

# Advice Access

## BROCHURE

Merrill Lynch, Pierce, Fenner & Smith Incorporated  
One Bryant Park  
New York, NY 10036  
(800) 637-7455  
[www.ml.com](http://www.ml.com)

**This brochure provides information about the qualifications and business practices of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") relating to Advice Access. If you have any questions about the contents of this brochure, please contact us at (866) 731-3127. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.**

**The advisory services described in this brochure are not insured or otherwise protected by the Federal Deposit Insurance Corporation or any other government agency; are not an obligation of any bank or any affiliate of Merrill Lynch; are not endorsed or guaranteed by Bank of America, N.A., Merrill Lynch, or any bank or any affiliate of Merrill Lynch; and involve investment risk, including possible loss of principal.**

**Additional information about Merrill Lynch also is available on the SEC's website at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).**

*March 26, 2018*



## MATERIAL CHANGES

On March 27, 2017, Merrill Lynch filed its last annual update for its Advice Access brochure (“Brochure”). Set forth below is a summary of the material changes to this Brochure since that date. This summary of material changes is designed to make clients aware of information that has changed since the Brochure’s last annual update and that may be important to them. The material changes summarized below were also incorporated within this Brochure. Capitalized terms that are not defined in this Brochure have the meanings provided in the Glossary.

### CERTAIN ENHANCEMENTS MADE TO THE BROCHURE AS PART OF UPDATES ON OR ABOUT MARCH 27, 2018

We periodically review our Brochure and enhance existing disclosures about the Program, its services and other important information. We have made the enhancements and clarifications outlined below. We encourage you to review the text of these enhanced disclosures within this Brochure.

- We have enhanced the disclosures regarding the recommendations generated by Advice Access. If the participant accepts a recommendation by Advice Access to fund a taxable savings account outside of his or her 401(k) Plan, it is important that the participant make the recommended annual contributions to such account and have it designated for retirement. If the participant does not plan to fund the taxable savings account according to the recommendations, he or she should update his or her profile with Advice Access accordingly. Please refer to the subsection “Recommendations Made” within the “ADVISORY BUSINESS - Recommendations” section.
- We have updated the disclosures in the “FEES AND COMPENSATION” section to clarify that Advice Access fees are not currently charged.
- We have enhanced disclosures regarding the Financial Expert’s methodology in constructing asset class models and portfolios in the section “METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS – Asset Class Models and Portfolio Construction”.



## TABLE OF CONTENTS

<b>MATERIAL CHANGES</b>	<b>II</b>
<b>TABLE OF CONTENTS</b>	<b>III</b>
<b>ADVISORY BUSINESS</b>	<b>1</b>
<b>ADVICE ACCESS</b>	<b>1</b>
Access Channels	2
Financial Expert	2
Merrill Lynch Professional Assistance	2
<b>RECOMMENDATIONS</b>	<b>3</b>
Necessary Data	3
Recommendations Made	3
<b>Implementation Options</b>	<b>4</b>
PersonalManager	4
PersonalManager as the Plan's Default Investment	4
Separation from Service	5
Portfolio Rebalancing	5
One-Time Implementation	6
Need to Keep Information Current	7
Other Advisory Services	7
<b>Wrap Fee Programs</b>	<b>7</b>
<b>Assets Under Management</b>	<b>7</b>
<b>FEES AND COMPENSATION</b>	<b>7</b>
Other Fees and Expenses	7
Prepaid Fees	8
Compensation for the Sale of Securities	8
Use of Unaffiliated Brokers	8
Sources of Revenue	8
Fee Offset for Execution Charges	8
<b>PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT</b>	<b>9</b>
<b>TYPES OF CLIENTS</b>	<b>9</b>



<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS</b>	<b>9</b>
1. Portfolio Models and Plan Menu Qualification	9
2. Asset-Class Models and Portfolio Construction	9
<b>Employer Securities</b>	<b>11</b>
<b>Material Risks for Significant Investment Strategies</b>	<b>11</b>
Hypothetical Nature of Forecasts	11
Forecasts Are Based on the Expected Return of Asset Classes, Rather Than Securities	11
Methodology of the Analysis and Forecasts	11
Estimated Tax Assumptions	14
<b>Material Risks for Particular Types of Securities</b>	<b>14</b>
<b>DISCIPLINARY INFORMATION</b>	<b>14</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</b>	<b>16</b>
<b>Receipt of Compensation from Investment Advisers</b>	<b>17</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>	<b>17</b>
<b>CONFLICTS OF INTEREST AND INFORMATION WALLS</b>	<b>17</b>
<b>Code of Ethics</b>	<b>18</b>
Privacy/Data Protection	18
<b>Participation or Interest in Client Transactions</b>	<b>18</b>
<b>Investments in Securities by Merrill Lynch and Our Personnel</b>	<b>19</b>
<b>BROKERAGE PRACTICES</b>	<b>20</b>
<b>REVIEW OF ACCOUNTS</b>	<b>20</b>
<b>Ongoing Monitoring of Portfolio Models</b>	<b>20</b>
<b>Personal Manager</b>	<b>21</b>
<b>Client Reports</b>	<b>21</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION</b>	<b>21</b>
<b>CUSTODY</b>	<b>21</b>
<b>INVESTMENT DISCRETION</b>	<b>21</b>



<b>VOTING CLIENT SECURITIES</b>	<b>22</b>
---------------------------------	-----------

<b>FINANCIAL INFORMATION</b>	<b>22</b>
------------------------------	-----------



## ADVISORY BUSINESS

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch,” “we,” “us,” or “our”), an indirect wholly-owned subsidiary of Bank of America, is a global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. Merrill Lynch offers a broad range of brokerage, investment advisory, retail and other services and has been registered with the Securities and Exchange Commission (“SEC”) as an investment adviser since 1978. This Brochure relates to the Advice Access service (“Advice Access”) offered by Merrill Lynch. Capitalized terms that are not defined in this Brochure have the meanings provided in the Glossary.

### **ADVICE ACCESS**

Advice Access is an investment advisory service that provides participants of a defined contribution plan (“Plan”) with an analysis of their current financial capital (investments), salary, and savings rate as well as their likelihood of achieving a specified annual retirement income based on methodology provided by the Financial Expert. (Please see the section titled “Financial Expert”.) Advice Access will recommend to Plan participants an asset allocation and specific investments for their Plan account, a contribution rate in the Plan, a contribution rate outside the Plan, and a retirement age that targets a 70% likelihood of generating income to meet or exceed their Annual Retirement Income Goal. Advice Access will also recommend whether contributions should be made in the form of pre-tax contributions, Roth after-tax contributions, or after-tax contributions, depending on Plan availability, based upon a participant’s current effective tax rate and their estimated effective tax rate in retirement.

