



2950 SW McClure Rd, Suite B  
Topeka, Kansas 66614  
(866) 363-9595

**Form ADV Part 2A  
Firm Brochure**

Date of Brochure: April 14, 2016

---

This brochure provides information about the qualifications and business practices of AE Wealth Management, LLC (also referred to as we, us and AE Wealth Management throughout this brochure) for a prospective and/or existing client who will be or is currently working with an individual who is registered as an investment adviser representative of AE Wealth Management. If you have any questions about the contents of this brochure, please contact Caleb Crook by telephone at (866) 363-9595 or by email at [caleb.crook@ae-wm.com](mailto:caleb.crook@ae-wm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AE Wealth Management is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for AE Wealth Management, LLC or our firm's CRD number 282580.

**\*Registration as an investment adviser does not imply a certain level of skill or training.**

## **Item 2 – Material Changes**

This section discusses material changes that have been made to this Brochure. The original Brochure was filed on February 17, 2016, and this amendment dated April 14, 2016 is the first update. At this time, we have updated the Brochure to apply to both services provided by investment adviser representatives directly affiliated with AE Wealth Management and services provided in conjunction with Independent Investment Advisers that have contracted with AE Wealth Management to provide asset management services to clients. The original Brochure only applied to services provided by investment adviser representatives directly affiliated with AE Wealth Management.

### Item 3 – Table of Contents

<b>Item 1 – Cover Page</b>	1
<b>Item 2 – Material Changes</b>	2
<b>Item 3 – Table of Contents</b>	3
<b>Item 4 – Advisory Business</b>	4
General Description of Our Firm	4
Description of Advisory Services	4
Tailor Advisory Services to Individual Needs of Clients	6
Participation in Wrap Fee Programs	6
Client Assets Managed by AE Wealth Management	7
<b>Item 5 – Fees and Compensation</b>	7
Direct Asset Management Services	7
Financial Planning & Consulting Services	8
Sawtooth Solutions Managed Account Program	10
Newsletters	11
Seminars and Workshops	11
Compensation for Sale of Securities	11
<b>Item 6 – Performance-Based Fees and Side-By-Side Management</b>	12
<b>Item 7 – Types of Clients</b>	12
Minimum Investment Amounts Required	12
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss</b>	12
Methods of Analysis	12
Investment Strategies	14
Model Manager Selection	14
Types of Securities Offered	15
Risk of Loss	15
<b>Item 9 – Disciplinary Information</b>	16
<b>Item 10 – Other Financial Industry Activities and Affiliations</b>	16
Insurance Marketing Organization & Insurance Agents	16
Independent Investment Advisers	17
Registered Representative of a Broker-Dealer	17
<b>Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading</b>	18
Code of Ethics Summary	18
Affiliate and Employee Personal Securities Transactions Disclosure	18
<b>Item 12 – Brokerage Practices</b>	18
Brokerage Recommendations	19
Directed Brokerage	21
Soft Dollar Benefits	21
Block Trading Policy	21
<b>Item 13 – Review of Accounts</b>	22
Account Reviews and Reviewers	22
Statements and Reports	22
<b>Item 14 – Client Referrals and Other Compensation</b>	22
<b>Item 15 – Custody</b>	22
<b>Item 16 – Investment Discretion</b>	23
<b>Item 17 – Voting Client Securities</b>	24
Proxy Voting	24
<b>Item 18 – Financial Information</b>	24

## Item 4 – Advisory Business

### **General Description of Our Firm**

AE Wealth Management is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Kansas. AE Wealth Management filed its initial application to become registered as an investment adviser on February 17, 2016.

AE Wealth Management is owned by DDC Holdings, LLC. The following individuals are the primary owners of DDC Holdings LLC: David James Callanan; Derek Thompson; and Cody Foster.

### **Description of Advisory Services**

The investment advisory services of AE Wealth Management described in this disclosure brochure are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of AE Wealth Management or by an investment adviser representative of an Independent Registered Investment Adviser that has entered into an agreement with AE Wealth Management to provide investment management services for clients (referred to as your investment adviser representative throughout this brochure). Your investment adviser representative typically is not an employee of AE Wealth Management; rather, your investment adviser representative typically is an independent contractor of AE Wealth Management. Your investment adviser representative is typically limited to providing the services and charging investment advisory fees in accordance with the descriptions detailed in this brochure. Your investment adviser representative is generally allowed to set AE Wealth Management's fee within a range prescribed by AE Wealth Management. As a result, the rates actually charged by two different investment adviser representatives of AE Wealth Management or an associated Independent Registered Investment Adviser may vary for similar services.

