment does not currently offer clients who live in states other than California and New York the ability to tailor their account to include state-specific municipal bond exposure.

*In-Kind Transfers.* Betterment is currently able to accept the transfer of certain securities into client accounts. Once transferred to Betterment, Betterment's asset-based wrap fee will be assessed on any legacy assets that have been transferred into the portfolio, in addition to assets purchased by Betterment on client's behalf. Additional considerations related to the transfer of outside securities into a Betterment account, including but not limited to Betterment's ability to support transferred individual stocks, will be disclosed in Betterment's online interface before any such transfer takes place.

*Charitable Contributions of Securities.* Betterment offers clients with taxable accounts the opportunity to make charitable contributions by donating shares with long-term capital gains. Clients can donate to a select group of charities that have opened Betterment accounts. The charities pay a wrap fee only on the balance in their accounts above \$1 million and can withdraw funds at any time to maintain a balance that does not incur any fee. More information about charitable giving can be found in Betterment's online interface and in its publicly available product disclosure.

#### VOTING CLIENT SECURITIES

Betterment clients delegate the authority to receive and vote all proxies and related materials for any security held in Betterment accounts to Betterment. Betterment's Proxy Voting Committee is responsible for ensuring that proxy matters are conducted in the best interest of clients, consistent with its charter and Betterment's policies and procedures. Betterment will only vote on proxies and respond to corporate actions associated with securities that Betterment currently selects for Betterment Constructed Portfolios (as defined above) and will abstain from voting on other securities, including but not limited to those securities only present in third-party portfolios, Advisor custom portfolios, or securities transferred to Betterment via ACATS, in each case that are not already supported in a Betterment Constructed Portfolio. If a security is present in Betterment Constructed Portfolios and outside of Betterment Constructed Portfolios, Betterment will vote on proxies associated with that security in all portfolios in which it is held. Betterment will abstain from voting on such proxies if it determines that abstaining is in the best interest of its clients. Clients may request information regarding how Betterment voted a client's proxies, and clients may request a copy of Betterment's proxy policies and procedures, which are updated from time to time, by emailing [support@betterment.com](mailto:support@betterment.com).



Betterment Securities earns revenue from companies that issue proxies, for facilitating the processing and delivery of the proxies to Betterment's clients. The revenue earned by Betterment Securities is not contingent on whether or how proxies are voted by Betterment or its clients, and the identity of funds and other securities that Betterment includes in client accounts is not influenced by these payments.

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

Because Betterment manages all client portfolios directly, there are no portfolio managers with whom Betterment could share client information. However, for Third-Party Advised Clients on the Betterment for Advisors platform, Betterment provides certain client information to clients' Advisors that clients explicitly request Betterment provide via the Betterment for Advisors Advisory Agreement.

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

Clients should consider that Betterment primarily uses electronic rather than telephonic means to provide customer support. To receive customer support, clients contact Betterment via email or through the online interface, and prospective clients should be comfortable communicating through those channels. Clients should be aware that Betterment generally prioritizes requests from new clients when responding to inquiries in the customer support queue, but reserves the right to prioritize responses to client requests in accordance with business needs. Clients should consider that such customer support is educational or for selected account maintenance only, and that although the algorithms that manage client accounts are overseen, monitored, and updated by investment advisory personnel, clients participating in the Betterment Digital plan will generally not interact directly with such investment advisory personnel, except as described elsewhere in this document.

In addition to the availability of Betterment's customer service personnel to each client, Betterment provides selected materials prepared by investment professionals relating to client portfolios and the investment decisions made for client accounts on its publicly available website, including a frequently asked questions site and the "Resource Center," available at <https://www.betterment.com/help> and <https://www.betterment.com/resources/>, respectively. This information is designed to address commonly asked questions clients have about their accounts and the management of their accounts, and customer service personnel will provide clients links to such material. Clients receiving Supplementary Services may schedule telephone consultations with a financial consultant via an online scheduling link. Clients should be aware that they may not be able to speak to a person during market events, such as periods of exceptional volatility or downturns.

