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**Wealthfront Advisers  
Program Brochure**

**October 29, 2024**

**Item 1 Cover Page**

This wrap fee program brochure (“Brochure”) provides information about the qualifications and business practices of Wealthfront Advisers LLC (“Wealthfront Advisers” or “we” or “us”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). Registration does not imply a certain level of skill or training but only indicates that Wealthfront Advisers has registered its business with state and federal regulatory authorities, including the SEC (our SEC number is 801-69766). The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact us at [844-995-8437](tel:844-995-8437) or [support@wealthfront.com](mailto:support@wealthfront.com). Additional information about Wealthfront Advisers is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and on Wealthfront Advisers’ website, [www.wealthfront.com](http://www.wealthfront.com).

## **Item 2 Material Changes**

Since the last annual updating amendment to Wealthfront Advisers' Form ADV Part 2 brochure on October 27, 2023, we updated this Brochure to describe our Automated Bond Ladder offering, a product that allows Clients to invest in US Treasury securities of various maturities.

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## **Item 4 Services, Fees and Compensation**

### **A. General Description of the Company**

Wealthfront Advisers is an automated investment adviser registered with the SEC. Wealthfront Advisers provides clients' with software-based investment advisory and portfolio management services through the Wealthfront Advisers Program. This Program, launched in December 2011, is made available via brokerage accounts that all clients open at Wealthfront Brokerage LLC ("Wealthfront Brokerage"), a member of Financial Industry Regulatory Authority ("FINRA"). Wealthfront Advisers became the successor investment adviser to Wealthfront Inc. effective August 1, 2018. On the same date, Wealthfront Inc. changed its name to Wealthfront Corporation. Software-based financial planning tools and services (as described further in Item 4.B below) are provided by Wealthfront Software LLC ("Wealthfront Software"). Since February 2019, Wealthfront Brokerage has offered a cash account to Clients, (the "Wealthfront Cash Account"), where Wealthfront Brokerage conveys uninvested cash account funds to depository institutions that accept and maintain such deposits ("partner banks"). Neither Wealthfront Brokerage nor its affiliates are a bank. The cash balance in a Client's Wealthfront Cash Account is swept to one or more partner banks, where it earns a variable rate of interest and is eligible for Federal Deposit Insurance Corporation ("FDIC") insurance while such cash balance awaits investments. FDIC insurance is not provided, and interest is not earned, until the funds arrive at the partner banks. In addition, Wealthfront Brokerage offers a margin lending product called Portfolio Line of Credit ("PLOC"), which is offered to Clients who meet the required minimum balance in a taxable investment account advised by Wealthfront Advisers, in addition to other minimum account thresholds. Wealthfront Brokerage charges interest on the funds borrowed under a PLOC for the time that the loan is outstanding although it is not due until the loan is repaid. Wealthfront Advisers, Wealthfront Brokerage, and Wealthfront Software are wholly owned subsidiaries of Wealthfront Corporation, which is a privately held company headquartered in Palo Alto, California.

Wealthfront Advisers, Wealthfront Brokerage, and Wealthfront Software are wholly owned subsidiaries of Wealthfront Corporation, which is a privately held company headquartered in Palo Alto, California. Additional information about Wealthfront Advisers' products, structure and directors is provided on Part 1 of Wealthfront Advisers' Form ADV which is available online at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or at [www.wealthfront.com](http://www.wealthfront.com). We encourage visiting our website [www.wealthfront.com](http://www.wealthfront.com) for additional information.

### **B. Summary of Investment Advisory Services**

Wealthfront Advisers offers an automated investment advisory service that makes it possible for anyone who enters into a Wealthfront Advisers Advisory Client Agreement (the "Advisory Client Agreement"), to access state-of-the-art investment advisory and portfolio management services. Clients can choose between portfolios we recommend and the ability to customize our recommendation. As provided in separate Advisory Client Agreements, advisory clients ("Clients") may grant Wealthfront Advisers either (1) full discretionary authority to manage Client assets; or (2) limited discretionary authority regarding time, price, number of securities, and units or dollar amounts in such securities, while Client retains general investment discretion regarding the specific securities to buy or sell in an Account. Client accounts ("Client Accounts" or "Accounts") are opened and maintained at Wealthfront Brokerage (and in the case of the 529

college savings plan (“529 Accounts”), the sponsoring state trust fund account) pursuant to the Wealthfront Brokerage Customer Brokerage and Custody Agreement (the “Brokerage Agreement”).

### **Automated Investing Account**

Wealthfront Advisers may manage a Client Account on a fully discretionary basis (“Automated Investing Account”). This means that Wealthfront Advisers is authorized to trade our Clients’ ETFs or other investments in an Automated Investing Account to maintain the Client’s target investment allocation. Wealthfront Advisers utilizes software to conduct this trading to invest Client deposits, fund Client withdrawals, perform rebalancing to maintain target portfolio allocations, and execute tax-loss harvesting strategies.

Clients may open an Automated Investing Account that is either: (1) an individualized taxable account or an individual retirement account (“IRA”) that allows Clients to choose between portfolios we recommend and the ability to customize our recommendations; or (2) 529 Accounts. Our Automated Investing Account is a diversified, automated portfolio designed to maximize returns for a Client’s individual risk tolerances and other preferences.

Wealthfront Advisers creates an investment plan and manages a Client’s taxable or IRA portfolio by identifying: 1) optimal asset classes in which to invest, 2) efficient ETFs or other investments to represent each of those asset classes, and 3) an ideal mix of asset classes based on the Client’s specific risk tolerance. Clients may also choose to customize certain of our recommendations and make adjustments to our recommended investment allocations, increasing or decreasing the target percentage of a particular ETF or investment. Clients can also choose from a list of additional ETFs or other investments and request specific allocations to each.

For 529 Accounts, Wealthfront Advisers constructs an individual portfolio based on the Client’s individual risk tolerances that uses up to nine of the 529 plan’s separate municipal fund securities (each a “MFS”), of which each MFS contains a single underlying ETF. Using the Client’s risk score, Wealthfront Advisers assigns the Client’s individual portfolio to one out of 20 glide paths, each of which determines how the Client’s individual portfolio’s allocations of designated portfolios will change over time. Each glide path gradually shifts the asset allocations of the MFSs in the Client’s individual portfolio to progressively decreasing levels of expected risk as the beneficiary’s expected matriculation date approaches. The Client’s starting point along the specific glide path is determined by the beneficiary’s expected time to matriculation. We do not support Client-customized portfolio allocations for 529 Accounts.

For the taxable Automated Investing Account, Wealthfront Advisers offers tax-loss harvesting (“TLH”) strategies. TLH is a technique designed to help lower your taxes while maintaining the expected risk and return profile of your portfolio. TLH harvests previously unrecognized investment losses to offset taxes due on your other gains and income by selling a security at a loss to accelerate the realization of capital loss and investing the proceeds in a security with closely correlated risk and return characteristics. The realized loss can be applied to lower your tax liability and the tax savings can be reinvested to grow the value of your portfolio. Wealthfront Advisers’ basic TLH strategy harvests tax losses on a Client’s ETFs by selling an ETF at a loss and replacing it with an alternative ETF that tracks a different, but highly correlated index to maintain the risk and return characteristics of the Client’s portfolio.

Wealthfront Advisers also offers more advanced versions of TLH strategies—available to Clients with larger account sizes—that involve allocating a portion of the Client’s portfolio to a range of individual US stocks, which increases the Client’s opportunity to harvest tax losses. Clients with taxable accounts that have between \$100,000 and \$500,000 in assets can choose our US Direct Indexing service as an enhanced form of TLH that looks for movements in individual stocks to harvest more tax losses. Instead of using a single ETF or index fund to invest in US stocks, US Direct Indexing purchases the largest individual stocks in the US equity market (the number of such individual stocks purchased depends on account size) on a market-weighted basis to increase the opportunity for tax-loss harvesting presented by the movement of individual stocks. Clients with a taxable Automated Investing Account that has at least \$500,000 qualify for our no-fee Smart Beta service, which serves as an enhancement to our US Direct Indexing service. Clients who signed up for our US Direct Indexing service may specify US stocks they choose to restrict, but may not customize the portfolio allocations in those accounts. Customization is also not supported in our Automated Bond Portfolio and Automated Bond Ladder offerings.