Advice Access will also provide for retired plan participants and those within ten years of retirement a “Drawdown Recommendation” that is a recommendation on what sources of income (for example, 401(k) accounts, Social Security, pensions and additional retirement accounts) to draw down during retirement. The Drawdown Recommendation considers the optimal annual drawdown sequence of each source based on the relative tax efficiency, meaning it will make a recommendation on how much and when to withdraw funds from certain sources to maximize portfolio longevity and meet the “Achievable Retirement Income” proposed.

Participants may modify certain variables (contribution rate, retirement age, life expectancy, desired retirement income, personal risk preferences, contribution rate outside the Plan, other additional income and expenses) and then obtain updated recommendations based on these changes. Additional data points are also available that will help personalize the recommendations provided by Advice Access. Participants can implement, reject, or modify any of the asset allocation, and other recommendations provided by Advice Access. If a participant rejects or modifies the asset allocation or other recommendations provided by Advice Access our advisory relationship with the participant ends. We do not assume responsibility for a participant’s decision to modify any of the asset allocation and specific investment recommendations provided through Advice Access.

Participants can also choose to implement the discretionary managed account feature of Advice Access, called PersonalManager®. PersonalManager will initially review the participant’s current information (which may be updated automatically from Plan records, by the participant, or both) and invest all or, at the participant’s election, part of, the participant’s plan balance into an appropriate portfolio. Periodically, PersonalManager will review the participant’s account for new information, and update the asset allocation recommendation and specific portfolio recommendation taking into account any new information in the participant’s variable information or data points (referred to herein as “Reallocation”). PersonalManager will also periodically rebalance the participant’s account to the participant’s current asset allocation to adjust for investment gains and losses across the asset classes (referred to as “Rebalancing”). The participant may discontinue PersonalManager at any time. Participants who are enrolled in



PersonalManager and subsequently separate from service with their Employer will be required to update their personal profile information to continue to take advantage of PersonalManager's personalized investment strategy.

Our advisory relationship begins when we enter into an investment advisory contract with the Employer, which occurs when we accept the Employer's signed contract. The employer may terminate the offering of Advice Access to its Plan participants at any time upon proper notice to Merrill Lynch. Preliminary discussions or recommendations before we enter into the applicable Advice Access service agreement with the Employer are not intended as investment advice and should not be relied on as such. When a participant is enrolled in Advice Access, Advice Access provides advice only for the participant's enrolled account and not any other assets or accounts. Plan participants who do not use Advice Access may also receive Advice Access recommendations and information on participant benefit statements.

### **Access Channels**

Plan participants may use any of the following channels to obtain Advice Access:

**Online:** Plan participants may use Advice Access by providing relevant information, receiving the recommendations and implementing such recommendations on the Benefits OnLine system.

**Service Representatives:** Plan participants also will have access to a Retirement & Benefits Contact Center Representative ("Service Representative") at a designated Merrill Lynch call center. These Service Representatives will be able to collect relevant information from the participant for input into the Advice Access technology and will communicate the recommendations created by the Advice Access technology to the participant. The Service Representative will also be able to implement the recommendations of Advice Access if directed to do so by the participant. If the Employer uses a third party administrator other than us, the Service Representative will transmit the implementation recommendations to the Employer's third party administrator for actual implementation. The Service Representative and any third party administrator will not be able to modify or add, in any way, to the recommendations provided by the Advice Access technology.

### **Financial Expert**

We have selected a financial expert (the "Financial Expert") that is responsible for constructing strategic asset class models and fund specific portfolios using the investment options determined by each Employer or the Employer's Designee ("Employer's Designee"). The Financial Expert has not been, and will not be, involved in any other relationship with us that would compromise the Financial Expert's independence.

We may assist the Financial Expert by providing certain objective information required for the development of the portfolio models, such as fund returns, fact sheets, and other relevant materials. The Financial Expert may consider these materials and also may consider the materials of others in developing the portfolio models and recommendations. Ultimately, it is the independent Financial Expert who retains sole control and discretion for the development and maintenance of the portfolio models.

### **Merrill Lynch Professional Assistance**

We make our Financial Advisors and our Merrill Edge Financial Advisory Center available for consultations with those Plan participants whose Employer elects to make this feature available to them. While our employees may explain the recommendations generated by Advice Access, they will not recommend changes to the asset allocation or specific investment recommendations regarding these retirement assets. In providing assistance to participants regarding non-Plan assets, our employees may use Merrill Lynch products that project asset allocation results based on various assumptions. These projections may



be generated to show how greater contribution rates or higher risk tolerances might influence the ability to achieve retirement goals and objectives. These projections may differ in the amounts allocated to specific asset categories than the asset allocation recommendations provided by the Advice Access asset allocation and investment recommendations. We make no promise or guarantee that any results projected will be achieved.

## **RECOMMENDATIONS**

### **Necessary Data**

Advice Access technology processes various demographic and financial data about the participant and generates recommendations for the participant. The minimum data required to generate recommendations are the participant's age, gender, state of residency, current compensation, current Plan contribution rate, current Plan account balance, and current investment allocation. The participant generally does not need to provide this information as it is available from Plan records or is provided by the Employer. However, the participant may correct this and other data and provide additional data to be considered. It is the participant's responsibility to ensure any additional data is accurate and kept up to date. Failure to do so may result in our inability to provide appropriate recommendations in a timely manner.

The Employer also will provide data input regarding specific Plan information and restrictions. The Financial Expert will provide certain other data used by the Advice Access technology for generating the advice (i.e., marginal tax rates, life expectancies, simulated asset class returns, and inflation data).

### **Recommendations Made**

Advice Access will provide participants with the following recommendations regarding portfolio models for their Plan accounts: specific asset allocation and investment recommendations, a contribution rate in the Plan, a contribution rate outside the Plan and a retirement age that targets a 70% likelihood of generating income to meet or exceed their Annual Retirement Income Goal. A participant may also set assumptions regarding contribution rates in and outside the Plan, as well as retirement age, on which Advice Access bases its asset allocation and investment recommendations. Regardless, Advice Access will only implement actual contribution rate recommendations inside the Plan if we process or the third party administrator of the Plan processes contribution rate changes. If Advice Access does not process these contribution rate changes, the participant will need to do this through normal Plan channels or other means. Federal tax laws may limit the contribution rates in the Plan of some participants who are "highly compensated employees," as defined by the Internal Revenue Code. Some highly compensated employees may receive a return of contributions from the Plan as a result of their contribution rates being limited by the federal tax laws. The Advice Access recommendations for these highly compensated employees who receive such refunds will be adversely affected. As such, participants may want to reduce and fix their contribution rate in the Plan to avoid such refunds.

Advice Access will also provide each participant with a probability analysis demonstrating the likelihood that the participant will meet or exceed his or her specified Annual Retirement Income Goal with respect to his or her current asset allocation, as well as the asset allocations provided by Advice Access. (See section entitled *Hypothetical Nature of Forecasts* for more information about the hypothetical nature of probability analyses.) After reviewing the recommendations provided by Advice Access, the participant can either reject the recommendations or implement them using the options described below. The participant can also modify the portfolio model recommendations provided by Advice Access by choosing his or her own investments and allocation percentages, but we will not be responsible for the participant's changes, as





any such modification would not be an implementation of an Advice Access recommendation and any advisory relationship with us would end.