#### **Item 9: Additional Information**

##### BETTERMENT'S DISCIPLINARY HISTORY

On April 18, 2023, Betterment reached a settlement with the Securities and Exchange Commission (the “SEC”). Without admitting or denying the findings, Betterment consented to the entry of an order that states that with respect to Betterment’s tax loss harvesting feature (“TLH”), from 2016 to 2019, individual client portfolios were scanned every other trading day despite references to “daily” scans in certain materials. Additionally, the order states that Betterment’s disclosures did not adequately reflect that electing different portfolio strategies across investing goals will, depending on the securities held in an account and market conditions, result in fewer harvests than if a client elects the same portfolio strategy for all of their goals. The order also states that two coding errors caused TLH not to operate for a limited number of customers before 2019.

Additionally, the order states that Betterment did not maintain accurate records regarding clients’ election of TLH and selection of portfolio strategies, that Betterment did not provide advance notice to clients of material changes to its advisory agreement, and that Betterment did not adopt policies and procedures reasonably designed to ensure disclosures regarding its algorithms were accurate. The settlement order states that Betterment violated Sections 204, 206(2), and 206(4) of the Investment Advisers Act of 1940 and related rules. Betterment consented to the entry of the SEC’s order censuring it, requiring it to cease and desist from further violations, and imposing a \$9 million penalty that will be used to compensate affected clients.

#### BETTERMENT’S FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Betterment is a wholly owned subsidiary of Betterment Holdings, Inc., which is also the parent company of Betterment Securities, Betterment for Business LLC, Betterment Financial LLC, and Argonaut Asset Management, LLC.

Betterment Securities, Betterment’s affiliate, provides custody and execution services for wrap fee program accounts. Betterment Securities is a broker-dealer registered with the Financial Industry Regulatory Authority (“FINRA”) and a member of the Securities Investor Protection Corporation (“SIPC”). Betterment Securities acts as a carrying broker-dealer to serve Betterment’s clients. Betterment manages and directs Betterment Securities to trade client assets pursuant to discretionary authority granted by Betterment’s clients through the Advisory Agreement. Betterment Securities exercises no discretion with respect to Client accounts. Betterment Securities has entered into an agreement with Apex. Betterment Securities instructs Apex to clear and settle Betterment’s Clients’ transactions on an omnibus basis.

Betterment for Business LLC, Betterment’s affiliate, provides administrative services such as recordkeeping, payroll integrations, and plan communications for employer sponsored retirement plans. Betterment for Business LLC acts as an administrator, recordkeeper, and, with respect to certain responsibilities, a 3(16) fiduciary under ERISA.

Betterment Financial LLC, Betterment's affiliate, makes available checking account services in partnership with a third-party, nbkc bank. Neither Betterment Financial LLC, nor any Betterment affiliate, is a bank.

Argonaut Asset Management, LLC is the former operating entity of Makara, a former SEC-registered investment adviser that provided cryptocurrency investment advisory services. Makara ceased operations in November 2022 and was de-registered with the SEC on January 6, 2023..

#### BETTERMENT'S CODE OF ETHICS

Betterment maintains a Code of Ethics reasonably designed to help ensure we meet our fiduciary obligations to Clients and to detect and prevent violations of securities laws. Betterment's Code of Ethics establishes standards of conduct for all officers and employees consistent with the code of ethics requirements of Rule 204A-1 under the Investment Advisers Act. A copy of Betterment's Code of Ethics is available to clients and prospective clients upon request by emailing [support@betterment.com](mailto:support@betterment.com).

#### PARTICIPATION IN CLIENT TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

Betterment or individuals associated with Betterment are permitted to buy or sell securities identical to or different from those recommended to clients for their personal accounts. Individuals associated with Betterment are also Betterment clients. Additionally, any related person(s) could have an interest or position in certain securities which are also recommended to clients. In such instances, Betterment, or its related persons, may have a financial incentive to buy or sell such securities for client accounts, although this incentive is limited because Betterment generally recommends highly liquid index funds to its clients and because client activity in such funds is unlikely to materially impact their price. Betterment endeavors to make decisions in the best interest of its clients, and to eliminate, mitigate, and/or disclose material conflicts of interest that arise between Betterment and clients. In order to monitor conflicts of interest, Betterment monitors non-discretionary transactions in the personal accounts of employees and contractors designated as "Access Persons", including investing in crypto assets. An Access Person must disclose on an initial and annual basis the holdings of all personal investment accounts, as well as all transactions in such accounts on a quarterly basis.