AE Wealth Management offers multiple types of advisory services designed to meet the unique needs of our clients. Below are descriptions of the primary advisory services we offer. A written agreement detailing the exact services we will provide to you and the fees you will be charged will be executed prior to the commencement of any services.

**Direct Asset Management Services** – AE Wealth Management offers direct asset management services on either a discretionary or non-discretionary basis. If you choose to have your account managed on a discretionary basis, we will have the ability to buy or sell securities on your behalf without your prior permission for each specific transaction. Nevertheless, you will have the ability to impose restrictions on the management of your account, including the ability to instruct us not to purchase certain securities. If you elect to have your account managed on a non-discretionary basis, we must obtain your authorization prior to buying or selling any securities.

We will manage your account based on your financial situation, investment objectives, and risk tolerance. Accordingly, we will need to obtain certain information from you to determine your financial situation, investment objectives, and risk tolerance. As part of this process, an investment adviser representative will assist you in completing a detailed risk questionnaire and review the information you provide. You will be responsible for notifying us of any updates regarding your financial situation, investment objectives, or risk tolerance and whether you wish to impose or modify any existing investment restrictions.

The financial situation, investment objectives, and risk tolerance for each client of AE Wealth Management is unique. As a result, we may give advice to another client or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

**Financial Planning & Consulting Services** - AE Wealth Management offers financial planning services, which involve preparing a written financial plan covering specific or multiple topics. We provide full written financial plans, which typically address the following topics: investment planning, retirement planning, insurance planning, tax planning, education planning, portfolio review and asset allocation. However, our tax planning services are not a substitute of working with a certified public accountant. When providing financial planning and consulting services, the role of your investment adviser representative is to find ways to help you understand your overall financial situation and help you set financial objectives. You should be aware that there are important issues that may not be taken into consideration when your investment adviser representative develops his or her analysis and recommendations under a written financial plan.

We also offer consultations in order to discuss financial planning issues when you do not need a written financial plan. We offer a one-time consultation, which covers mutually agreed upon areas of concern related to investments or financial planning. We also offer "as-needed" consultations, which are limited to consultations in response to a particular investment or financial planning issue raised or request made by you. Under an "as-needed" consultation, it will be incumbent upon you to identify those particular issues for which you are seeking our advice or consultation on.

Our financial planning and consulting services do not involve implementing any transaction on your behalf or the active and ongoing monitoring or management of your investments or accounts. You have the sole responsibility for determining whether to implement our financial planning and consulting recommendations. To the extent that you would like to implement any of our investment recommendations through AE Wealth Management or retain AE Wealth Management to actively monitor and manage your investments, you must execute a separate written agreement with AE Wealth Management for our asset management services.

**Sawtooth Solutions LLC** - AE Wealth Management offers Sawtooth Solutions LLC's ("Sawtooth Solutions") managed account program, which allows you (or AE Wealth Management if discretion is granted by you) to select third-party non-affiliated investment managers ("Model Managers") to design and manage model portfolios for your assets. An investment adviser representative will assist you in completing a client profile questionnaire and review the information you provide. We will then recommend (or select if discretionary authority is granted by you) a Model Manager and corresponding model portfolio that aligns with your disclosed risk tolerance and investment objectives.

Sawtooth Solutions will be given discretionary authority to implement the model portfolio selected by you or your investment adviser representative and to trade your account based on information and/or signals

provided by the Model Managers. Sawtooth Solutions will implement the model for your account by acquiring the securities that are represented in the selected model portfolios. We will be available to answer questions that you may have regarding your account and act as the communication conduit between you and the Model Manager. If you grant us discretion, we will have the ability to hire and fire the Model Manager as well as the ability to reallocate funds from or to the model portfolio managed by the Model Manager and funds in other accounts over which you have granted us discretionary authority.

You should be aware that there may be other third-party managed programs not recommended by our firm, that are suitable for you and that may be less costly than arrangements recommended by our firm. No guarantees can be made that your financial goals or objectives will be achieved through the Sawtooth Solutions managed account program or by a recommended/selected Model Manager. Further, no guarantees of performance can ever be offered by our firm *(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more details.)*

### **Newsletters**

AE Wealth Management occasionally prepares general, educational and informational newsletters. Newsletters are always offered on an impersonal basis and do not focus on the needs of a specific individual.