Further, our Automated Investing Account, Automated Bond Portfolio, and Automated Bond Ladder (described below) are subject to Rule 3a-4 of the Investment Company Act of 1940. This means: (1) Wealthfront Advisers manages each Client’s account based on the Client’s individual financial situation and investment objectives, which information is obtained at account opening; (2) Wealthfront Advisers contacts Clients via email on a quarterly basis to request whether there have been any changes to the Client’s financial situation or objectives; (3) as noted in Item 7.3, Clients may, at account opening or anytime thereafter, impose reasonable restrictions on how their Account is managed by customizing our recommended portfolios or by updating their settings to restrict investments in certain US stocks, (4) Clients may contact Product Support team members (who are Wealthfront Advisers personnel who are knowledgeable about the Accounts and their management) to ask questions relating to their Account; (5) Clients receive monthly statements of all activity in their Account; and (6) Clients retain rights of ownership in the underlying securities in their accounts.

### **Automated Bond Portfolio**

Clients may open an “Automated Bond Portfolio,” which is personalized to a Client’s individual tax situation, based on their state of residence and stated, taxable income. The Automated Bond Portfolio is managed on a fully discretionary basis and includes a diversified mix of bond ETFs. Wealthfront Advisers utilizes software to invest Client deposits and dividends, fund Client withdrawals, perform rebalancing to maintain target portfolio allocations, and execute tax-loss harvesting strategies where appropriate. For Clients that use Wealthfront Advisers’ Automated Bond Portfolio, Wealthfront Advisers buys or sells securities consistent with a Client’s portfolio allocation, which is designed to seek yield and is personalized to the Client’s individual tax situation.

### **Automated Bond Ladder**

Clients may open an “Automated Bond Ladder,” which is a portfolio of US Treasury securities, including Treasury Bills, Treasury Notes, or Treasury Bonds (collectively, “Treasuries”) designed to provide a tax-advantaged means of preserving capital and generating yield with an extremely low risk of principal loss for clients who hold their Treasuries to maturity. The

Automated Bond Ladder also seeks to reduce exposure to interest rate fluctuations. The Automated Bond Ladder allows clients to configure a “ladder” of Treasuries with a maximum length that can range from 6 months to 6 years. Wealthfront Advisers manages Automated Bond Ladders on a fully discretionary basis, utilizing software that seeks to invest in Treasuries that mature on a monthly basis through the length of the ladder (assuming Treasuries with the required monthly maturities are available in the market for the entirety of the client’s selected ladder length). As Treasuries mature or interest is paid, Wealthfront Advisers will automatically reinvest the proceeds to purchase new Treasuries with later maturity dates in the Client’s ladder in a way that seeks to maintain as close as possible to equally weighted investment in Treasuries with monthly maturities through the Client’s desired ladder length.

### **Stock Investing Account**

Clients may also open a “Stock Investing Account,” which is a taxable account that allows Clients to invest in certain exchange-traded securities, including stocks. In a Stock Investing Account, Clients grant Wealthfront Advisers limited discretion, with Wealthfront Advisers exercising discretion over the specifics of the transaction, including the time, price, number of shares, and units or dollar amounts in the transaction. The Client retains general investment discretion over other matters, including the ultimate decision as to which securities to include in the account. Upon opening a Stock Investing Account, Clients who do not have an active Wealthfront Cash Account must open a separate Wealthfront Cash Account.

### **Automated Savings**

In addition to investment advisory and portfolio management services, Wealthfront Advisers offers a service called Automated Savings to Clients, free of charge. Clients may opt into this service and can stop or restart its use at any time at no cost to them. With Automated Savings, Wealthfront Advisers monitors a Client’s checking account or Wealthfront Cash Account for excess cash over the maximum balance set by the Client. If the monitored account has exceeded the Client’s prescribed maximum balance by at least \$100, Wealthfront Advisers will schedule transfers of the excess cash from the monitored account to one or more of the Client’s Wealthfront accounts of choice. The Client will receive an email notification when these transfers have been scheduled and will have 24 hours to cancel the transfers before they occur.

### **Financial Planning Through Software**

In addition to investment advisory and portfolio management services, Wealthfront Advisers, through its affiliate Wealthfront Software, provides certain software-based financial planning tools and services (the “Financial Planning Service”) to its Clients. The Financial Planning Service is a product offered, free of charge, by Wealthfront Software and is made available to Wealthfront Advisers’ Clients free of charge through a contractual arrangement between Wealthfront Advisers and Wealthfront Software.

### **Advisory Fees for the Automated Investing Account, Automated Bond Portfolio, and Automated Bond Ladder**

The Automated Investing Account, Automated Bond Portfolio, and Automated Bond Ladder are “wrap accounts,” meaning they are a professionally managed investment account in which all

expenses, including brokerage commissions (if any), management fees, and administrative costs, are “wrapped” into a single charge. Wealthfront Advisers is compensated for its advisory services by charging an annual wrap account fee of 0.25% on the net market value of this type of a Client’s Account. In some cases, Clients can have a portion of their assets managed for free.

Wealthfront Advisers’ fees are charged on a monthly basis and they are not charged in advance. Fees are charged utilizing the following calculation: Wealthfront Advisers calculates a daily advisory fee, which is equal to the fee rate multiplied by the net market value of the Client’s Account as of the close of trading on the New York Stock Exchange (“NYSE”) (herein, “close of markets”) on such day, or as of the close of markets on the immediately preceding trading day for any day when the NYSE is closed, and then divided by 365 (or 366 in any leap year). The advisory fee for a calendar month is equal to the total of the daily fees calculated during that month (less any deductions or fee waivers) and is deducted from an Automated Investing Account, Automated Bond Portfolio, or an Automated Bond Ladder no later than the tenth business day of the following month.

For 529 Accounts, Wealthfront Advisers waives its investment advisory fees on the first \$25,000 it manages for Nevada residents who open a 529 Account, and this fee waiver applies to the aggregate of all of the Nevada residents’ Wealthfront Advisers account assets. This advisory fee is separate from the fees and expenses of the MFSs in which a Client invests in the 529 Account, which include the fees and expenses of the ETFs underlying such securities, the fees of the 529 Account recordkeeper and the fees of the state trust that issues the MFSs (“Plan Administration Fees”). Plan Administration Fees may change without prior notice.

### **Advisory Fees for the Stock Investing Account**

In a Stock Investing Account, Clients grant Wealthfront Advisers limited discretion, with Wealthfront Advisers exercising discretion over the specifics of the transaction, including the time, price, number of shares, and units or dollar amounts in the transaction. The Client retains general investment discretion over other matters, including the ultimate decision as to which securities to include in the portfolio. A Stock Investing Account is not a wrap account. As such, a wrap account fee does not apply to them. Instead, Wealthfront Brokerage pays Wealthfront Advisers a percentage of the net interest margin it earns on deposits in Clients’ required Wealthfront Cash Accounts. As a result, Clients pay no out of pocket advisory fees, nor does this reduce the rate of interest clients receive from cash maintained in their Wealthfront Cash Accounts. Proceeds from the sale of securities held in a Stock Investing Account are automatically swept to the Client’s Wealthfront Cash Account. See Item 5 of Wealthfront Advisers’ Form ADV Part 2A brochure for more details on the advisory fee paid in relation to the Stock Investing Account.