It is the express policy of Betterment that no person employed by Betterment may use material, non-public information obtained during the course of his or her work in deciding whether 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.

#### EMPLOYEE COMPENSATION AND POTENTIAL CONFLICTS OF INTEREST

All employees are paid a base salary and certain employees are also eligible for a discretionary

bonus. Discretionary bonuses are based on firm-wide targets, individual targets, or both. Employees also receive compensation in the form of equity option grants in Betterment's parent company. No compensation is based on the performance or selection of specific securities. Sales team members who support the Betterment for Advisors and Betterment at Work offerings receive incentive compensation based on revenue from retirement plans or advisory firms brought to Betterment, or based on leads to bring retirement plans to Betterment. Betterment's Licensed Concierge Team offers support for individuals transferring assets to Betterment of \$20,000 or more, and receives incentive compensation based on revenue from assets brought to or invested with Betterment. Betterment's customer support team also receives \$25 per referral compensation for passing leads to Betterment's Licensed Concierge Team. As noted above, Betterment's revenue varies for different offerings (e.g. Betterment Digital and Premium, Cash Reserve) and consequently sales employees who receive incentive compensation have an incentive to recommend the offering which results in the greatest revenue for Betterment. With respect to sales team members who support Betterment for Advisors offering and Licensed Concierge team, team members receive incentive compensation based on the product offering or service level the Advisor or clients elect to invest. The marketing and solicitation activities of these individuals are supervised by Betterment in an effort to ensure that these individuals act in the client's best interest.

Betterment generally earns revenue from investment advisory fees based on client assets it manages, and therefore has an incentive to encourage clients deposit, transfer and maintain funds on Betterment's platform. Betterment mitigates this business model conflict by endeavoring to make decisions in the best interests of its clients consistent with its obligations under the Advisers Act. Betterment's EIC is responsible for Betterment's investment strategy, portfolio management, advice, and financial planning models, consistent with its charter and Betterment's policies. Additionally with respect to transfers, Betterment has a financial incentive to encourage clients to rollover funds to a Betterment IRA from an employer sponsored retirement plan, whether held externally or in certain cases held through Betterment at Work. For IRA rollovers from 401(k) plans managed through Betterment at Work, a Betterment IRA may result in higher or lower fees to Betterment as compared to the Participant's 401(k) account (depending on which fees, if any, the employer opted to pass along to the Participant's 401(k) account). Betterment's digital platform does not make individualized rollover recommendations to clients. In certain circumstances, clients who schedule a telephone conversation with a financial consultant may receive advice related to rollovers that is individually tailored to their financial situation and consistent with Betterment's policies and procedures that govern financial consultants.

#### REVIEW OF ACCOUNTS

Betterment's investment tools are designed to provide clients with continuous access to account information through Betterment's online interface. Clients can utilize various tools on the interface to review their account and better understand their holdings and performance information. Clients also receive periodic emails from Betterment with information about their

accounts, material amendments to their client agreements, as well as links to account statements, and clients should review these emails carefully for relevant information about their accounts and Betterment's services.

As described above in Item 6, and subject to the limitations for Custom Portfolios and Third-Party Portfolios referenced there, Betterment's algorithms continuously review clients' accounts to confirm their portfolios are within a set range of their Allocation. If a client's portfolio deviates from this range, Betterment will rebalance such portfolio back to its target Allocation in certain circumstances. Furthermore, for certain goals, Betterment monitors accounts to determine whether a client is on or off track to meet a particular goal or whether, in Betterment's judgment, client's chosen Allocation is too aggressive or conservative for a goal, and indicates the result of that monitoring through the online interface. Betterment personnel further conduct focused reviews of accounts when triggered by certain account activity, although clients should be aware that their individual accounts are generally not actively monitored directly by investment advisory personnel.