### **Seminars**

AE Wealth Management may occasionally provide seminars in areas such as financial planning, retirement planning, estate planning, college planning and charitable planning. Seminars are always offered on an impersonal basis and do not focus on the individual needs of participants.

### **Workshops**

AE Wealth Management offers educational, informative and motivational workshops to the public as well as to associations, family foundations and employers. Workshops are always offered on an impersonal basis and do not focus on the individual needs of the participants.

### **Tailor Advisory Services to Individual Needs of Clients**

AE Wealth Management's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors.

Our financial planning and consulting services are always provided based on your individual needs. When providing financial planning and consulting services, we work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Participation in Wrap Fee Programs**

Our direct asset management services, as well as services provided through the Sawtooth Solutions managed account program are offered both on a non-wrap fee basis and through a wrap fee program. If

you choose to receive services on a non-wrap fee basis, you may pay separate commissions, ticket charges, and custodian fees for the execution of transactions in your account. These charges (if applicable) will be in addition to the investment management fee that you will pay us.

If you choose to receive services through a wrap fee program, you will only pay fees based on assets under management and you will not pay a separate commission, ticket charge, or custodian fee, for the execution of transactions in your account. AEWM and our service providers, including (if applicable) Sawtooth Solutions and Model Managers, will receive a portion of the fee as compensation for services.

Financial Planning and Consulting Services are offered outside of a wrap fee program. Therefore, you may pay separate commissions, ticket charges, and custodian fees (if applicable) for the execution of recommended transactions.

### **Client Assets Managed by AE Wealth Management**

As a newly registered investment adviser, AE Wealth Management has no assets under management to report as of the date of this Brochure.

## **Item 5 – Fees and Compensation**

This section provides detail regarding the fees and compensation we receive for the services that we offer. It should be noted that lower fees for comparable services may be available from other sources. AE Wealth Management allows your investment adviser representative to set fees within ranges provided by AE Wealth Management. As a result, your investment adviser representative may charge more or less for the same service than another investment adviser representative of AE Wealth Management. The exact fees and other terms will be outlined in the agreement between you and AE Wealth Management.

### **Direct Asset Management Services**

Fees charged for our direct asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a monthly calendar basis and calculated based on the average daily balance of the account for the preceding calendar month. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. Under the average daily balance method, each day's balance for the month is summed then divided by the number of days in the month, to compute the average daily balance. The average daily balance is then multiplied by the monthly portion of the annual fee to determine the monthly fee due.

Fees charged for our direct asset management services are negotiable by each of our investment adviser representatives based upon the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

Based upon the above negotiability factors, each investment adviser representative is allowed to set AE Wealth Management's investment advisory fee up to a maximum amount of 2.9% annually. The annual fee charged by AE Wealth Management will be specified in the client's agreement with AE Wealth Management.

AE Wealth Management believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

Investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to AE Wealth Management. You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

This asset management service of AE Wealth Management is offered both on a non-wrap fee basis and through a wrap fee program. If you choose the non-wrap fee basis, the qualified custodian will charge a separate commission, ticket charge or fee for executing a securities transaction in addition to AE Wealth Management's investment advisory fee. AE Wealth Management does not receive any portion of such commissions, ticket charges or custodial fees from the qualified custodian. If you choose the wrap fee program, you will only pay fees based on assets under management and you will not pay a separate commission, ticket charge or custodial fee for the execution of transactions in your account.

In addition to the fees described above, you may incur certain charges imposed by third parties other than AE Wealth Management in connection with investments made through your account including, but not limited to, mutual fund sales loads, periodic mutual fund fees (e.g. 12b-1 trails) and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by AE Wealth Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

### **Financial Planning & Consulting Services**

AE Wealth Management provides financial planning and consulting services under an hourly fee arrangement. The hourly fee typically ranges from \$0 (or waived fee) up to a maximum of \$500 per hour. Based on the type of client, the services requested, the investment adviser representative providing advice, the complexity of the client's situation, the composition of the client's account, other advisory services provided, and the relationship of the client and the investment adviser representative, each investment adviser representative is allowed to set his or her hourly rate within this range. The hourly rate for your engagement will be specified in your financial planning and consulting agreement with AE Wealth Management.