### **Fee Changes**

Wealthfront Advisers reserves the right, in its sole discretion, to negotiate, reduce or waive the advisory fee for certain Client Accounts for any period of time determined solely by Wealthfront Advisers. In addition, Wealthfront Advisers may reduce or waive its fees for the Accounts of some Clients without notice to, or fee adjustment for, other Clients. For Clients who had opened accounts prior to April 1, 2018, Wealthfront Advisers waived its investment advisory fees for the first \$10,000 of assets in any Wealthfront Advisers investment advisory account(s). However,



this benefit is no longer available for new Clients who opened their initial account on or after April 1, 2018.

### **Additional Fees for Optional Brokerage Services**

In addition to the advisory fees, Clients may also pay other fees or expenses to third parties, as well as to an affiliate of Wealthfront Advisers. The fees discussed in this section are detailed in the Brokerage Agreement and summarized in this section for the Client's convenience. Wealthfront Brokerage charges \$10 per outgoing wire transfers from a Wealthfront Cash Account. This charge is not collected until the Client has initiated the wire transfer. There are no charges for incoming wire transfers. Currently, outgoing wire transfers are not supported for Investment Accounts.

### **Other Product Fees**

The issuers of certain investments we purchase for Clients (such as ETFs, investment trusts, or other investments) may charge Clients separate product fees. Wealthfront Advisers does not charge these product fees to Clients, nor does it benefit directly or indirectly from any such fees. Product fees typically include embedded fund expenses that may reduce an investment fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Fund expenses may include management fees, custodian fees, brokerage commissions, and legal and accounting fees. Fund expenses may change from time to time at the sole discretion of the fund issuer. Wealthfront Advisers discloses current information for the investments we purchase for Clients, including product fees, on the Site. Investments in Wealthfront's Risk Parity Fund (the "Risk Parity Fund") are subject to such a product fee. The Risk Parity Fund is managed by Wealthfront Strategies LLC ("Wealthfront Strategies"), an SEC-registered investment adviser and an affiliate of Wealthfront Advisers. Additional information regarding the Risk Parity Fund and related fees and expenses can be found on the Site. In addition, Clients who use the PLOC offered by Wealthfront Brokerage to obtain a loan secured by the assets of their taxable Accounts will be charged interest on the outstanding balance.

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

The minimum amount required to open and maintain an Automated Investing Account, Automated Bond Portfolio, or an Automated Bond Ladder (i.e., "wrap accounts") with Wealthfront Advisers is \$500. Clients with a Stock Investing Account must maintain an active Wealthfront Cash Account.

As a result of the automation associated with offering its services online, Wealthfront Advisers makes it possible for retail investors, as well as retirement accounts and trusts, to access its service with much lower account minimums than normally available in the industry. Clients have access to their Accounts through the Site. Additional requirements for opening an Account with Wealthfront Advisers are described in Item 4 of Wealthfront Advisers' Form ADV Part 2A brochure.

At any time, a Client may terminate an Account, or make partial or full withdrawals from an Account (provided an Automated Investing Account, Automated Bond Portfolio, or , Automated

Bond Ladder balance does not fall below the account minimum of \$500) , update their investment profile, or customize our recommended portfolio allocation (including adding or removing specific ETFs or other investments from their designated allocation). These actions may initiate an adjustment in the Account's holdings. In such cases, unless otherwise directed by the Client, for example, in an Automated Investing Account, Wealthfront Advisers will sell the securities in the Account (or portion of the Account, in the case of a partial withdrawal or update) at market prices in a reasonable and timely manner. However, Wealthfront Advisers does not represent or guarantee that Wealthfront Advisers will respond to any such Client actions or requests immediately or in accordance with a set time schedule. See Item 16 of Wealthfront Advisers' Form ADV Part 2A brochure for a description of Wealthfront Advisers' discretionary investment authority, including the timing of Wealthfront Advisers' placement of Client trade orders.

Wealthfront Advisers is probably not the most appropriate service for someone who wants frequent feedback from an advisor. Investors evaluating Wealthfront Advisers' software-based investment advisory service should be aware that Wealthfront Advisers' relationship with Clients is likely to be different from the "traditional" investment advisory relationship in several aspects:

1. Wealthfront Advisers is a software-based investment adviser which means each Client must acknowledge their ability and willingness to conduct their relationship with Wealthfront Advisers on an electronic basis. Under the terms of the Advisory Client Agreement and the Brokerage Agreement, each Client agrees to receive all Account information and Account documents (including this Brochure and Wealthfront Advisers' Form ADV Part 2A brochure), and any updates or changes to same, through their her access to the Site and Wealthfront Advisers' electronic communications. Unless noted otherwise on the Site or within this Brochure, Wealthfront Advisers' investment advisory service, Wealthfront Brokerage's brokerage services, the signature for the Advisory Client Agreement and the Brokerage Agreement, and all documentation related to the advisory services are managed electronically. Wealthfront Advisers does make individual representatives available to discuss servicing matters with Clients.
2. To provide its investment advisory services and tailor its investment recommendations to each Client's specific needs, Wealthfront Advisers collects information from each Client, including specific information about their investing profile such as financial situation, investment experience, and investment objectives. Wealthfront Advisers maintains this information in strict confidence subject to its Privacy Policy, which is provided on the Site. Although Wealthfront Advisers contacts its Clients periodically as described further in Item 13 below, a Client must promptly notify Wealthfront Advisers of any change in their financial situation or investment objectives that might require a review or revision of their portfolio.
3. Clients with an Automated Investing Account can choose a portfolio Wealthfront Advisers recommends, which includes allocations to preselected ETFs. Clients can also customize our recommended portfolios for their IRA or taxable accounts by increasing or decreasing portfolio allocations to the ETFs or investments in our recommended portfolio or by choosing from a list of available ETFs or other investments and requesting specific allocations to each. At account opening or anytime thereafter, Wealthfront Advisers

allows Clients to update their settings to restrict Wealthfront Advisers from investing in the stock of public companies designated by the Client. The Risk Parity Fund may also be included in the plan for a taxable Automated Investing Account with a minimum account size of \$100,000 if the Client so chooses.

4. In a Stock Investing Account, Clients may request that Wealthfront Advisers undertake certain transactions, including the purchase and sale of securities.

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

### **A. Modern Portfolio Theory (“MPT”)**

For the Automated Investing Account, Wealthfront Advisers offers three types of recommended, diversified, automated portfolios to clients with an IRA or taxable account: Classic portfolios, Socially Responsible portfolios, and Direct Indexing portfolios. Classic portfolios include allocations to preselected ETFs designed to provide a tradeoff between risk and long-term, after-tax, net-of-fee return through a diversified set of global asset classes. Socially Responsible portfolios are designed to offer similar risk-adjusted returns as our Classic portfolios with a focus on socially responsible investing (“SRI”). Although SRI does not have a single, agreed-upon definition, it may be described as an investment strategy that evaluates companies based on their benefit and/or detriment to society, rather than profits or intrinsic value alone. This concept comes from an ethical framework called “social responsibility,” in which individuals and corporations have an obligation to cooperate with others to benefit greater society. Some investors may take up SRI strategies due to a long-term belief in its investment value, and others may decide to use this strategy purely due to ethics. Direct Indexing portfolios use our US Direct Indexing service to replace the ETF that represents the US public equities asset class with individual securities that comprise up to 1,000 US stocks with the largest market capitalizations as a way of generating additional tax savings. Direct Indexing portfolios are available in taxable accounts that have between \$100,000 and \$500,000. As noted, Clients with Direct Indexing portfolios may specify US stocks they choose to restrict but may not customize the portfolio allocations in those accounts.

The composition of Classic, Socially Responsible, and Direct Indexing portfolios is based on Modern Portfolio Theory (“MPT”). MPT attempts to maximize a portfolio’s expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by selecting the proportions of various asset classes rather than selecting individual securities. Historically, rigorous MPT-based financial advice has been available primarily through certain high-end financial advisors. Wealthfront Advisers’ goal is to enable anyone with at least \$500 to access the benefits of MPT.