Clients are directed on at least a quarterly basis to update their information via the online interface.

For clients using the Betterment for Advisors Service or receiving sub-advisory services from an Advisor through the Advisor Network matching service, clients' agreements with their Advisors govern any additional responsibilities for conducting reviews of clients' accounts that the Advisors may have.

#### CLIENT REFERRALS

Betterment offers compensation to current clients, affiliate marketers (including "bloggers"), solicitors, and other strategic partners who recommend Betterment and refer new clients (collectively, "Promoters"). The compensation received by a Promoter for referring a Retail Client will depend on the amount of that client's initial deposit and whether it is used to purchase securities or held as cash in Cash Reserve. The compensation received by a Promoter for referring a Retirement Plan Client will depend on the number of Participants in the Plan and compensation can vary based on the time at which a plan is referred. Current clients may refer new clients only through Betterment's Refer-a-Friend program, through which compensation is limited to waivers of Betterment's advisory fee. New clients are advised of such compensation prior to opening an account. Betterment supervises the referral activities of current clients and Promoters. Due to compensation from Betterment, Promoters have an incentive to recommend Betterment, which is a conflict of interest. Clients are not charged any fee nor do they incur any additional costs for being referred to Betterment by a current client or Promoter. In addition, Betterment personnel are eligible for variable compensation based on the firm's growth. This compensation is based on firm-wide targets, individual targets, or both. Certain Betterment personnel are also compensated based on assets that they personally attract to the firm. The marketing and solicitation activities of these individuals are supervised by Betterment.

#### TRAINING EVENTS

Periodically Betterment participates in Betterment hosted or third-party hosted training and educational conferences, seminars, trade shows, booth events or similar events (“Training Events”). Third parties, which sometimes include the providers of funds that Betterment selects for inclusion in its portfolios, generally share in the cost of the Training Event. Additionally, third parties participate in Training Events that provide Betterment and our personnel with information about their products and services. The participation and cost-sharing by third parties in Training Events could create incentives for us to recommend their products and services over others. Our participation in Training Events is subject to our Code of Ethics and Betterment does not recommend products or services of third parties based on their involvement in Training Events.

#### TERMINATION OF ADVISORY RELATIONSHIP

Retail and Third-Party Advised Client agreements may be canceled at any time, by either party, for any reason upon notice in accordance with the applicable Advisory Agreement. Retirement Plan Client agreements may be canceled by the client at any time and by Betterment after a specific notice period, in both cases in accordance with the applicable Advisory Agreement. Upon termination of any account any earned, unpaid fees will be due and payable.

#### BUSINESS DISRUPTION

There is a risk that a disaster outside of Betterment’s control leads to a business disruption. Betterment maintains a business continuity plan designed to allow us to maintain or resume operations within management-specified recovery targets after a business disruption, subject to the scope and severity.

#### PRIVACY POLICY

Betterment is committed to protecting our clients’ private information. Betterment has instituted policies and procedures to reasonably 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; with an Advisor in the case of Third-Party Advised Clients; and with the employer or plan sponsor in the case of Participants. 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 at

<https://www.betterment.com/security/privacypolicy/>.

#### 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.

#### ONLINE INTERFACE

Clients should be aware that, when Betterment makes changes to its online interface, not all clients see such changes at the same time. There will typically be different services and tools available to Clients depending on the means by which they are interacting with Betterment over the internet. For example, the services available on a mobile phone (or a particular mobile phone operating system) will look different or be different than the services and tools available via a web-based interface.