Before commencing financial planning and consulting services, your investment adviser representative will provide an estimate of the approximate hours needed to complete the requested services. If your investment adviser representative anticipates exceeding the estimated amount of hours required, your investment adviser representative will contact you to receive authorization to provide additional services. At the sole discretion of your investment adviser representative, you will pay in advance a mutually agreed upon retainer to AE Wealth Management that will be available for AE Wealth Management to bill hourly fees against for our financial planning and consulting services; however, under no circumstances will AE Wealth Management require you to pay fees of more than \$1,200 more than six months in advance.

AE Wealth Management also provides financial planning and consulting services under a fixed fee arrangement. The fixed fee typically ranges from \$0 (or waived fee) up to a maximum of \$10,000. Based on the type of client, the services, requested, the investment adviser representative providing advice, the complexity of the client's situation, the composition of the client's account, other advisory services provided, and the relationship of the client and the investment adviser representative, each investment adviser representative is allowed to set the fixed fee within this range. The amount of the fixed fee for your engagement will be specified in your financial planning and consulting agreement with AE Wealth Management. At the sole discretion of the investment adviser representative working with you, you may be required to pay all or a portion of the fixed fee at the time you execute an agreement with AE Wealth Management; however, at no time will AE Wealth Management require payment of more than \$1,200 in fees more than six months in advance. Upon completion and delivery of the financial plan, the fixed fee is considered earned by AE Wealth Management and any unpaid amount is immediately due.

If you terminate the financial planning and consulting services after entering into an agreement with us and your investment adviser representative did not waive your fees, you will be responsible for immediate payment of any financial planning and consulting services performed by AE Wealth Management prior to the receipt by AE Wealth Management of your notice of termination. For financial planning and consulting services performed by AE Wealth Management under an hourly arrangement, you will pay AE Wealth Management for any hourly fees incurred at the rates described in the client agreement. For financial planning and consulting services performed by AE Wealth Management under a fixed fee arrangement, you will either pay AE Wealth Management (i) a pro-rated fixed fee equivalent to the percentage of work completed by AE Wealth Management as determined by AE Wealth Management or (ii) an early termination fee for the hours worked by AE Wealth Management multiplied by the hourly rate specified in the client agreement. In the event that there is a remaining balance of any fees paid in advance after the deduction of fees from the final invoice, those remaining proceeds will be refunded by AE Wealth Management to you.

If your investment adviser representative engages an outside professional (i.e. attorney, independent investment adviser or accountant) while providing financial planning and consulting services to you, your investment adviser representative will be responsible for the payment of the fees for the services of such outside professional, and you will not be required to reimburse AE Wealth Management for such payments. To the extent that you personally engage an outside professional, you will be responsible for the payment of the fees for the services of such outside professional, and the fees of the outside professional will be in addition to and separate from the fees charged by AE Wealth Management. In no event will the services of an outside professional, be engaged, without your express approval.

All fees paid to AE Wealth Management for services are separate and distinct from the commissions, fees and expenses charged by insurance companies associated with any disability insurance, life insurance and annuities subsequently acquired by you. If you sell or liquidate certain existing securities positions to acquire any insurance or annuity, you may also pay a commission and/or deferred sales charges in addition to the financial planning and consulting fees paid to AE Wealth Management and any commissions, fees and expenses charged by the insurance company for subsequently acquired insurance and/or annuities.

All fees paid to AE Wealth Management for advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each mutual fund's prospectus. These fees will generally include a management fee, other fund expenses and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge.

If you retain AE Wealth Management to implement the recommendations provided under this service, AE Wealth Management may recommend load or no-load mutual funds that charge you periodic mutual fund fees (e.g. 12(b)-1 trails).

All fees paid to AE Wealth Management for financial planning and consulting services are separate and distinct from the commissions charged by a broker-dealer or asset management fees charged by an investment adviser to implement such recommendations.

It should be noted that lower fees for comparable services may be available from other sources.

### **Sawtooth Solutions Managed Account Program**

Under the Sawtooth Solutions Managed Account Program, all services provided by your investment adviser representative, AEWM, Sawtooth Solutions, Model Managers, and the Custodian (if you choose the wrap fee program) will be assessed under a single fee that is based on assets under management. Fees are billed in arrears (at the end of the billing period) on a monthly calendar basis and calculated based on the average daily balance of the account for the preceding calendar month. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. Under the average daily balance method, each day's balance for the month is summed then divided by the number of days in the month, to compute the average daily balance. The average daily balance is then multiplied by the monthly portion of the annual fee to determine the monthly fee due.