The forecasted retirement income, retirement age and likelihood of reaching retirement goals may include assumptions that the savings rate(s) and sources of savings may vary from the initial recommendations. The total savings percentage across all sources is assumed to be unchanged though. Total savings is the combination of 401(k) savings, taxable savings outside of the plan and any additional savings that may have been entered by the participant (such as IRA contributions) or aggregated by Benefits OnLine. Factors that impact the expected contribution amounts include: 1) salary changes, 2) inflation, 3) changes to IRS 401(k) contribution limits, 4) participant age and catch up contribution eligibility. Advice Access may recommend that you contribute to a taxable savings account outside of your 401(k) Plan. The recommendations made by Advice Access will not be implemented in this taxable savings account. [It is important that you make the recommended annual contributions to such account and have it designated for retirement. If you do not plan to fund the taxable savings account according to the recommendations, you should update your profile with Advice Access to indicate that you will not make these contributions.]

### **IMPLEMENTATION OPTIONS**

The methods of implementing Advice Access recommendations follow:

#### **PersonalManager**

The discretionary investment management feature of Advice Access, PersonalManager, can be selected by participants to implement the specific asset allocation and investment recommendations provided by Advice Access with respect to their Plan account. PersonalManager will initially review the participant's current information (which may be updated automatically from Plan records, provided by the participant, or both) and place the participant's account into a portfolio model as determined by Advice Access. Periodically, PersonalManager will review any participant information subsequently provided and, if applicable, reallocate the participant's account. PersonalManager will also periodically rebalance the participant's account if applicable. In addition, PersonalManager may automatically make changes to a participant's investments and asset allocations based on changes to the Advice Access portfolio models. Participants can discontinue PersonalManager at any time. For participants who separate from service with their Employer, please reference the "Separation from Service" section below for information on your ability to continue to use Personal Manager.

#### **PersonalManager as the Plan's Default Investment**

An Employer can select PersonalManager as the default investment for Plan participants who have not selected their own investments. As new contributions are received, participants will automatically be "defaulted" into PersonalManager and both their existing assets and future contributions will be invested according to the PersonalManager recommendations. Participants can affirmatively elect to discontinue PersonalManager at any time. Advice Access will use relevant Plan participant data, including current annual compensation and other indicative data that is supplied directly by the Employer and account information to deliver the PersonalManager features, including recommendations that will be automatically implemented. If the Employer fails to provide the necessary compensation and indicative data, the participant will not be enrolled in PersonalManager; instead, the participant's investments will be invested in a cash equivalent fund until such time as the necessary data is received. For participants who separate from service with their Employer, please reference the "Separation from Service" section below for information on your ability to continue to use Personal Manager.

**Separation from Service**

If a participant is: (1) enrolled in PersonalManager, (2) subsequently separates from service from the Employer, and (3) has an account balance greater than \$25.00, that participant will need to contact us and update his or her personal profile information, current employment status and annual income amount in order to continue to receive a personalized investment allocation from PersonalManager. If the participant does not provide us with updated employment and income information, PersonalManager will no longer be able to provide the participant a personalized investment allocation. In such cases, Advice Access will continue to rebalance the participant's account on a quarterly basis to the last portfolio model allocation that was recommended to the participant prior to his or her separation from service. Advice Access will continue to rebalance the participant's account for the four scheduled quarterly rebalances following his or her date of termination or until the participant updates their personal profile information. If the participant updates his or her profile information, PersonalManager will resume managing the participant's account by considering their entire profile. If the participant has not provided updated information by the fifth quarterly rebalance, Advice Access will reallocate the participant's account balances into a diversified portfolio that is chosen based only on his or her current age and expected retirement date. The portfolio will consist of a pre-determined asset allocation strategy that will be adjusted as the participant ages. Participants can contact us at any time or review their statements to see the specific investment options that are included in their portfolio.

If a participant is: (1) enrolled in PersonalManager or Portfolio Rebalancing (discussed below), (2) subsequently separates from service from the Employer sponsoring the covered plan, and (3) has an account balance less than \$25.01, he or she will no longer be enrolled in Advice Access and his or her accounts will no longer be reallocated or rebalanced.

**Portfolio Rebalancing**

Under this option, participants can:

- Implement the specific asset allocation and investment recommendations provided by Advice Access with respect to their account;
- Implement asset allocation and investment selections they have constructed through the "Create Your Own Strategy" feature of Advice Access; or
- Be placed in this option as described below if an Employer adopting Advice Access chooses to discontinue the offering of GoalManager®, a Merrill Lynch portfolio rebalancing product unrelated to Advice Access.

(1) Participants can use the Portfolio Rebalancing option to implement the specific asset allocation and investment recommendations provided by Advice Access with respect to their account. Future contributions will also be allocated to the investments according to the initial investment recommendations, using the allocation percentages Advice Access recommends. Approximately every 90 days from the anniversary of a participant's birth date and every 90 days thereafter, the investments in the participant's account will be rebalanced. However, participant investments and asset allocations will not be automatically reallocated to reflect any changes in participant data or any revised recommendations resulting from changes in the Advice Access portfolio model. Neither Merrill Lynch nor the Financial Expert shall have any ongoing fiduciary or other responsibility for asset allocations and investments after the initial recommendation has been provided by Advice Access.

Like the discretionary investment management services provided under PersonalManager, when electing Portfolio Rebalancing, the participant's account is automatically rebalanced to the selected portfolio model



every quarter. However, unlike PersonalManager, there will be no automatic, periodic review and updating of the participant's information or reallocation into a different portfolio model based upon new information. The participant will need to revisit Advice Access periodically to determine whether the last portfolio model recommended by Advice Access remains appropriate based upon current information. Participants can discontinue Portfolio Rebalancing at any time and elect another implementation option.

(2) Participants can also use the Portfolio Rebalancing option to implement asset allocation and investment selections they have constructed through the "Create Your Own Strategy" feature of Advice Access, and which have not been provided by Advice Access, and to elect ongoing periodic rebalancing using their selections. Neither Merrill Lynch nor the Financial Expert shall have any fiduciary or other responsibility for asset allocations and investments participants select that have not been provided by Advice Access.

(3) If an Employer adopting Advice Access chooses to discontinue the offering of GoalManager, the participants who do not discontinue GoalManager on their own volition after receiving advance notice of the elimination of GoalManager will be treated as follows:

Any participant with a 100% investment allocation in a GoalManager portfolio model for both existing funds and future Plan contributions will automatically be transferred out of GoalManager into the underlying funds that make up the GoalManager model. The participant also will be automatically enrolled into Portfolio Rebalancing through the "Create Your Own Strategy" feature of Advice Access. Such participants' assets will be periodically rebalanced according to the requirements of Advice Access Portfolio Rebalancing. Unlike the GoalManager models, participant allocation percentages among the funds will not be subject to modifications by the Employer. As such, neither Merrill Lynch, the Financial Expert, nor the Employer shall have any fiduciary or other responsibility for the asset allocations and investments established through this process. Any participant with an investment allocation in GoalManager for existing funds or future Plan contributions that is less than 100% will automatically be transferred out of GoalManager into the underlying funds that make up the GoalManager model, but they will not be automatically enrolled into the Portfolio Rebalancing option of Advice Access. As such, they will receive no further rebalancing unless they subsequently affirmatively elect to participate in Advice Access.