Prior to the launch of the Wealthfront Advisers software-based investment advisory service, it was not practical to offer rigorous and complete MPT to everyone because delivering a complete solution was too complex. Specifically, the number of calculations required to identify an optimized asset allocation, the ideal securities to represent each asset class, and an individual’s true risk tolerance are beyond the scope of free, web-based tools. The job becomes even more difficult when considering the importance of periodically rebalancing a portfolio to maintain a desired risk level.

To employ MPT properly, one must start with an accurate determination of an individual's objective and subjective tolerance for risk. Achieving accuracy requires sophisticated software applied to more detailed questions than are typically asked by advisers. Based on this risk analysis, Wealthfront Advisers seeks to create an individualized investment plan using the optimal asset classes in which to invest, the most efficient and inexpensive ETFs to represent each of those asset classes, and the ideal mix of asset classes based on the Client's specific risk tolerance. Wealthfront Advisers uses Mean Variance Optimization to rigorously evaluate every possible combination of the following twelve asset classes: US equities, foreign developed markets equities, emerging markets equities, dividend growth equities, real estate, natural resources, treasury inflation protected securities (TIPS), municipal bonds, corporate bonds, emerging markets bonds, risk parity and US government bonds. Mean Variance Optimization uses the expected return and volatility for each asset class and the covariance among asset classes to find the combination that delivers the highest possible return for any given standard deviation of a portfolio's returns. Wealthfront Advisers however, must limit the number of assets classes for very small portfolios. Further, the risk parity asset class is only available in a customized taxable Automated Investing Account with a minimum account size of \$100,000.

Wealthfront Advisers periodically reviews the entire population of more than 1,000 ETFs to identify the most appropriate ETFs to represent each asset class in our portfolios. We look for ETFs that minimize cost and tracking error and offer market liquidity. Many investors do not realize that ETFs do not exactly track the indexes they were created to mimic. Choosing an ETF with a low expense ratio that does not track the asset class recommended by our service runs the risk of sub-optimizing a Client's portfolio's performance. We choose ETFs that are expected to have sufficient liquidity to allow Client withdrawals at any time. Finally, we select ETFs that have conservative and shareholder-friendly securities lending policies.

In addition to choosing what we believe to be the best ETFs at the time, we explain why we chose each one. We provide a detailed analysis of how the selected ETF stacked up against the second and third best choice for each asset class on the dimensions described in the paragraph above.

Wealthfront Advisers continuously monitors our Clients' portfolios and periodically rebalances them back to the Clients' target mix in an effort to optimize returns for the intended level of risk. Wealthfront Advisers considers tax implications and the volatility associated with each of the chosen asset classes when deciding when and how to rebalance, however no assurance can be made by Wealthfront Advisers that Clients will not incur capital gains, and in certain instances significant capital gains, when Client portfolios are rebalanced periodically. Wealthfront Advisers assumes no responsibility to its Clients for any tax consequences of any transaction, including any capital gains that may result from the rebalancing of an Automated Investing Account and Automated Bond Portfolio.

## **B. Long Term, Buy and Hold Investment Philosophy**

For Automated Investing Account, Wealthfront Advisers adheres to a long-term, "buy-and-hold" investment philosophy. While Wealthfront Advisers reserves the right to act otherwise if it feels that it is in the best interests of its Clients, Wealthfront Advisers does not try to time the market and in general, Wealthfront Advisers intentionally does not react to market movements in managing Client Accounts other than through rebalancing and tax-loss harvesting in a taxable

Automated Investing Account. Wealthfront Advisers believes that numerous academic and industry studies show that “short-term fluctuations in markets, which loom so large to investors, have little to do with the long-term accumulation of wealth.” J. Siegel, *Stocks for the Long Run* (1977).

### **C. Automated Bond Portfolio**

The Automated Bond Portfolio includes allocations to preselected bond ETFs that, based on a Client’s tax situation (income, state of residence, and tax filing status), are designed to maximize after-tax yields for Clients. As with Wealthfront’s other portfolios, Wealthfront Advisers selects optimal ETFs to achieve the portfolio’s strategy, and we explain in white papers on our website the analysis underlying our selections.

### **D. Automated Bond Ladder**

The Automated Bond Ladder is a portfolio that uses a laddering strategy designed to preserve capital and generate yield. Wealthfront Advisers seeks to achieve this by investing Client assets in “rungs” of Treasuries in equal weights and that mature on a monthly basis. This strategy is designed to produce relatively stable yield at a lower risk for Clients while also reducing exposure to interest rate fluctuations. Clients may utilize automatic reinvesting to maintain the Client’s selected ladder length on a rolling basis. Clients may also disable automatic reinvestment of interest or principal paid at maturity.. Additionally, Clients may set a target withdrawal date, and Wealthfront Advisers will only invest in Treasuries that mature prior to that date. When all Treasuries have matured, Wealthfront Advisers will transfer the proceeds to the Client’s Wealthfront Cash Account and close their Automated Bond Ladder Account. Perfectly equal rungs and/or maturities in every month of a particular ladder may not always be possible, depending on account size, market conditions, ladder length, and other factors. We provide further detail about our strategy in white papers on our website.

### **E. Tax-Loss Harvesting (“TLH”)**

TLH is a technique designed to help appropriately reduce a Client’s taxes while maintaining the expected risk and return profile of the Client’s portfolio. It harvests previously unrecognized investment losses to offset taxes due on your other gains and income by selling a security at loss to accelerate the realization of capital loss and investing the proceeds in a security with closely correlated risk and return characteristics. The realized loss can be applied to reduce the Client’s tax liability and the tax savings can be reinvested to grow the value of your portfolio. Wealthfront Advisers’ basic TLH strategy, which is only applied to ETFs, is available to Clients with a taxable Automated Investing Account. TLH is also available to Clients who customize our recommended portfolios as long as their allocations include eligible ETFs. Eligible ETFs are those for which we have identified an alternative ETF that tracks a different, but closely correlated index to maintain the risk and return characteristics of the Client’s portfolio. Advanced versions of TLH—such as Direct Indexing portfolios and Smart Beta—are available for Clients with larger account sizes and are generally applied to individual stocks that comprise the domestic equity allocation in their taxable account portfolios.

### **F. Customized Portfolios**

Wealthfront Advisers offers a wider selection of ETFs and other investments to Clients who choose to customize our Classic or Socially Responsible portfolios in their IRA or taxable account. These ETFs and other investments may represent additional asset classes beyond the ones used in our recommended portfolios, or narrower subsets of these asset classes, allowing a more precise expression of Client investment preferences. We select these additional investments based on their overall level of risk, liquidity, tracking error to underlying indices (where applicable), cost of ownership, and popularity.

## **G. Risk Considerations**

Wealthfront Advisers cannot guarantee any level of performance or that any Client will avoid a loss of Account assets. Also, to the extent that Client requests investments other than as recommended by Wealthfront Advisers, Client understands and agrees that such investments may be inconsistent with the Client's investment profile. If Client has not provided sufficient, timely, or accurate information to Wealthfront Advisers, or if Client chooses not to follow Wealthfront Advisers' recommendations and advice, Client's investments may not achieve results consistent with Client's investment profile. **Any investment in securities involves the possibility of financial loss that Clients should be prepared to bear.**

When evaluating risk, financial loss may be viewed differently by each Client and may depend on many different risk items, each of which may affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective Client before retaining Wealthfront Advisers' services. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a Client if there is in fact an occurrence.

**Market Risk** – The price of any security or the value of an entire asset class can decline for a variety of reasons outside of Wealthfront Advisers' control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. If a Client has a high allocation in a particular asset class, it may negatively affect overall performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause that Client Account to underperform relative to the overall market.

**Advisory Risk** – There is no guarantee that Wealthfront Advisers' judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results. It is possible that Clients or Wealthfront Advisers itself may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to Wealthfront Advisers' software-based investment advisory service. Wealthfront Advisers and its representatives are not responsible to any Client for losses unless caused by Wealthfront Advisers' breach of its fiduciary duty.