Fees for services provided through the Sawtooth Solutions Managed Account Program are negotiable by each of our investment adviser representatives based upon the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, the total amount of assets under management for the client, the Model Managers chosen, and any supplemental third-party services selected by the client.

Based upon the above negotiability factors, each investment adviser representative is allowed to set the fee for services provided through the Sawtooth Solutions Managed Account Program up to a maximum amount of 2.9% annually. The annual fee will be specified in the client's agreement with AE Wealth Management. Additionally, Sawtooth Solutions may impose a minimum fee of \$100.00 per account. If such a minimum account fee is imposed on your account, we may pass the fee on to you.

AE Wealth Management believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

Fees for services provided through the Sawtooth Managed Account Program will be deducted from your account by the qualified custodian(s), split between Sawtooth Solutions and AE Wealth Management, and the respective share of such fees will be paid directly to each firm by the qualified custodian(s) of your account. You must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Sawtooth Solutions and AE Wealth Management. You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Services through the Sawtooth Solutions Managed Account Program are offered both on a non-wrap fee basis and through a wrap fee program. If you choose the non-wrap fee basis, the qualified custodian will charge a separate commission, ticket charge or fee for executing a securities transaction in addition to AE Wealth Management's investment advisory fee. AE Wealth Management does not receive any portion of such commissions, ticket charges or custodial fees from the qualified custodian. If you choose the wrap fee program, you will only pay fees based on assets under management and you will not pay a separate commission, ticket charge or custodial fee for the execution of transactions in your account.

In addition to the fees described above, you may incur certain charges imposed by third parties other than AE Wealth Management in connection with investments made through your account including, but not limited to, ETF sales loads and management fees, sales charges and management fees for alternative investments, mutual fund sales loads, periodic mutual fund fees (e.g. 12b-1 trails) and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by AE Wealth Management are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

### **Newsletters**

Newsletters are provided to clients and prospective clients free of charge.

### **Seminars and Workshops**

Generally, no fees are charged for workshops and seminars. In the event a fee is charged, all fees and payment provisions will be fully disclosed to you prior to the seminar or workshop being presented.

### **Compensation for Sale of Securities**

Our investment adviser representatives can sell securities in their separate capacities as registered representatives of a broker-dealer. In addition, they may sell insurance products in their capacities as independent insurance agents for sales commissions. Please refer to *Item 10 – Other Financial Industry Activities and Affiliations* to read more about our ability to offer strictly commission-based services through broker-dealers and our insurance activities.

When managing accounts through programs outlined in this disclosure brochure, some of the advice offered by our investment adviser representatives may involve investments in mutual fund products. Load and no-load mutual funds may pay annual distribution charges sometimes referred to as 12(b)-1 fees. However, our investment adviser representatives generally do not receive any portion of the 12b-1 fees paid and other compensation such as commissions, loads, trails, etc. when holding mutual funds in our asset management program or Sawtooth Solutions.

You are never obligated to the broker-dealer(s) affiliated with our investment adviser representatives and you are never obligated to purchase investment products through our investment advisor representatives. You have the option to purchase investment products through other brokers or agents that are not affiliated with AE Wealth Management.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. AE Wealth Management does not charge or accept performance-based fees.

## **Item 7 – Types of Clients**

AE Wealth Management generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Trusts, estates, or charitable organizations
- Retirement and profit sharing plans
- Corporations or business entities other than those listed above

You are required to execute a written agreement with AE Wealth Management specifying the particular advisory services in order to establish a client arrangement with AE Wealth Management.

### **Minimum Investment Amounts Required**

For its asset management services, as well as services provided through the Sawtooth Solutions Managed Account Program, AE Wealth Management requires a minimum per account balance of \$10,000. Exceptions may be granted to this minimum if approved by both your investment adviser representative and AE Wealth Management for a client's immediate family members or in anticipation of additional deposits in the near future.

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

### **Methods of Analysis**

AE Wealth Management uses the following methods of analysis in formulating investment advice:

**Charting** - Charting is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

**Cyclical** – The Cyclical Method analyzes investments which are sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn

begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

**Fundamental** – The Fundamental Method evaluates a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

**Technical** – The Technical Method evaluates securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager

chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

To conduct analysis, AE Wealth Management gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases. There are risks involved with any method of analysis that may be used.