### **One-Time Implementation**

Under this option, participants can:

- Implement the specific asset allocation and investment recommendations provided by Advice Access with respect to their account; or
- Implement asset allocation and investment selections they have constructed through the "Create Your Own Strategy" feature of Advice Access.

(1) Participants can use the One-Time Implementation option to implement the specific asset allocation and investment recommendations provided by Advice Access with respect to their account. Future contributions will also be allocated to the investments according to the initial investment recommendations, using the allocation percentages Advice Access recommends. However, under this option, the participant's account will neither be automatically reallocated nor rebalanced. That is, there will be no automatic, periodic review and monitoring of the participant's information or reallocation to a different portfolio model based upon new information. There will also not be any automatic, periodic rebalancing of the participant's account to the initial portfolio model implemented by the participant. The participant will need to revisit Advice Access periodically to determine whether the last portfolio model recommended by Advice Access and implemented by the participant remains appropriate based upon current information, and to rebalance the account, if desired.



(2) Participants can also use the One-Time Implementation option to implement asset allocation and investment selections they have constructed through the “Create Your Own Strategy” feature of Advice Access, which have not been provided by Advice Access. Neither Merrill Lynch nor the Financial Expert shall have any fiduciary or other responsibility for asset allocations and investments selected by participants, which are not provided by Advice Access.

#### **Need to Keep Information Current**

The specific portfolio model and advice given to each participant will be selected and made based on individual participant data, as provided by the participant, Employer or record-keeper. Some participants may complete more detailed financial questionnaires that provide more information on which advice will be based. It is important that information relating to each participant’s financial circumstances, including any financial questionnaires that may have been completed by participants and provided to us, be promptly updated.

#### **Other Advisory Services**

In addition to Advice Access, we offer a wide variety of advisory services. These include, but are not limited to, the following: Merrill Lynch Investment Advisory Program, Merrill Lynch Defined Contribution Investment Consulting Services, Merrill Lynch Fiduciary Advisory Services Program, Merrill Lynch Institutional Investment Consulting Program, and Merrill Lynch Strategic Portfolio Advisor® Service. We also offer the following investment advisory services, however, these are generally closed to new enrollments: Merrill Lynch Consults®, Merrill Lynch Personal Investment Advisory® program, Merrill Lynch Personal Advisor® Program, and Merrill Lynch Unified Managed Account. We also offer impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of publications or research. In addition, we offer financial planning services, including (but not limited to) Wealth Management Analysis Report. More information about these programs and services is contained in the applicable Merrill Lynch brochure (or Merrill Lynch Form ADV, Part 2A) and is available upon request or through the SEC’s website at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx). Special arrangements with certain clients to provide particular or unique services for clients of a specific Financial Advisor or branch office may also be established.

#### **WRAP FEE PROGRAMS**

Merrill Lynch does not make Advice Access available through wrap fee programs.

#### **ASSETS UNDER MANAGEMENT**

As of December 29, 2017, Merrill Lynch had assets under management of \$819.82 billion, of which \$259.14 billion was managed on a discretionary basis and \$560.68 billion was managed on a non-discretionary basis. This amount does not include financial planning services.

#### **FEES AND COMPENSATION**

Currently, Merrill Lynch does not charge a fee for Advice Access.

We are responsible for paying the Financial Expert. The total compensation to be paid to the Financial Expert by Merrill Lynch for Advice Access and other services will not exceed 5% of the Financial Expert’s total gross income on an annual basis. The fee paid will not be affected by investments made in accordance with any portfolio model in the service.

#### **OTHER FEES AND EXPENSES**



Apart from the services provided through Advice Access, Plan participants may also use other products or services available from or through us and in such case pay additional compensation. Financial Advisors offering these services receive compensation from us. This practice creates a potential conflict of interest that may give us and our Financial Advisors an incentive to recommend advisory services based on the compensation received, rather than a client's need. Fees and commissions may also be higher for some products or services, and the remuneration and profitability to us and our Financial Advisors resulting from transactions on behalf of or management of certain accounts may be greater than the remuneration and profitability resulting from other advisory accounts, products or services. (See section entitled *Participation or Interest in Client Transactions* for more information about the receipt of compensation for the sale of securities and other investment products.)

We address these conflicts through disclosure in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs, investment products and securities that are suitable for Plan participants based upon their investment objectives, risk tolerance and financial situation and needs. In addition, we have adopted policies and procedures to address the suitability of advisory products offered to clients.

#### **PREPAID FEES**

We do not charge fees for Advice Access.

#### **COMPENSATION FOR THE SALE OF SECURITIES**

We and our employees, including the Plan participant's Financial Advisor, benefit from the compensation paid to us, and may directly or indirectly receive a portion of the fees and other compensation paid by the Employer or the Plan participant in the underlying Plan investments. We and our affiliates may also receive additional compensation as a result of changes to the participant's account holdings and implementation of Advice Access recommendations. However, it is the Financial Expert who retains sole control and discretion for the development and maintenance of the portfolio models. We do not assume responsibility for the participant's decision to modify any of the asset allocation and specific investment recommendations through Advice Access.

#### **USE OF UNAFFILIATED BROKERS**

Advice Access is an investment advisory service designed to recommend to Plan participants an asset allocation and specific investments for their Plan account. The investment advice is based on the menu of investment options available through their Plan. These investment options typically include various mutual funds. Plan participants may be able to purchase the same mutual funds for their non-Plan assets. However, they generally will not be able to purchase Plan investments through other brokers or financial institutions, unless permitted by the Employer.

#### **SOURCES OF REVENUE**

As a broker-dealer, Merrill Lynch offers a wide variety of securities and brokerage services. Our principal sources of income are derived from our business as a broker-dealer. Less than 1% of our revenues are expected to be generated from Advice Access fees on an annual basis.

#### **FEE OFFSET FOR EXECUTION CHARGES**

We do not charge fees for Advice Access.



## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither Merrill Lynch nor our employees receive performance-based fees for the services provided in Advice Access.