**Software Risk** – Wealthfront Advisers delivers its investment advisory services entirely through software. Consequently, Wealthfront Advisers rigorously designs, develops and tests its software extensively before putting such software into production with actual Client Accounts and assets

and periodically monitors the behaviors of such software after its deployment. Notwithstanding this rigorous design, development, testing and monitoring, it is possible that such software may not always perform exactly as intended or as disclosed on the Site, mobile app, blogs or other Wealthfront Advisers disclosure documents, especially in certain combinations of unusual circumstances. For example, there may be occasions where a number of Client Accounts may not experience TLH (even if TLH had been activated for such accounts) or rebalancing back to the Client's target asset allocation for extended periods of time, due to certain errors in the deployment of the software. Wealthfront Advisers continuously strives to monitor, detect and correct any software that does not perform as expected or as disclosed.

**Volatility and Correlation Risk** – Wealthfront Advisers' Security selection process is based in part on a careful evaluation of past price performance and volatility to evaluate future probabilities. 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 high volatility. **Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.**

**Liquidity and Valuation Risk** – High volatility and/or the lack of deep and active liquid markets for a security may prevent a Client from selling their securities at all, or at an advantageous time or price because Wealthfront Advisers' executing broker-dealer may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Some securities (including ETFs) that hold or trade financial instruments may be adversely affected by liquidity issues as they manage their portfolios. While Wealthfront Advisers values the securities held in Client Accounts based on reasonably available exchange traded security data, Wealthfront Advisers may from time to time receive or use inaccurate data, which could adversely affect security valuations, transaction size for purchases or sales, and/or the resulting advisory fees paid by a Client to Wealthfront Advisers.

**Credit Risk** – Wealthfront Advisers cannot control, and Clients are exposed to the risk that, financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management. This risk applies to assets on deposit with any broker-dealer, notwithstanding asset segregation and insurance requirements that are beneficial to broker-dealer clients generally. In addition, exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of Client securities. Finally, any issuer of securities may experience a credit event that could impair or erase the value of the issuer's securities held by a Client. Wealthfront Advisers seeks to limit credit risk by generally adhering to the purchase of ETFs, which are subject to regulatory limits on asset segregation and leverage such that fund shareholders are given liquidation priority versus the fund issuer; however, certain funds and products, which Wealthfront Advisers generally does not invest in, may involve higher issuer credit risk because they are not structured as a registered fund.

**Legislative and Tax Risk** - Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser / financial advisor 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

tax code that could affect interest income, income characterization and/or tax reporting obligations (particularly for ETF securities dealing in natural resources). Wealthfront Advisers does not engage in tax planning, and in certain circumstances a Client may incur taxable income on their investments without a cash distribution to pay the tax due.

**Tax-Loss Harvesting Risk** - Clients who activate our tax-loss harvesting service are alerted to the following risks:

- **Clients should confer with their personal tax advisor regarding the tax consequences of investing with Wealthfront Advisers and engaging in the tax-loss harvesting strategy, based on their particular circumstances.** Clients and their personal tax advisors are responsible for how the transactions in the Client's account are reported to the Internal Revenue Service ("IRS") or any other taxing authority. Wealthfront Advisers assumes no responsibility to you for the tax consequences of any transaction, including any capital gains and/or wash sales that may result from the tax-loss harvesting strategy.
- Wealthfront Advisers' tax-loss harvesting strategy is not intended as tax advice, and Wealthfront Advisers does not represent in any manner that the tax consequences described will be obtained or that Wealthfront Advisers' investment strategy will result in any particular tax consequence. The tax consequences of this strategy and other Wealthfront Advisers strategies are complex and may be subject to challenge by the IRS. This strategy was not developed to be used by, and it cannot be used by, any investor to avoid penalties or interest.
- When Wealthfront Advisers replaces investments with "similar" investments as part of the tax-loss harvesting strategy, it is a reference to investments that are expected, but are not guaranteed, to perform similarly and that might reduce a Client's tax bill while maintaining a similar expected risk and return on the Client's portfolio. **Expected returns and risk characteristics are no guarantee of actual performance.**
- A Client must notify Wealthfront Advisers of specific stocks in which the Client is prohibited from investing. If a Client instructs Wealthfront Advisers not to purchase certain stocks, Wealthfront Advisers will select an alternate stock to purchase on the Client's behalf or if Wealthfront Advisers deems no other stock as appropriate, not invest in an alternate stock. The Client shall notify Wealthfront Advisers immediately if you consider any investments recommended or made for the Account to violate such restrictions.
- The performance of the new securities purchased through the tax-loss harvesting service may be better or worse than the performance of the securities that are sold for tax-loss harvesting purposes.
- The effectiveness of the tax-loss harvesting strategy to reduce the tax liability of the Client will depend on the Client's entire tax and investment profile, including purchases and dispositions in a Client's (or Client's spouse's) accounts outside of Wealthfront Advisers and type of investments (e.g., taxable or nontaxable) or holding period (e.g., short-term or long-term). Clients who customize our recommended portfolios may also influence the effectiveness of the tax-loss harvesting strategy. For example, Clients who



allocate significant portions of their portfolio to ETFs that are not currently supported for tax-loss harvesting may decrease the effectiveness of this service by reducing the number and/or amount of ETFs available for the strategy. The utilization of losses harvested through the strategy will depend upon the recognition of capital gains in the same or a future tax period, and in addition may be subject to limitations under applicable tax laws, e.g., if there are insufficient realized gains in the tax period, the use of harvested losses is limited to a \$3,000 deduction against ordinary income and distributions. Losses harvested through the strategy that are not utilized in the tax period when recognized (e.g., because of insufficient capital gains and/or significant capital loss carryforwards), generally may be carried forward to offset future capital gains, if any.

- Be aware that if the Client and/or the Client's spouse have other taxable or non-taxable investment accounts, and the Client holds in those accounts any of the securities (including options contracts) held in the Client's account at Wealthfront Advisers, the Client cannot trade any of those securities 30 days before or after Wealthfront Advisers trades those same securities as part of the tax-loss harvesting strategy to avoid possible wash sales and, as a result, a nullification of any tax benefits of the strategy. For more information on the wash sale rule, please read [IRS Publication 550](#).
- Wealthfront Advisers' tax-loss harvesting service is designed to avoid creating "wash sales" in Clients' accounts with Wealthfront Advisers. Clients, however, are responsible for monitoring their accounts outside of Wealthfront Advisers to ensure that transactions in the same security or a substantially identical security do not create a wash sale. A wash sale occurs when a taxpayer sells a security at a loss and then purchases the same security or a substantially similar security over a period of 61 days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. If a wash sale occurs, the IRS may not allow or defer the loss for current tax reporting purposes. Wash sales can occur even if the securities are sold and then bought in different accounts. Therefore Wealthfront Advisers may lack visibility to certain wash sales, should they occur as a result of transactions in external or unlinked accounts. Under those circumstances, Wealthfront Advisers may not be able to provide notice of such wash sale in advance of the Client's receipt of the IRS Form 1099. Further, if a Client opens multiple Accounts using different login information (for example, the Client uses different email addresses across multiple Accounts), Wealthfront Advisers may not be able to prevent wash sales between those Accounts.
- Except as set forth below, Wealthfront Advisers will monitor only a Client's accounts at Wealthfront Advisers to determine if there are unrealized losses for purposes of determining whether to harvest such losses. Transactions outside of accounts at Wealthfront Advisers may affect whether a loss is successfully harvested and, if so, whether that loss is usable by the Client in the most efficient manner.
- Under certain circumstances, there is a chance that Wealthfront Advisers trading attributed to tax-loss harvesting may create capital gains and/or wash sales. In addition, tax-loss harvesting strategies may produce losses, which may not be offset by sufficient gains in the account.
- From time to time, in order to mitigate wash sales risk, a Client's IRA Account might

invest in a so-called “secondary” ETF (as identified in Wealthfront Advisers’ TLH white paper) rather than a so-called “primary” ETF identified in such white paper or in the Client’s plan.