### **Investment Strategies**

AE Wealth Management may employ the following investment strategies when managing client assets and/or providing investment advice:

Value investing. A value investing strategy selects stocks that trade for less than their intrinsic values. Value investors typically seek stocks of companies that they believe the market has undervalued. They believe the market overreacts to good and bad news, resulting in stock price movements that do not correspond with the company's long-term fundamentals. The result is an opportunity for value investors to profit by buying when the price is deflated. Often, value investors select stocks with lower-than-average price-to-book or price-to-earnings ratios and/or high dividend yields. The risks associated with value-investing include incorrectly analyzing and overestimating the intrinsic value of a business, concentration risk, under performance relative to major benchmarks, macro-economic risks, investing in value traps i.e. businesses that remain perpetually undervalued, and lost purchasing power on cash holdings in the case of inflation.

Tactical asset allocation. A tactical asset allocation strategy allows for a range of percentages in each asset class (such as Stocks = 40-50%). The ranges establish minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

Strategic asset allocation. A strategic asset allocation strategy calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a "buy and hold" strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client's goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

### **Model Manager Selection**

AE Wealth Management reviews each Model Manager before selecting them to be included in our program. We also conduct an annual review to ensure that the manager is still suitable for our programs. We call these processes "due diligence." In order to assist us in conducting our due diligence and selection of both Model Managers and specific Model Portfolios, we have contracted with an outside firm to act as our Chief Investment Officer.

We use a multi-step process in researching Model Managers. Each Model Manager is evaluated on the basis of information provided by the Model Manager including descriptions of its investment process, asset

allocation strategies employed, sample portfolios to review securities selections, and the Model Manager's Form ADV Disclosure Brochure (if applicable). We attempt to verify the information provided by comparing it to other data from publicly available data collection sources.

### **Types of Securities Offered**

We do not primarily recommend one type of security to clients.

### **Risk of Loss**

Investing in securities (including stocks, mutual funds, and bonds, etc.) always involves risk of loss. Depending on the different types of investments utilized, there may be varying degrees of risk. Accordingly, you should be prepared to bear investment loss including the loss of your original principal. Further, past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- **Equity (stock) market risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk**. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- **Fixed Income Risk**. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Options Risk**. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **ETF and Mutual Fund Risk** – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating

expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **Item 9 – Disciplinary Information**

We have no legal or disciplinary events to disclose that are material to a client's or prospective client's evaluation of our business or integrity.

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

#### **Insurance Marketing Organization & Insurance Agents**

AE Wealth Management is an affiliate of Advisors Excel, LLC, which is under common control and ownership. Advisors Excel, LLC is an insurance agency that markets/wholesales life insurance and fixed annuities to third-party insurance agents in exchange for a marketing and/or override fee from the issuer of such insurance/annuity products. The investment adviser representatives of AE Wealth Management in a separate capacity as an insurance agent may utilize the marketing and wholesaling services of Advisors Excel, LLC.

You may work with your investment adviser representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, life insurance, annuities, and other insurance products to you which may be marketed/wholesaled by Advisors Excel, LLC. As such, your investment adviser representative in his or her separate capacity as an insurance agent, may suggest that you implement recommendations which may include purchasing life insurance, annuities, or other insurance products which are marketed and wholesaled by Advisors Excel, LLC. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Likewise, the marketing/override received by Advisors Excel, LLC also creates an incentive for AE Wealth Management to encourage the recommendation of insurance and annuity products marketed and wholesaled by Advisors Excel, LLC.

AE Wealth Management is also an affiliate of Innovation Design Group, LLC, which are under common control. Innovation Design Group, LLC is an insurance agency that provides services to insurance companies concerning the product design and distribution of annuities. Innovation Design Group, LLC has participated in the design of a number of annuities issued by insurance companies that are either distributed exclusively by its affiliate Advisors Excel, LLC or distributed by a small group of insurance marketing organizations of which Advisors Excel, LLC is a member.

As a result of the above, the advice rendered to you could be biased. In the event your investment adviser representative will receive a commission in relation to a recommended product, that fact will be disclosed to you. You are under no obligation to implement any insurance or annuity transaction through your

investment adviser representative in their capacity as an insurance agent or utilize insurance or annuity products wholesaled by Advisors Excel, LLC.