## TYPES OF CLIENTS

Advice Access is an investment advisory service for participants in defined contribution plans record-kept by Merrill Lynch. Plan participants' Employer must execute the applicable Advice Access service agreement for participants to receive Advice Access.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Advice Access uses technology provided and maintained by the independent Financial Expert. This technology analyzes historic and current returns, volatility, cross-correlations and uses "Monte Carlo simulations," among other techniques, to develop individualized recommendations. The technology also uses historic pricing data for mutual funds, individual securities and broad asset categories, as well as current market data and information. All calculations and asset allocation, specific investment, contribution rate and retirement age recommendations are created by the Financial Expert's technology and are isolated from the Plan participant's interaction with us. Thus, we cannot change such recommendations or calculations. The Financial Expert provides the following:

### **1. Portfolio Models and Plan Menu Qualification**

The Financial Expert will create portfolio models appropriate for the Plan that will be used by the Advice Access technology. The Financial Expert will first review the menu of investment options selected by each Employer or the Employer's Designee to determine whether the menu is suitable to construct investment specific portfolios to be used by participants for the Advice Access service. These investment options typically include various mutual funds. The Employer or Employer's Designee may need to add additional investments to the Plan's investment menu before appropriate portfolio models can be created. Determination of the appropriateness of the investment menu to support portfolio analysis and recommendations for the Advice Access technology will rest solely with the Financial Expert. The Financial Expert will convey the results of its review to us. If changes are necessary to support portfolio analysis and recommendations, we will, in turn, work with the Employer or Employer's Designee to arrive at a menu of investment options acceptable to the Financial Expert. A Plan fiduciary, rather than Merrill Lynch or the Financial Expert (unless the Financial Expert is separately retained to do so), will determine and be responsible for the prudent selection and monitoring of the investments that will be available under the Plan.

If the Employer or the Employer's Designee elects to add or replace any investment option in the Plan's investment menu, the Financial Expert will review the new investment(s) to determine whether any change needs to be made to the portfolio models. If any change is made to the models to accommodate any new investment(s), only those Plan participants who have PersonalManager will have their accounts automatically reallocated. All other participants' accounts will reflect any investment option replacement, but such participants' accounts will not receive any new reallocation.

### **2. Asset-Class Models and Portfolio Construction**

The Financial Expert shall use the methodology described below to construct asset class-level portfolio models for each Plan. The process can be described in three steps:

1. **Develop Asset Class Inputs:** The Financial Expert identifies an asset class set or sets that includes both equity and non-equity asset classes, chosen to represent a broad range of asset classes that the



Financial Expert deems necessary to construct diversified asset allocation portfolios. Each asset class is assigned an appropriate benchmark. For example, the large-capitalization stock asset class may be represented by the Russell 1000 index. This also applies to specialty “optional” asset classes, such as emerging markets equity, real estate, direct real estate, TIPS, high-yield bonds and foreign bonds.

The Financial Expert uses a proprietary approach to estimate-forward looking capital market assumptions for the different asset classes. These capital market assumptions help inform the Financial Expert’s creation of diversified asset allocation targets. These capital market assumptions are also used to help the Financial Expert create simulated returns for the purpose of forecasting wealth and income distributions and to develop a range of asset allocation models.

- For equity asset classes, return forecasts are based on four key return drivers: 1) Inflation, 2) Total Yield, 3) Growth and 4) Change in Valuation.
- For fixed income asset classes, return forecasts are based on four key return drivers: 1) Inflation, 2) Real Return, 3) Term Spread, and 4) Credit Spread.

The Financial Expert employs a factor model approach to forecasting the expected standard deviation of asset classes. The idea behind this estimation approach is to model each asset class as a combination of components (factors) that explain the systematic variance in that asset class’s returns. These factors are derived from macroeconomic data (e.g., exchange rates and inflation rates) or tradable market factors (e.g., Fama-French size and value factors for domestic equity asset classes, and credit quality and duration for fixed income asset classes). The set of factors chosen to represent each asset class is based on well-established research and statistical verification.

The Financial Expert will develop a simulation file that includes return paths for 100 years for each of the supported asset classes. The Financial Expert will also include “proxy estimates” that can be used to forecast returns for a generic large, small, or mid-cap US equity. These estimates are based on the Financial Expert’s proprietary Time Varying model which is distinguished by a number of factors that are particularly suited to long-term retirement investors.

- First, the Financial Expert assumes that risk, return, and correlations change through time as a function of current and expected future market variables and therefore have some degree of predictability. For example, if interest rates are very low and equity prices are very high, shorter term returns are expected to be relatively low and risk (the probability and magnitude of losing money) higher.
- Second, the Financial Expert assumes that risks and correlations also evolve as a function of time. When asset prices are high, risk is elevated and when inflation uncertainty is high, stocks and bonds tend to be correlated.
- Third, the Financial Expert explicitly forecasts price return and income return. This allows the Financial Expert to incorporate tax impact into forecasts.
- Lastly, the Financial Expert models risk using a “fat-tailed” distribution, which assumes greater downside risk than standard “bell-curve” models and may better represent how asset classes have behaved in the past.



Technically, the forecasts are based on a fixed income and equity term structure model that assumes asset classes (however they are currently priced) move back to a fair value or equilibrium price at a particular rate as a function of current and expected market fundamentals.

2. **Asset Class Models or “Targets”:** The Financial Expert develops a range of asset class models ranging from fixed income centric models to equity centric models. The Financial Expert updates the various asset class models on an annual basis.
3. **Construct Investment Specific Portfolios:** The Financial Expert uses a proprietary tool to determine an appropriate combination of investments (typically funds) to implement the various asset class models or targets. The investment specific portfolios are specific to a given plan line-up of investment options. Part of the tool is an alpha-tracking error optimizer. For a given plan, the Financial Expert analyzes the available investment options forming the necessary inputs for the alpha-tracking optimizer. The inputs are typically updated quarterly. The optimization is then re-run, and thus, the investment specific portfolios are updated.

### **EMPLOYER SECURITIES**

Advice Access technology will recommend that any positions in Employer securities in a participant's account be sold, unless the Employer or participant restricts the sale of all or a part of the Employer securities. Advice Access will consider positions in individual and Employer securities restricted by the Employer or participant for sale when making asset allocation and specific investment recommendations. Merrill Lynch and the Financial Expert do not assume any responsibility, fiduciary or otherwise, for Employer securities held by the participant that are restricted by the Employer or the participant.

### **MATERIAL RISKS FOR SIGNIFICANT INVESTMENT STRATEGIES**

#### **Hypothetical Nature of Forecasts**

Advice Access uses a probabilistic approach to determine the likelihood that Plan participants may be able to achieve their stated goals and/or to identify a range of potential retirement income outcomes that could be realized. Plan participants should carefully review the explanation of the methodology used, including key assumptions and limitations, which is provided herein.

It is important to note that projections or other information shown in Advice Access regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. The projections or other information may vary with each use and over time.

#### **Forecasts Are Based on the Expected Return of Asset Classes, Rather Than Securities**

It is important to recognize that returns from an investment will differ from those of an index. An index is an unmanaged portfolio of specified securities, does not reflect any initial or ongoing expenses, and cannot be invested in directly. In contrast, the investment options made available to the participant are actual investments and have fees and expenses which reduce the overall return of a participant's investments.

Furthermore, the results a participant experiences for his or her portfolio may differ significantly from simulated returns used in the forecasting model since simulated returns are hypothetical.