- Not all the losses may be used to offset gains in the year they were recognized due to wash sales. Thus, wash sales can diminish the effectiveness of tax-loss harvesting by deferring to a future year a tax loss that could have been used to offset income or capital gains in the current year.

**Potentially High Levels of Trading Risk** - Certain situations, such as the simultaneous receipt of a high volume of Client deposits or withdrawal requests, can lead Wealthfront Advisers to engage in high levels of trading. High levels of trading could result in (a) bid--ask spread expense; (b) trade executions that may occur at prices beyond the bid--ask spread (if quantity demanded exceeds quantity available at the bid or ask); (c) trading that may adversely move prices, such that subsequent transactions occur at worse prices; (d) trading that may disqualify some dividends from qualified dividend treatment; unfulfilled orders or portfolio drift, in the event that markets are disorderly or trading halts altogether; and (f) unforeseen trading errors.

**Foreign Investing and Emerging Markets Risk** - Foreign investing involves risks not typically associated with US investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the US, such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than US accounting practices and foreign regulation may be inadequate or irregular.

**ETF Risks, including Net Asset Valuations and Tracking Error** - ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients should be aware that to the extent they invest in ETF securities they will pay two levels of advisory compensation – advisory fees charged by Wealthfront Advisers plus any management fees charged by the issuer of the ETF. This scenario may cause a higher advisory cost (and potentially lower investment returns) than if a Client purchased the ETF directly.

An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of the fund may include ETF management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. Wealthfront Advisers discloses each ETF's current information, including expenses, on the Site. ETF tracking error and expenses may vary.

**Socially Responsible Investing Risk** - Clients who select Wealthfront Advisers' Socially Responsible portfolio or who customize their portfolio to include SRI investments may choose such investments based on their benefit and/or detriment to society, rather than profits or intrinsic value alone. This may result in lower returns for the Client compared to a Classic portfolio or Direct Indexing. This may also reduce a Client Account's exposure to certain sectors or types of investments, which could negatively impact the Client Account's performance. Additionally, a Client may disagree with the SRI classification of an issuer by our data provider. SRI norms differ by region, and an issuer's practices may change over time. Accordingly, if an investment no longer meets the criteria for SRI, Wealthfront Advisers may be required to sell the investment at a disadvantageous price or time.

**Exposure to Digital Assets through Statutory Trusts** - Wealthfront Advisers offers long-term exposure to digital assets through investments in certain statutory trusts. The term digital asset refers to an asset that is issued and/or transferred using distributed ledger or blockchain technology, including, but not limited to, so-called "virtual currencies," "coins," and "tokens." Although Wealthfront Advisers does not offer direct investment in digital assets, Clients opting to customize their portfolios may include an allocation of up to 10% of their total portfolio value to statutory trusts that hold digital assets ("Digital Assets Trusts").

Unlike ETFs, Digital Assets Trusts may lack efficient creation and redemption mechanisms. As a result, the price of Digital Assets Trusts can differ significantly from the value of the underlying digital assets. Further, because of the nature of underlying digital assets and their markets, investments in Digital Assets Trusts (and cryptocurrencies themselves) may be significantly more volatile than most securities-based ETFs, and are not suitable for all investors. Digital Assets Trusts may be significantly riskier than investments in more traditional assets like stocks, bonds, mutual funds, or ETFs. The price history of a Digital Assets Trusts may not be reflective of its future price potential, and digital asset investors should be able to withstand significant if not complete loss of invested capital.

**Inflation, Currency, and Interest Rate Risks** - Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. In addition, the relative value of the US dollar-denominated assets primarily managed by Wealthfront Advisers may be affected by the risk that currency devaluations affect Client purchasing power.

Risks Relating to Investment in a Concentrated Number of Securities or to Investment in Only

One Industry Sector (or in Only a Few Sectors) - When strategies invest in a concentrated number of securities, a decline in the value of these securities would cause your overall account value to decline to a greater degree than that of a less concentrated portfolio. Strategies that invest a large percentage of assets in only one industry sector (or in only a few sectors) are more vulnerable to price fluctuation than strategies that diversify among a broad range of sectors.

**Automated Bond Ladder Risks** - A bond ladder, depending on the length and amount of securities within the ladder, may not ensure adequate diversification of your investment portfolio. Compared to other fixed income strategies, a bond ladder strategy may potentially result in future reinvestment at lower interest rates, which may require higher minimum investments to maintain cost-effectiveness.

Investment value will fluctuate, and Treasuries, if sold before maturity, may be worth more or less than original cost. Fixed income securities are subject to various other risks including changes in interest rates and credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors.

Although Treasuries in Automated Bond Ladders are backed by the full faith and credit of the United States, circumstances could arise that could prevent the timely payment of interest or principal, such as reaching a legislative “debt ceiling.” Such non-payment may result in payment delays or losses to the Client. Certain Treasuries can be less liquid than other investments.

**Partial or Fractional Shares** - Wealthfront does not currently support ownership of partial or fractional shares for the Automated Investing Account. Without fractional shares, it may be more difficult to achieve a diversified portfolio because the price of a single share of a given security may be high and may deplete the budget available to build a diversified portfolio. At the same time, without fractional shares, Clients may hold more cash than may be advisable because of the high price of buying a whole share of a given security.

**College Savings Account Risks** - 529 Accounts are subject to various risks, including but not limited to:

*Special Nature of Plan Interests* - The Client and the Client’s beneficiary do not have access or rights to any assets of the state sponsoring our 529 Plan or any assets of the state trust of the Section 529 college savings plan (a “Plan”) other than the assets credited to the Client’s account for that beneficiary. The 529 Account is an investment vehicle. 529 Accounts are subject to certain risks including: (i) the possibility that the Client may lose money over short or even long periods of time; (ii) the risk of changes in applicable federal and state tax laws and regulations; (iii) the risk of Plan changes including changes in fees and expenses; and (iv) the risk that contributions to the 529 Account may adversely affect the eligibility of the beneficiary or the Client for financial aid or other benefits. Some MFSs in a Client’s 529 Account carry more and/or different risks than others. Clients should weigh such risks with the understanding that they could arise at any time during the life of the Client’s account.

*Municipal Fund Securities* - When the Client contributes to the 529 Account, the Client’s money will be invested in MFSs. An investment in the Client’s 529 Account is not a bank deposit. None of the Client’s account, the principal the Client invests, nor any investment

return is insured or guaranteed by (i) any state or any state agencies, instrumentalities or funds, (ii) any officer, official, staff member of any state, (iii) any Plan or any program manager of any such Plan, (iv) any board of any state trust issuing MFSs for a Plan (a “Board”), (v) any such state trust (as “State Trust”), (vi) Wealthfront Advisers, (vii) each of their respective affiliates, officials, officers, directors, employees and representatives, (viii) the federal government, (ix) the Federal Deposit Insurance Corporation (“FDIC”), or (x) any other governmental agency. Investment returns will vary depending upon the performance of the designated portfolios in the Client’s account. A Client could lose all or a portion of the Client’s investment.

*Relatively Short Investment Time Horizon* - Relative to investing for retirement, the holding period for college savings investors is very short (e.g., 10 years versus 60 years). Also, the need for liquidity during the withdrawal phase (to pay for qualified higher education expenses) generally is very important. Clients should strongly consider the level of risk they wish to assume when completing the risk questionnaire upon account opening.

*Limited Investment Direction* - Clients may not direct the underlying investments in their 529 Account. The ongoing money management is the responsibility of Wealthfront Advisers. The only manner in which Clients can affect the money management is to change their risk score, which is limited to two times per year, or upon the change of the beneficiary. Once the permitted two per calendar year risk score changes are made in the Client’s account, a subsequent risk score change in the Client’s account within the same calendar year will not be processed. The choice of the underlying investments of the MFSs is subject to the approval of the Board. Automatic investment exchanges that occur as the Client’s assets move through the glide path do not count towards the Client’s twice per calendar year investment exchange limit.