#### 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 and clients will be notified via email.

## Form ADV Part 2B

### CLIENT BROCHURE SUPPLEMENT

Betterment  
27 West 23<sup>rd</sup> Street  
6<sup>th</sup> Floor  
New York, NY 10010  
(718) 400-6898  
[www.betterment.com](http://www.betterment.com)

December 1, 2023

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](mailto:support@betterment.com). Additional information about Betterment is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Many of the Supervised Persons listed below hold the Certified Financial Planner™ (CFP) certification. Obtaining that certification requires that candidates meet the following criteria as set forth by the Certified Financial Planner Board of Standards:

- Hold a bachelor's degree or higher;
- Complete course training in financial planning;
- Pass a 6-hour multiple choice examination requiring the application of financial planning knowledge;
- Receive approval by the CFP Board, which requires passing an extensive background check and that the certificant adhere to a code of ethics.



NICHOLAS HOLEMAN, CFP®

*Director of Financial Planning*

Born 1991

*Education*

B.S., San Diego State University, 2013

MSBA, San Diego State University, 2015

*Business Background*

Betterment; Director of Financial Planning, 2021-present

Betterment; Head of Financial Planning, 2019-2021

Betterment; Senior Financial Planner, 2018-2019

Betterment; Financial Planning Expert, 2016-2018

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

None

*Supervision*

Mr. Holeman is supervised by Liane Pierce, Vice President of Customer Experience

CHRISTINE ANN CELAYA, CFP®

*Senior Manager, Licensed Concierge*

Born 1989

*Education*

B.S., Texas Tech University, 2011

*Business Background*

Betterment; Senior Manager, Licensed Concierge, 2021-present

Betterment; Customer Growth Manager, 2019-2021

Betterment; Customer Insights Supervisor, 2018-2019

Betterment; Certified Financial Planning Supervisor, 2016-2018

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Ms. Celaya is supervised by Liane Pierce, Vice President of Customer Experience

JONATHAN SCOTT WITTIG

*Manager, Investment Adviser Representative, Licensed Concierge*

Born 1992

*Education*

B.S. B.A., University at Buffalo, 2015

*Business Background*

Betterment; Manager, Investment Adviser Representative, 2021-present

Betterment; Senior Licensed Concierge Associate, 2020-2021

Betterment; Senior Customer Insights Associate, 2019-2020

Betterment; Customer Insights Associate, 2018-2019

Betterment; Customer Experience Associate, 2017-2018

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Mr. Wittig is supervised by Ms. Celaya, Senior Manager, Licensed Concierge

ANNE CORBIN BLACKWELL, CFP®

*Senior Financial Planner*

Born 1990

*Education*

B.A., Denison University, 2013

*Business Background*

Betterment; Senior Financial Planner, 2021-present

Betterment; Financial Planner, 2018-2021

United Income; Financial Advisor, 2017-2018

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

None

*Supervision*

Ms. Blackwell is supervised by Mr. Holeman, Director of Financial Planning

BRYAN TYRELL STIGER, CFP®

*Financial Planner*

Born 1979

*Education*

B.S., Illinois State University, 2001

MSBA, Northern Illinois University, 2010

*Business Background*

Betterment; Financial Planner, 2020-present

TIAA; Financial Planner, 2015-2020

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

None

*Supervision*

Mr. Stiger is supervised by Mr. Holeman, Director of Financial Planning

DANA TRENTALANGE

*Senior Investment Advisor Representative, Licensed Concierge*

Born 1996

*Education*

B.S., King's College, 2018

*Business Background*

Betterment; Senior Investment Advisor Representative, 2022-present  
Betterment; Investment Advisor Representative, 2021-2022  
Betterment; Customer Support Specialist, 2021-2021  
Betterment; Investing Support Specialist, 2020-2021  
Betterment; Investing Support Associate, 2019-2020  
Betterment; Customer Experience Associate, 2019-2019  
The Vanguard Group, Inc.; Retirement Associate, 2018-2019

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Ms. Trentalange is supervised by Mr. Wittig, Manager, Investment Adviser Representative, Licensed Concierge