#### **Methodology of the Analysis and Forecasts**

The validity of the analysis is dependent upon the accuracy and completeness of the information provided by the participant and the participant's Employer. Changes to the information will yield different results.





Participants are responsible for reviewing and updating changes in personal and/or financial information to ensure the recommendations are based on the most current information, including, if they desire, answering an optional risk tolerance questionnaire. A participant is also responsible for implementing any recommended contribution rate outside the Plan that the participant accepts for use in Advice Access.

The analysis will determine the retirement income a participant can achieve, and/or the likelihood of meeting or exceeding the participant's Annual Retirement Income Goal based on the participant's assets and asset allocation, asset class income and capital gains, effective Federal and State income tax rate, contribution rates including pre-tax, after-tax, and Roth after-tax contribution rates, any risk preference provided, and time horizon. The time horizon, unless otherwise specified, begins with the participant's current age and ends with an age based upon the Society of Actuaries' mortality tables.

The analysis takes into account all of the information provided and creates hundreds of possible future scenarios to estimate how the participant's retirement assets might perform under a variety of circumstances, including changes in market conditions, interest rates, and inflation. The forecasted information provided in the "Achievable Retirement Income" represents a projection of the annual dollar amount the Participant could spend each year throughout their retirement phase. The forecasted information provided in the "Likelihood of Achieving Your Goal" represents the percentage of scenarios that resulted in having at least the amount of the Annual Retirement Income Goal throughout the retirement period.

Based on their proposed "Achievable Retirement Income", for retirees and those nearing retirement (defined as within ten years of retirement), Advice Access also provides a "Drawdown Recommendation" which is a recommendation on what sources of income (for example, 401(k) accounts, Social Security, pensions and additional retirement accounts) to draw down during retirement. The Drawdown Recommendation considers the optimal annual drawdown sequence of each source determined by tax-efficiency, meaning it will make a recommendation on how much and when to withdraw funds from certain sources to maximize tax benefits and meet the "Achievable Retirement Income" proposed.

The Drawdown Recommendation may not include all aspects of your personal situation such as plan/account rules, account holdings, investment liquidity and unique personal tax factors. It is not meant to replace the advice of a qualified estate planner/tax advisor. Please review the Drawdown Recommendation carefully for your own suitability.

In addition, Advice Access will make recommendations that are designed to help participants reach at least a 70% likelihood of achieving their Annual Retirement Income Goal. Various influencing factors are put into the analysis to reach this 70% level. The factors considered, are as follows:

- A recommended portfolio model (equities, fixed-income, and cash);
- Increase of contributions in the Plan up to the maximum allowed by the Plan. One of the following types will be recommended (if available in the Plan) unless the participant indicates the specific type they will be using.
  - pre-tax contribution in the Plan up to the maximum allowed by the Plan
  - after-tax contribution in the Plan up to the maximum allowed by the Plan;
  - Roth after-tax contribution in the Plan up to the maximum allowed by the Plan;
- Increase/decrease of after-tax contributions outside of the Plan up to a percent equal to 25% minus the amount saved in the Plan (both pre-tax and after-tax); and
- Delay of the desired retirement age.



In determining the pre-tax, Roth after-tax, and after-tax contribution rates, Advice Access calculates the participant's effective tax rate based on the participant's current salary, tax filing status, and state of residence. Advice Access then determines the estimated effective tax rate in retirement, based on the participant's projected Achievable Retirement Income, tax filing status and state of residence in retirement. If a participant's current effective tax rate is lower than the estimated tax rate in retirement, Advice Access will recommend contributions to Roth after-tax over pre-tax. If the current effective tax rate is greater than the estimated effective tax rate in retirement, Advice Access will recommend pre-tax contributions over Roth after-tax contributions. In the event that a 70% likelihood level is reached without the need for a recommended increase in contributions, Advice Access may still recommend the participant modify their contribution type based on the factors above.

If the participant's current retirement strategy meets the 70% level for achieving their retirement income goal, and the participant is already contributing enough to receive full employer match, Advice Access will not recommend that the participant increase his or her contributions or change his or her assumed retirement age. Advice Access will also consider factors such as a participant's other income sources like pension and Social Security and any assets outside the plan earmarked for retirement. Factors such as other income sources (like pensions or social security) or a concentration in conservative investments outside of the plan may cause the recommendations to be more aggressive. Conversely, low contribution rates or a concentration in aggressive investments outside of the plan may cause the recommendations to be more conservative.

In addition, participants may complete an optional questionnaire to help them assess their personal risk preference for use in Advice Access. Since recommendations are made primarily on the basis of "risk capacity", or the ability of an investor to withstand risk given their financial position, a risk-tolerance questionnaire is not necessary to provide a recommendation. However, an investor may feel more comfortable with a slightly more or slightly less-aggressive portfolio. As such we allow the investor to answer a number of risk preference questions which will mildly increase or decrease the equity allocation with respect to the initial recommendation.

Further, Advice Access recommendations do not consider certain other considerations such as stability of income, level of debt or emergency fund reserves in its recommendations. Participants are strongly advised to consider their personal goals, overall risk tolerance, and retirement horizon before accepting any recommendations made by Advice Access and adjust those investments if they are not comfortable. Participants are also cautioned, however, that reducing the level of investment risk in their portfolio may decrease the likelihood of achieving their retirement income goals.

It is important for the participant to understand that it is his or her responsibility to determine if and how the recommendations made by Advice Access should be implemented.

While Advice Access takes into account all assets that a Plan participant provides in determining an asset allocation recommendation, advice is not given concerning how to structure his or her overall retirement portfolio (assets held outside of his or her plan account are not considered in Advice Access or PersonalManager). This recommendation is based upon your effective tax rates in retirement which may, or may not be affected by outside income or your resident state. This assumption is assuming the tax rate may be lower/higher in retirement. Advice Access only provides advice on how to allocate assets within the Plan. Plan participants may wish to consult with a Merrill Lynch Financial Advisor to discuss how assets outside of the Plan can be allocated to best meet total retirement goals.

If a Plan Participant is retired or terminated from his or her Employer sponsoring the Plan, he or she should note that not all of the elements listed above (such as pre-tax contribution rates, after-tax rate, and retirement age) will be used in the calculations, or in the recommendations provided by Advice Access. For



example, Advice Access will not provide retired or terminated participants with any Plan contribution rate recommendations, and those current rates will assumed to be zero.

### **Estimated Tax Assumptions**

Advice Access provides an estimate of your federal, state income, and capital gains taxes based on marginal tax rate calculations throughout all simulations. Tax data is updated annually based on Internal Revenue Code and applicable state tax data. Advice Access uses income data for you and your spouse (if applicable) to estimate federal and state tax exposure. Your tax exposure is appropriately reduced for pre-tax deferrals, tax-deferred capital gains and yield and distribution of Roth proceeds. Advice Access is able to estimate your tax exposure, but it will not account for all your tax filing details, including any additional income streams the participant has but has not entered into Advice Access via the Retirement Income section of the profile. Please consult a tax advisor for a complete understanding of your tax situation.