*Liquidity Risk* - Investments in a Plan are considered less liquid than other types of investments (e.g., investments in mutual fund shares) because the circumstances in which a Client may withdraw money from a Plan account without a penalty or adverse tax consequences are significantly more limited.

*Potential Changes to the Plan* – Boards generally reserve the right, in their sole discretion, to discontinue the Plan or to change any aspect of the Plan. For example, the Board may change the Plan’s fees and expenses; add, subtract, or merge the MFSs; close a MFS to new investors; or change the program manager or the underlying investment(s) of a MFS. Depending on the nature of the change, a Client may be required to, or prohibited from, participating in the change with respect to accounts established before the change. A particular program manager may not necessarily continue as the Plan’s program manager, and Wealthfront Advisers may not necessarily continue as investment adviser and distributor to a Plan (although Wealthfront Advisers will continue as the Client’s investment adviser until either Wealthfront Advisers or the Client terminates that investment advisory relationship).

Changes to a Plan may or may not be beneficial to Clients. The Board may terminate the Plan by giving written notice to the Client, but even if the Board terminates the Plan, the Client and the Client’s beneficiary’s rights to the Client’s account assets will be

unaffected. An MFS may be temporarily uninvested during a transition from one investment underlying an MFS to another underlying investment. The transaction costs associated with any liquidation, as well as any market impact on the value of the securities being liquidated, will be borne by the MFS which ultimately may impact the individual portfolios holding that MFS.

*Status of Federal and State Law and Regulations Governing a Plan* - Federal and state law and regulations governing the administration of Plans could change in the future. In addition, federal and state laws on related matters, such as the funding of higher education expenses, treatment of financial aid, and tax matters are subject to frequent change. It is unknown what effect these kinds of changes could have on a 529 Account. Clients should also consider the potential impact of any other state laws on their account. Clients should consult their tax advisor for more information.

*Eligibility for Financial Aid* - The treatment of 529 Account assets may have an adverse effect on the beneficiary's eligibility to receive assistance under various federal, state, and institutional financial aid programs.

*No Guarantee That Investments Will Cover Qualified Higher Education Expenses; Inflation and Qualified Higher Education Expenses* - There is no guarantee that the money in a Client's 529 Account will be sufficient to cover all of a beneficiary's qualified higher education expenses, even if contributions are made in the maximum allowable amount for the beneficiary. The future rate of increase in qualified higher education expenses is uncertain and could exceed the rate of investment return earned by a Plan account over any relevant period of time.

Investors in any Plan should read the Plan's offering documents and any related participation agreement carefully before investing or sending money. For more information on risks related to 529 Accounts, see the "Plan Risks" section of the Wealthfront 529 College Savings Plan Description and Participation Agreement.

**Portfolio Line of Credit** - Qualified clients who choose to use Wealthfront Brokerage's PLOC are alerted to the following risks:

- PLOC is a margin loan product offered by Wealthfront Brokerage exclusively to Clients of Wealthfront Advisers with a fully discretionary, taxable account by Wealthfront Advisers and who meet other minimum account thresholds. Clients should review the risks listed below and in Wealthfront Brokerage's Margin Handbook, and consider them before borrowing. For the purposes of this document, Client Accounts utilizing the PLOC may be referred to as "margin accounts."
- Clients who utilize margin loans can lose more funds than deposited in their margin accounts. In addition, a decline in the value of the securities in margin accounts may require such Clients to provide Wealthfront Brokerage with additional funds to avoid the forced sale of securities or other securities or assets in their margin accounts. This is called a "margin call."
- Wealthfront Brokerage can issue a margin call and force the sale of securities in Client

margin accounts if the equity in a Client margin account falls below the minimum requirement described in our [Margin Handbook](#). Wealthfront Brokerage can sell the securities in any of the Client's margin accounts held with Wealthfront Brokerage to cover the margin deficiency. Clients also will be responsible for any shortfall in the margin account after such a sale.

- Wealthfront Brokerage notifies Clients whose portfolio balances approach our minimum margin requirement well before a margin call is likely to happen even though such notice is not strictly required. Unless such Clients pay back their loan or a portion of it, Wealthfront Brokerage can sell Client securities in margin accounts without further contacting the Client if the margin account falls below our minimum margin requirement. Even if Wealthfront Brokerage has contacted a Client and provided a specific date by which the Client can meet a margin call, Wealthfront Brokerage can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the Client.
- In the event it is necessary to sell securities to meet minimum margin requirements, Wealthfront Advisers will automatically liquidate securities to cover the minimum margin requirements while also maintaining appropriate asset allocations in the Client's portfolio. Clients are not entitled to choose which securities in their account(s) are liquidated or sold to meet a margin call.
- Wealthfront Brokerage can increase its minimum margin requirements at any time and is not required to provide advance written notice to Clients. These changes in Wealthfront Brokerage's policy often take effect immediately and may result in the issuance of a maintenance margin call. A Client failure to satisfy the call will cause Wealthfront Brokerage to liquidate or sell securities in Client margin accounts.
- Clients are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to a Client under certain conditions, a Client does not have a right to the extension.

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

On a periodic basis, Wealthfront Advisers contacts each Client to remind them to review and update the investment profile information they previously provided. Wealthfront Advisers also requests that Clients reconfirm the same information on an annual basis. These notifications and confirmations include a link to the Client's current information and contact information for the Wealthfront Advisers support team. Currently the Wealthfront Advisers team members whose tasks include supervising, arranging and responding to these notifications, confirmations and reviews are: the Client Services Manager and the Client Services team.

Wealthfront Advisers conducts separate reviews related to the ETFs and other investments used for Client portfolios. Wealthfront Advisers' Investment Committee, a committee of certain Wealthfront Advisers officers who are not members of the Wealthfront Advisers investment research team, approves these reviews. The committee has the authority, if necessary, to remove, add or replace an ETF or other investments from the portfolios advised by Wealthfront Advisers.

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

All client contacts and communications regarding participation in the Wealthfront Advisers Program will occur through contact with Wealthfront Advisers via email, the Site or the App. If Client changes Client's investment profile information, Wealthfront Advisers will promptly make any appropriate changes to Client's Account portfolio. See Item 16 in Wealthfront Advisers' Form ADV Part 2A brochure for a description of Wealthfront Advisers' discretionary investment authority, including the timing of Wealthfront Advisers' placement of trade orders, for while Wealthfront Advisers seeks to respond to Client deposits, Client changes in risk profiles, Client withdrawal requests, including without limitation requests in connection with terminations, and other reasonable Client requests in a timely and reasonable manner, Wealthfront Advisers does not represent or guarantee that Wealthfront Advisers will respond to any such Client actions or requests immediately or in accordance with a set time schedule.

## **Item 9 Additional Information**

### **A. Disciplinary Information**

On December 21, 2018, Wealthfront Advisers reached a settlement with the Securities and Exchange Commission. The settlement order found that Wealthfront Advisers improperly retweeted certain clients' positive tweets from its corporate account and compensated certain bloggers for client referrals without proper disclosures. Additionally, the settlement order found that Wealthfront Advisers did not have proper disclosures in its TLH white paper concerning monitoring for any and all wash sales that could occur in client accounts. A wash sale prevents the tax benefit of having sold the asset to realize a loss. Thus, a wash sale can diminish the effectiveness of TLH by deferring to a future year a tax loss that could have been used to offset income or capital gains in the current year. In Wealthfront's TLH program, wash sales could occur, or were permitted, in certain circumstances relating to the management of a client account such as rebalancing a client portfolio or client directed transactions. The SEC order noted that a significant percentage of client accounts enrolled in Wealthfront Advisers' TLH strategy experienced wash sales in the period from October 2012 to May 2016 and that wash sales represented approximately 2.3% of tax losses harvested for clients in the period from January 2014 to December 2016.