### **Independent Investment Advisers**

Certain persons offering the asset management services of AE Wealth Management own or are affiliated with independent investment advisory firms (individually “Independent Investment Adviser” or collectively “Independent Investment Advisers”). These Independent Investment Advisers may utilize the financial planning and asset management services of AE Wealth Management. Clients that engage such an Independent Investment Adviser will receive a copy of the Independent Investment Adviser’s firm disclosure document and will execute a client agreement specifying the services provided and fees charged by the Independent Investment Adviser and the role of AE Wealth Management with respect to such services.

### **Registered Representative of a Broker-Dealer**

Some of our representatives are also registered representatives of a securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of a securities broker-dealer.

As a result of this relationship, the securities broker-dealer may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about clients of AE Wealth Management, even if a client does not establish any account through the securities broker-dealer. If you would like a copy of the privacy policy of the broker-dealer, please contact your investment adviser representative.

When acting in his or her separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use such broker-dealer and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use his or her broker-dealer. Prior to effecting any such transactions, you are required to enter into a new account agreement with the broker-dealer. The commissions charged by the broker-dealer may be higher than those charged by other broker/dealers. In addition, the registered representatives may also receive ongoing periodic mutual fund fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment. However, our investment adviser representatives generally do not receive any portion of the 12b-1 fees paid and other compensation such as commissions, loads, trails, etc. when holding mutual funds in our asset management program or Sawtooth Solutions.

Additionally, you should be aware that the holding company which owns AE Wealth Management also holds a minority interest in Madison Avenue Securities, LLC, a registered broker-dealer, and certain investment adviser representatives of AE Wealth Management may be registered representatives of Madison Avenue

Securities, LLC's broker-dealer. As a result of this relationship, our owner will likely benefit if securities that are recommended during financial planning and consulting engagements are purchased through Madison Avenue Securities. We do not typically utilize Madison Avenue Securities, LLC as a broker-dealer for our asset management services and Sawtooth Solutions' managed account program. With respect to our financial planning and consulting services, our policy prohibits us from recommending that you purchase a security through Madison Avenue Securities unless the purchase is in your best interests.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

AE Wealth Management has established a Code of Ethics that will apply to all of its associated persons. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. AE Wealth Management has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for our Code of Ethics which also covers our Insider Trading and Personal Securities Transactions Policies and Procedures. AE Wealth Management has the responsibility to make sure that the interests of all clients are placed ahead of AE Wealth Management's own investment interests. AE Wealth management will disclose material facts and potential conflicts of interest to clients. AE Wealth Management seeks to conduct business in an honest, ethical and fair manner and will take reasonable steps to avoid circumstances that might negatively affect our duty of loyalty to clients. This section is intended to provide clients with a summary of AE Wealth Management's Code of Ethics. Clients may receive a complete copy of the Code of Ethics upon request.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

AE Wealth Management or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of AE Wealth Management that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. AE Wealth Management and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

To mitigate potential conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons).

Any associated person not observing our policies is subject to sanctions up to and including termination.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of AE Wealth Management. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives best execution for transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we may consider a number of factors other than prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

### **Brokerage Recommendations**

In order to utilize our asset management services and/or the managed account program of Sawtooth Solutions, AE Wealth Management will require that you establish or maintain a brokerage account with TD Ameritrade through their Institutional Platform or with Fidelity Institutional Wealth Services and/or its affiliate, National Financial Services LLC (collectively "Fidelity"). TD Ameritrade, Inc. and Fidelity are members of FINRA/SIPC/NFA. TD Ameritrade and Fidelity are independent and unaffiliated registered broker-dealers and are recommended by AE Wealth Management to maintain custody of clients' assets and to effect trades for their accounts.

The primary factor in suggesting a broker/dealer or custodian is that the services of the recommended firm are provided in a cost-effective manner. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer and money manager suggested by AE Wealth Management must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services, and statement preparation are some of the other factors determined when suggesting a broker/dealer.

### ***TD Ameritrade, Inc.***

TD Ameritrade, Inc. provides us with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors at no charge to them so long as the independent investment advisors maintain a minimum amount of assets with the custodian.

If you choose to receive services on a non-wrap fee basis, TD Ameritrade will not charge separately for custody but will be compensated through commissions or other transaction-related fees for securities trades that are executed or that settle into a custodian account. If you choose to receive services through our wrap fee program, we will compensate TD Ameritrade for its custodial services with a portion of the fee that we charge you.