### **MATERIAL RISKS FOR PARTICULAR TYPES OF SECURITIES**

The Financial Expert will create portfolio models appropriate for the Plan and participants that will be used by the Advice Access technology. The portfolio models will be based on the menu of investment options selected by each Employer or Employer's Designee. These investment options typically include various mutual funds. Information about the risks associated with each mutual fund is available in the relevant prospectus or other disclosure document for each mutual fund.

The types of securities used by the Advice Access technology are determined by the Employer or the Employer's Designee and the portfolio models are constructed by the Financial Expert. Merrill Lynch does not recommend specific investments for the Plan's investment menu through Advice Access.

### **DISCIPLINARY INFORMATION**

The following is a summary of certain adverse legal and disciplinary events and regulatory settlements that may be material to your decision of whether to retain us for your investment advisory needs. Certain disclosures below relate to disciplinary events that occurred with predecessor firms, Banc of America Investment Services, Inc. ("BAI") and Banc of America Securities LLC ("BAS"), which merged with MLPF&S in the 2009-2010 time period. You can find additional information regarding these settlements in Part 1 of Merrill Lynch's Form ADV at: [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).

On June 16, 2014, MLPF&S, without admitting or denying the findings, entered into a FINRA settlement relating to its failure to have an adequate supervisory system to ensure that certain clients received sales charge waivers for purchases of certain mutual funds' Class A shares which affected certain retirement accounts and certain clients with a particular type of brokerage account. This settlement resulted from MLPF&S self-identifying certain of these issues. MLPF&S consented to the imposition of a censure and a fine of \$8 million and agreed to provide additional reimbursement to the agreed upon impacted clients and has reimbursed all such impacted clients.

On June 21, 2012, MLPF&S, without admitting or denying the findings, entered into a FINRA settlement related to the following: (1) failure to have an adequate supervisory system around billing processes for certain investment advisory programs and, as a result, overcharging certain client accounts during the 2003-2011 time period (client accounts impacted were less than 5% of its total advisory accounts and the aggregate fee overcharge amount was less than 1/2 of 1% (approximately \$32 million) of the total advisory fees billed during that period); (2) failure to send contemporaneous or periodic trade confirmations to certain client accounts for ten investment advisory programs; (3) having inaccurate or incomplete trade confirmations for certain mutual fund transactions by failing to state trade capacity (agent or a principal) on trade confirmations and account statements; (4) failure to deliver (directly or through a vendor) proxy



materials to certain clients or to their designated investment advisers and failure to have an adequate supervisory system to detect this failure (clients impacted constituted less than 1% of its clients during the relevant period); and (5) failure to send margin risk disclosure statements and/or business continuity plans to certain clients upon the opening of their accounts (clients impacted were less than 1% of its clients during the relevant period). In determining the appropriate sanctions, FINRA considered MLPF&S' internal review through which it identified the violations, the remedial measures that it took to correct its systems and procedures, and its efforts to provide remediation to affected clients. MLPF&S consented to the imposition of a censure and a fine of \$2.8 million. All overcharged accounts were reimbursed.

On October 4, 2011, MLPF&S entered into a consent agreement with FINRA regarding its alleged failure to have a supervisory system to ensure that all accounts in which an employee either had a financial interest or over which the employee had control were monitored and reviewed for potential misconduct. In addition, FINRA found that MLPF&S failed to establish, maintain and enforce written procedures to adequately supervise a registered representative who was subsequently found to have used a business account at the firm to implement a fraudulent scheme. Without admitting or denying the findings, MLPF&S consented to the entry of findings, a censure, and a fine of \$1 million.

On June 6, 2009, BAI and BAS, two of our predecessor firms, were enjoined by the United States District Court for the Southern District of New York from violating, directly or indirectly, Section 15(c) of the Exchange Act. The injunction was the result of an SEC complaint alleging that BAI and BAS had violated Section 15(c) of the Exchange Act by allegedly misleading customers about the nature and risks associated with auction rate securities ("ARS"). Without admitting or denying the allegations, BAI and BAS entered into a consent decree and agreed to a series of undertakings designed to provide relief to certain individual investors. On January 10, 2012, MLPF&S agreed to settlements with the Illinois Securities Department (for alleged activities of BAS and BAI, its predecessors by merger) and the North Carolina Department of the Secretary of State, Securities Division (for ARS activities of MLPF&S) involving the marketing and sale of ARS. In both actions, it was alleged that the inappropriate marketing and sales of ARS occurred without adequately informing certain customers of the increased risks of illiquidity associated with ARS that constituted an occurrence of dishonest and unethical practices in the offer and sale of securities and failure to supervise. In the Illinois action, MLPF&S agreed, among other things, to repurchase at par certain illiquid ARS and to pay a total fine of \$1,578,321 to the State of Illinois out of a total civil penalty of \$50 million that was to be distributed among the other state regulator parties to an ARS-related consent order. With respect to the North Carolina action, MLPF&S agreed, among other things, to repurchase at par certain illiquid ARS held by certain of its clients and to pay a total fine of \$3,193,552 to the North Carolina regulator representing its portion of a total civil penalty of \$125 million that was to be distributed among the other state regulator parties to an ARS-related consent order.

On March 11, 2009, the SEC issued an order against MLPF&S alleging that from 2002 to 2004, several of its financial advisors permitted day traders to hear confidential information regarding MLPF&S institutional customers' unexecuted orders as they were transmitted over the internal squawk box system. According to the SEC, MLPF&S lacked written policies or procedures to limit access to the equity squawk box, to track which employees had access to the equity squawk box or to monitor employees' use of the equity squawk box in violation of Section 15(f) of the Exchange Act and Section 204A of the Advisers Act. Without admitting or denying the SEC's findings, MLPF&S consented to the entry of a cease and desist order as to violations of these provisions, a censure and the payment of a \$7 million civil money penalty. It was obligated to comply with certain undertakings regarding the enhancement of certain policies and procedures.

On January 30, 2009, the SEC issued an order against MLPF&S regarding the Merrill Lynch Consulting Services program and the offering of those services through a Florida branch office for a period of several



years concluding in 2005. The Order found that material misrepresentations had been made and certain conflicts of interest not disclosed, and that MLPF&S had not maintained adequate records or reasonably supervised certain Florida investment advisory representatives. Without admitting or denying the non-jurisdictional findings, MLPF&S consented to a censure, to cease and desist from violations of sections 204 and 206(2) of the Advisers Act and its Rule 204-2(a)(14), and a fine of \$1 million. In accepting the settlement, the SEC noted the voluntary and significant remedial acts promptly undertaken by MLPF&S.