The settlement order found that Wealthfront Advisers violated the antifraud, advertising, compliance, and other provisions of the Investment Advisers Act of 1940. Without admitting or denying the SEC's findings, Wealthfront Advisers consented to the entry of the SEC's order censuring it, requiring it to cease and desist from further violations, and imposing a \$250,000 penalty.

### **B. Other Financial Industry Activities and Affiliations**

Wealthfront Advisers uses its affiliate, Wealthfront Brokerage, to effect transactions on behalf of Wealthfront Advisers' Clients for non-529 Accounts. Wealthfront Brokerage is both a carrying and introducing broker registered with the FINRA and the SEC, whose sole purpose is to service Wealthfront Advisers' Clients and carry non-529 Accounts that Wealthfront Advisers manages pursuant to fully discretionary and limited discretionary authority granted to Wealthfront



Advisers by its Clients. For Accounts other than 529 Accounts, Wealthfront Brokerage, as a broker-dealer, has entered into an omnibus clearing agreement with RBC Clearing & Custody (“RBC,” or “Clearing Broker”). Wealthfront Brokerage instructs the Clearing Broker on behalf of Wealthfront Advisers to clear and settle Wealthfront Advisers Client transactions on an omnibus basis for Client securities orders that Wealthfront Brokerage currently places with either Citadel LLC, Virtu Financial, GTS Securities LLC, RBC, or Tradeweb LLC (the “Approved Brokers”). The Clearing Broker also has omnibus custody of Client cash balances and securities positions. 529 Accounts are carried by Ascensus College Savings Recordkeeping Services, LLC (“Ascensus”), which has a custodial arrangement with the Bank of New York Mellon Corporation.

Wealthfront Brokerage also exclusively offers its PLOC to eligible Wealthfront Advisers’ Clients who meet certain minimum account thresholds.

For the taxable Automated Investing Account with a minimum account size of \$100,000, Wealthfront Advisers also offers the opportunity to include an allocation to the Risk Parity Fund, a proprietary mutual fund managed by Wealthfront Strategies. Client allocations to the Risk Parity Fund are subject to an annual 0.25% fee charged by Wealthfront Strategies. This fee is in addition to the advisory fee Clients pay to Wealthfront Advisers for managing their portfolio. Offering a proprietary mutual fund to our Clients may create a conflict of interest because assets invested in the Risk Parity Fund are subject to higher fees, creating an incentive for Wealthfront Advisers to allocate more capital to the Risk Parity Fund. We address this conflict by no longer offering the Risk Parity Fund as part of our recommended portfolios. Instead, Clients opening new accounts may only add the Wealthfront Risk Parity Fund to their portfolios through our customization capability. For Clients who previously opted into the Wealthfront Risk Parity Fund in a recommended portfolios, we address this conflict by limiting such Clients’ allocation to the Risk Parity Fund to 20% of their portfolio. In addition, Clients who have chosen a Risk Parity Fund allocation may sell such allocation at any time. As a proprietary fund, the Risk Parity Fund may not be transferred away from Wealthfront to another institution unless certain conditions are met.

### **C. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Wealthfront Advisers’ paramount ethical, professional, and legal duty is to act at all times as a fiduciary to its Clients. This means that Wealthfront Advisers puts the interests of its Clients ahead of its own, and carefully manages for any perceived or actual conflict of interest that may arise in relation to its advisory services. Wealthfront Advisers has adopted a Code of Ethics, which is designed to ensure that we meet our fiduciary obligation to Clients, enhance our culture of compliance within the firm, and detect and prevent any violations of securities laws.

Wealthfront Advisers’ Code of Ethics (the “Code”) establishes standards of conduct for all Wealthfront Advisers’ employees, including all officers, directors, employees, certain contractors and others (“Access Persons”), and is consistent with the code of ethics requirements of Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code includes general requirements that all Access Persons comply with their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest, and confidentiality of client information.

Each new Wealthfront Advisers' Access Person receives a copy of the Code after obtaining access to company systems. Wealthfront Advisers sends copies of any amendments to the Code to all Access Persons, who must acknowledge in writing having received the Code and the amendments. Annually or as otherwise required, each Access Person must confirm to Wealthfront Advisers that they have complied with the Code during such preceding period.

Wealthfront Advisers' Access Persons may personally invest in securities recommended by Wealthfront Advisers, specifically the ETFs or other investments recommended for each asset class and individual large and mid-capitalization stocks recommended for advanced forms of TLH. Wealthfront Advisers' Access Persons may also buy or sell specific securities for their own accounts that are not purchased or sold ahead of Clients. Wealthfront Advisers monitors the securities transactions of all Access Persons to determine whether there have been any improper use of client trading information by Access Persons. It also requires all Access Persons to report any violations of the Code promptly to Wealthfront Advisers' Chief Compliance Officer. The complete Code of Ethics is available to any client or prospective Client upon request.

#### **D. Review of Accounts**

Wealthfront Advisers provides all Clients with continuous access via the App and/or the Site where Clients can access their Account documents, such as account statements, and review their time-weighted and money-weighted returns. Clients also receive periodic e-mail communications describing portfolio performance, Account information, and product features.

Wealthfront Advisers software-based investment advisory service assumes a Client's Automated Investing Account will not stay optimized over time and must be periodically rebalanced back to its target allocation. Wealthfront Advisers' software continuously monitors and periodically rebalances each Client's portfolio that is fully-discretionary. Wealthfront Advisers also conducts reviews when Clients make changes to their risk profiles. Wealthfront Advisers considers tax implications and the volatility associated with each of the chosen asset classes when deciding when and how to rebalance, however no assurance can be made by Wealthfront Advisers that Clients will not incur capital gains, and in certain instances significant capital gains, when Client portfolios are rebalanced periodically. Wealthfront Advisers assumes no responsibility to its Clients for any tax consequences of any transaction, including any capital gains that may result from the rebalancing of Client Accounts.

On a periodic basis, Wealthfront Advisers contacts each Client to remind them to review and update personal profile information they previously provided. Wealthfront Advisers also requests that Clients reconfirm the same information on an annual basis. These notifications and confirmations include a link to the Client's current information and contact information for the Wealthfront Advisers support team. Currently the Wealthfront Advisers team members whose tasks include supervising, arranging and responding to these notifications, confirmations and reviews are the Product Support team.

Wealthfront Advisers' Investment Committee (the "Committee"), a committee of certain Wealthfront Advisers officers who are not members of Wealthfront Advisers' investment research team, conducts and approves separate reviews related to the securities used for Client portfolios. The Committee has the authority, if necessary, to remove, add, or replace securities or

other investments from portfolios held at Wealthfront Advisers.

#### **E. Client Referrals and Other Compensation**

Wealthfront Advisers expects from time to time to run promotional campaigns to measure interest and to attract Clients to open Accounts on the Site. These promotions may include, but are not limited to, referral programs pursuant to which Clients, or third parties, invite non-Clients to open an account with Wealthfront Advisers. These promotions may also include additional Account services or products offered on a limited basis to select Clients, different fee arrangement structures, which could include more favorable fee arrangements, a higher interest rate, cash compensation, reduced or waived advisory fees for Clients, and/or periodic, flat fees for certain advisory or account services.

These arrangements may create an incentive for a third party or other existing Client to refer prospective Clients to Wealthfront Advisers, even if the third party would otherwise not make the referral. These arrangements may also create a conflict of interest for a Client to maintain a certain level of assets managed through Wealthfront Advisers if doing so would result in eligibility to receive an incentive, bonus, or additional compensation.

Wealthfront Advisers compensates third parties to create and share advertising materials regardless of whether an individual funds an Account. Additionally, in certain instances, Wealthfront Brokerage provides Wealthfront Advisers' Clients compensation as a promotional offer to open accounts at Wealthfront Brokerage.

#### **F. Financial Information**

Wealthfront Advisers does not require or solicit the prepayment of any advisory fees and does not have any adverse financial condition that is reasonably likely to impair our ability to continuously meet our contractual commitments to our Clients.