Services that we may receive from TD Ameritrade include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and allocate the appropriate shares to client accounts; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

TD Ameritrade, Inc. also makes available to us other products and services that benefit our firm but may not benefit clients' accounts. Some of these other products and services assist us in managing and

administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); provide research, pricing information and other market data; facilitate payment of the firm's fees from its clients' accounts; and assist with back-office functions; record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at a recommended custodian. AE Wealth Management is also providing other services intended to help our firm manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing.

### ***Fidelity Institutional Wealth Services***

Fidelity provides us with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all, or a substantial number, of our accounts, including accounts not maintained at Fidelity. Fidelity also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered to us by independent third party providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our recommendation that you maintain your assets in accounts at Fidelity may be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This may create a potential conflict of interest.

### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, AE Wealth Management may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, AE Wealth Management has decided to require our clients to use broker/dealers and other qualified custodians determined by AE Wealth Management.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer or custodian. Except as described above, AE Wealth Management does not have a soft dollar agreement with a broker-dealer, custodian or other third-party.

### **Block Trading Policy**

With respect to our asset management services, we may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when AE Wealth Management believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

AE Wealth Management uses the average price allocation method for transaction allocation.

Under this procedure AE Wealth Management will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which AE Wealth Management or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Accounts subject to our asset management services and Sawtooth Solutions are reviewed at least annually. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by investment adviser representative of record, with reviews performed in accordance with your investment goals and objectives.

Our financial planning services terminate upon the presentation of the written plan. Our financial planning and consulting services do not include monitoring the investments of your account(s), and therefore, we do not provide an ongoing review of your account(s) under such services.

### **Statements and Reports**

For our asset management services, you will be provided with transaction confirmation notices and regular quarterly account statements in writing directly from the qualified custodian. Additionally, AE Wealth Management may provide you periodic performance reports.

Financial planning clients do not receive any report other than the written plan originally contracted for and provided by AE Wealth Management.

You are encouraged to always compare any reports or statements provided by us, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

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

AE Wealth Management may enter into an agreement with third-parties (Referring Parties) to refer clients to AE Wealth Management. If a referred client enters into an investment advisory agreement with AE Wealth Management, a cash referral fee may be paid to the referring party, which is based upon either a flat fee or a percentage of the client advisory fees that are generated.

When a client is referred to us by a referring party, the referring party provides the client with a copy of our Brochure. The client also will complete a Solicitor's Disclosure Statement document. If the referring party is an unaffiliated registered investment adviser firm, then the client will also receive a copy of the referring party's Form ADV Part 2 Brochure. If a referred client enters into an investment advisory agreement with AE Wealth Management, a referral fee is paid to the referring party.

## **Item 15 – Custody**

Custody, means having access or control over client funds and/or securities. Custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

AE Wealth Management is deemed to have custody of client funds and securities whenever AE Wealth Management is given the authority to have fees deducted directly from client accounts. However, this is

the only form of custody AE Wealth Management will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which AE Wealth Management is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from AE Wealth Management. If you have questions about your account statements, you should contact AE Wealth Management or the qualified custodian preparing the statement.

### **Item 16 – Investment Discretion**

When providing asset management services, AE Wealth Management maintains trading authorization over your Account and can provide management services on a discretionary or non-discretionary basis. Discretionary authority will be granted through the execution of a limited power of attorney. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that will be bought or sold for your portfolio without obtaining your consent for each transaction. Nevertheless, you will have the ability to place restrictions on the types of investments that may be purchased in your account.

If you decide to grant trading authorization on a non-discretionary basis under our asset management services, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

Under the Sawtooth Solutions managed account program, you will have the option of granting AE Wealth Management discretionary authority (without first consulting with you) to establish and/or terminate a relationship with a Model Manager for purposes of managing your account, or a portion of your account as determined by AE Wealth Management as well as the ability to reallocate funds from or to the model portfolio managed by the Model Manager and funds in other accounts over which you have granted us discretionary authority. Sawtooth Solutions will be given authority by you to buy and sell securities for your account based on directions provided by the selected Model Managers without obtaining your prior consent.

## **Item 17 – Voting Client Securities**

### **Proxy Voting**

AE Wealth Management does not vote proxies on behalf of clients. Therefore, it is your responsibility to vote all proxies for securities held in your Account. You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact your investment adviser representative.

## **Item 18 – Financial Information**

This *Item 18* is not applicable to this brochure. AE Wealth Management does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, AE Wealth Management has not been the subject of a bankruptcy petition at any time.