ANDREW NOTTINGHAM

*Investment Advisor Representative, Licensed Concierge*

Born 1994

*Education*

B.S., Miami University (Ohio), 2016

*Business Background*

Betterment; Investment Advisor Representative, 2022-present  
Betterment; Sales Development Representative, 2021-2022  
Betterment; Customer Support Associate, 2021-2021  
Betterment; Banking Support Associate, 2019-2021  
Crazy Mountain Brewing Company; Sales Representative and Marketing Coordinator, 2016-2018

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Mr. Nottingham is supervised by Mr. Wittig, Manager, Investment Adviser Representative, Licensed Concierge

KYLE THOMAS MCBRIEN, CFP®

*Financial Planner*

Born 1994

*Education*

B.S., Indiana University, 2017

*Business Background*

Betterment; Financial Planner, 2021-present  
Plante Moran Financial Advisors; Financial Advisor, 2017-2021

*Disciplinary Information*

	<p>None</p> <p><i>Other Business Activity</i></p> <p>None</p> <p><i>Additional Compensation</i></p> <p>None</p> <p><i>Supervision</i></p> <p>Mr. McBrien is supervised by Mr. Holeman, Director of Financial Planning</p>
SARA KALSMAN, CFP®	<p><i>Financial Planner</i></p> <p>Born 1990</p> <p><i>Education</i></p> <p>B.A., San Diego State University, 2013</p> <p><i>Business Background</i></p> <p>Betterment; Financial Planner, 2021-present</p> <p>One Capital Management, LLC; Director, Wealth Planning, 2020-2021</p> <p>Beacon Pointe Advisors, LLC; Agent, 2016-2020</p> <p>Beacon Pointe Wealth Advisors, LLC; Senior Wealth Advisor, 2016-2020</p> <p><i>Disciplinary Information</i></p> <p>None</p> <p><i>Other Business Activity</i></p> <p>None</p> <p><i>Additional Compensation</i></p> <p>None</p> <p><i>Supervision</i></p> <p>Ms. Kalsman is supervised by Mr. Holeman, Director of Financial Planning</p>
DYLAN SCHWABER	<p><i>Senior Investment Advisor Representative, Licensed Concierge</i></p> <p>Born 1994</p> <p><i>Education</i></p> <p>B.S., Indiana University, 2016</p> <p><i>Business Background</i></p> <p>Betterment; Senior Investment Advisor Representative, 2021-present</p> <p>ExecOnline; Business Development Representative, 2020-2021</p> <p>Wells Fargo Advisors; Financial Advisor, 2017-2020</p> <p><i>Disciplinary Information</i></p> <p>None</p> <p><i>Other Business Activity</i></p> <p>None</p> <p><i>Additional Compensation</i></p> <p>Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).</p> <p><i>Supervision</i></p> <p>Mr. Schwaber is supervised by Mr. Wittig, Manager, Investment Adviser Representative, Licensed Concierge</p>
ALEC PUPO	<p><i>Senior Investment Advisor Representative, Licensed Concierge</i></p> <p>Born 1996</p> <p><i>Education</i></p>

B.B.A., Temple University, 2018

*Business Background*

Betterment; Senior Investment Advisor Representative, 2021-present

The Vanguard Group; Ultra High Net-Worth Client Consultant, 2021-2021

The Vanguard Group; High Net-Worth Client Consultant, 2020-2021

The Vanguard Group; Investment Services Representative, 2019-2020

The Vanguard Group; Brokerage Investment Professional, 2018-2019

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Mr. Pupo is supervised by Mr. Wittig, Manager, Investment Adviser Representative, Licensed Concierge

YOSEF GHEBRAY, CFP®

*Senior Investment Advisor Representative, Licensed Concierge*

Born 1987

*Education*

B.A., University of California, Berkeley, 2010

*Business Background*

Betterment; Senior Investment Advisor Representative, 2021-present

Fidelity; Financial Consultant, 2020-2021

Wells Fargo; Premier Banker, 2020-2020

Merrill Lynch; Financial Advisor, 2016-2020

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Mr. Ghebray is supervised by Mr. Wittig, Manager, Investment Adviser Representative, Licensed Concierge

TYLER JAMES MOORE

*Licensed Specialist, Licensed Concierge*

Born 1994

*Education*

B.S., Colorado State University, 2018

*Business Background*

Betterment; Licensed Specialist, 2023-present

Betterment; Client Success Manager, 2022-2023

Betterment; Customer Support Specialist, 2021-2022

Betterment; Customer Support Associate, 2021-2021

Betterment; Investing Support Associate, 2020-2021

Jennifer Harms Allstate Agency; Licensed Insurance Agent, 2019-2020

Oskar Blues Brewery; Cellar Operator, 2019-2019

Papa Murphys; Shift Lead, 2014-2019

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Mr. Moore is supervised by Ms. Celaya, Senior Manager, Licensed Concierge

RACHEL JENEE HARTENDROP

*Licensed Specialist, Licensed Concierge*

Born 1991

*Education*

B.S., Arizona State University, 2013

*Business Background*

Betterment; Licensed Specialist, 2023-present

Betterment; Client Success Manager, 2022-2023

Betterment; Customer Support Specialist, 2021-2022

Betterment; Customer Support Associate, 2021-2021

Betterment; Customer Experience Associate, 2020-2021

Teachable; Customer Care Associate, 2020-2020

VIPKid; Online ESL Teacher, 2019-2020

Adapt Inc.; Junior Designer, 2020-2020

Squarespace; Customer Care Advisor, 2015-2019

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

Licensed Concierge team members receive incentive compensation based on revenue from assets (which may vary depending on clients' chosen products or services).

*Supervision*

Ms. Hartendrop is supervised by Ms. Celaya, Senior Manager, Licensed Concierge

ANDREW WESTLIN, CFP®

*CFP® Consultant*

Born 1993

*Education*

B.S., Virginia Polytechnic Institute and State University, 2015

*Business Background*

Betterment; CFP® Consultant, 2023-present

Petrie Ventures, LLC; Vice President, 2022-present

Betterment; Senior Manager, Financial Planning, 2016-2022

Vanguard; Flagship Associate, 2015-2016

*Disciplinary Information*

None

*Other Business Activity*

Mr. Westlin is also a VP & Development Coordinator for Petrie Ventures, LLC, a real estate development company. Mr. Westlin's role at Petrie Ventures, LLC represents a substantial amount of his income and time, and is not investment related.

*Additional Compensation*

None

*Supervision*

Mr. Westlin is supervised by Mr. Holeman, Director of Financial Planning

Boris Khentov

*Senior Vice President of Operations & Legal Counsel*

Born 1977

*Education*

A.B., Harvard University, 2000

J.D., Northwestern University School of Law, 2009

*Business Background*

Betterment; Senior Vice President of Operations & Legal Counsel, 2018-present

Betterment; Vice President of Operations & Legal Counsel, 2016-2018

Betterment; Director of Operations & Legal Counsel, 2014-2016

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

None

*Supervision*

Mr. Khentov is supervised by Michael Reust, President

Mychal Campos

*Senior Director of Investing*

Born 1978

*Education*

M.S., University of Washington, 2017

B.A., Reed College, 2000

*Business Background*

Betterment; Senior Director of Investing, 2021-present

Kindur; Director of Product, 2019-2021

Stash; Director, Head of Investing, 2017-2019

*Disciplinary Information*

None

*Other Business Activity*

None

*Additional Compensation*

None

*Supervision*

Mr. Campos is supervised by Mr. Khentov, Senior Vice President of Operations & Legal Counsel

**Supervision.** Investment advisory activities are conducted by Supervised Persons, which includes Betterment's investment advisor representatives, as well as Supervised Persons who advise on portfolio construction and the development of advice and algorithms. The investment advisor representatives are supervised by Liane Pierce, Vice President of Customer Experience, and can be reached at (718) 400-6898. Betterment's Executive Investment

Committee (the “EIC”) is responsible for Betterment’s investment strategy, portfolio management, advice, and financial planning models, consistent with its charter and Betterment’s policies. Mr. Holeman, Mr. Khentov, Mr. Reust, and Mr. Campos are members of the EIC. The members of EIC can be reached at (212) 228-1328.