On May 1, 2008, BAI, one of our predecessor firms, and Columbia Management Advisors, LLC, an Affiliate of BAI at the time ("Columbia"), without admitting or denying the findings, consented to an SEC administrative order relating to (1) BAI's alleged failure to disclose to clients that in selecting investments for discretionary mutual fund wrap fee accounts, it favored two mutual funds managed by Columbia and (2) Columbia's allegedly willful acts to aid and abet and cause such acts. BAI and Columbia consented to a censure and to cease and desist from committing or causing violations and future violations of Sections 17(a) (2) and 17(a) (3) of the Securities Act, Sections 206(2), 206(4) and 207 of the Advisers Act and Advisers Act Rule 206(4)-1(a) (5). In addition, BAI was ordered to pay an aggregate amount of \$793,773 to certain entities specified in the Order and penalty of \$2 million to the SEC. Columbia was ordered to pay an aggregate amount of \$516,382 to certain entities specified in the Order, and a fine of \$1 million. BAI also agreed to certain undertakings contained within the Order.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Merrill Lynch, an indirect wholly-owned subsidiary of Bank of America, is a leading global investment banking firm and a registered broker-dealer, investment adviser and futures commission merchant. In the United States, Merrill Lynch acts as a broker (i.e., agent) for corporate, institutional and governmental and private clients and as a dealer (i.e., principal) in the purchase and sale of corporate securities, primarily equity and debt securities traded on exchanges or in the over-the-counter markets. Merrill Lynch also acts as a broker and/or a dealer in the purchase and sale of mutual funds, money market instruments, government securities, high-yield bonds, municipal securities, financial futures contracts, and options. The futures business and foreign exchange activities are conducted through Merrill Lynch and other affiliates. Merrill Lynch operates the firm's U.S. retail branch system, and also provides financing to clients, including margin lending and other extensions of credit as well as a wide variety of financial services, such as securities clearing, retirement services, and custodial services. In July 2015, Bank of America, announced a decision to separate the retail and institutional broker-dealer activities currently operating through Merrill Lynch into two distinct legal entities. Retail customers will continue to be serviced through Merrill Lynch, while institutional clients currently transacting through Merrill Lynch will move to a new broker-dealer entity, BofAML Securities, Inc., which is also a wholly-owned indirect subsidiary of Bank of America. This separation and migration of institutional broker-dealer activities to BofAML Securities, Inc. is subject to regulatory approvals and is intended to conclude in 2018.

As a registered investment adviser, Merrill Lynch completes a Form ADV, which contains additional information about itself, Bank of America and their affiliates. Information is available through publicly available filings at the SEC or at [http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd\\_Search.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx).

For purposes of Form ADV Part 2, certain Merrill Lynch management persons are registered as registered representatives or associated persons of Merrill Lynch. In the future, additional Merrill Lynch personnel may be considered management persons and, as such, may be registered, or have applications pending to register, as registered representatives and associated persons of Merrill Lynch to the extent necessary or appropriate to perform their job responsibilities.



Bank of America, through its subsidiaries and affiliates, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. These products and services include securities brokerage, trading and underwriting; investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities; wealth management products and services including financial, retirement and generational planning; asset management and investment advisory and related record-keeping services; origination, brokerage, dealer and related activities in swaps, options, forwards, exchange-traded futures, other derivatives, commodities and foreign exchange products; securities clearance, settlement financing services and prime brokerage; private equity and other principal investing activities; proprietary trading of securities, derivatives and loans; banking, trust and lending services, including deposit-taking, consumer and commercial lending, including mortgage loans, and related services; insurance and annuities sales and research across the following disciplines: global equity strategy and economics, global fixed-income and equity-linked research, global fundamental equity research, and global wealth management strategy. Bank of America is subject to the reporting requirements of the Exchange Act and additional information about Bank of America can be found in publicly available filings with the SEC.

We address these conflicts through disclosure in this Brochure. Moreover, our Financial Advisors are required to recommend investment advisory programs, investment products and securities that are suitable for Plan participants based upon their investment objectives, risk tolerance and financial situation and needs. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest – both those arising between and among Plan participant accounts as well as between Plan participant accounts and our business.

#### **RECEIPT OF COMPENSATION FROM INVESTMENT ADVISERS**

We selected an independent Financial Expert to avoid potential conflicts of interest. The Financial Expert has not been, and will not be, involved in any other relationship with us that would compromise the Financial Expert's independence. We may replace the Financial Expert in our sole discretion and will provide notification to the Plan participant's Employer.

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### **CONFLICTS OF INTEREST AND INFORMATION WALLS**

Merrill Lynch is an indirect wholly-owned subsidiary of Bank of America. Bank of America engages in a wide range of activities and businesses across a broad spectrum of clients. As a result, we recognize actual, potential and perceived conflicts of interest may develop in the normal course of operations in various parts of the Bank of America organization. To address these potential conflicts, information walls are in place to allow multiple businesses to engage with the same or related clients at the same time while mitigating the conflicts which may arise from such a situation. For example, information walls prevent the unauthorized disclosure of material nonpublic information and allow public side sales, trading and research activities to continue while other businesses within Bank of America possess material nonpublic information. Additionally, Bank of America maintains a Code of Ethics which provides guidelines for the business practices and personal conduct all associates and board members are expected to adopt and uphold.

Managing conflicts of interest is an integral part of Bank of America's risk management process. We believe that no organization can totally eliminate conflicts that exist explicitly or implicitly. Bank of America, including Bank of America Merrill Lynch's investment advisory business, evaluates its business activities and the actual and possible conflicts that may emerge from its activities on an ongoing basis. To



the extent that existing or new business activities raise an actual conflict of interest, or even the appearance of a conflict, we endeavor to provide you with full and clear disclosure or to take action to avoid them.

### **CODE OF ETHICS**

We have adopted an Investment Adviser Code of Ethics (the “Code of Ethics”) covering our personnel who are involved in the operation and offering of investment advisory services. The Code of Ethics is based on the principle that clients’ interests come first, and requires employees to meet the high standards that we follow in conducting our business with integrity and professionalism. The Code of Ethics covers such topics as the:

- Requirement that all employees comply with all applicable securities and related laws and regulations;
- Reporting and clearance of employee personal trading;
- Prevention of misuse of material nonpublic information; and
- Obligation to report possible violations of the Code of Ethics to management or other appropriate personnel.

All covered personnel must certify to receipt of the Code of Ethics. We will provide a copy of the Code of Ethics to any Employer or Plan participant upon request.

We also have imposed policy restrictions on all personnel regarding transactions for their own accounts and accounts over which they have control or a beneficial interest. In addition, we have special policies requiring that certain personnel obtain specific approval of their securities transactions and have implemented procedures for monitoring these transactions as well as those of all employees.

### **Privacy/Data Protection**

We will not disclose to the Employer, or any other person, any “personal information” obtained directly from any Plan participant. Personal information includes any information that can specifically identify an individual, such as name, address, social security number, etc. Personal information does not include information about any Plan participant that the Employer already knows or is entitled to know in connection with the administration of the Plan.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

In the United States, Merrill Lynch acts as a broker (i.e., agent) for corporate, institutional and governmental and private clients and as a dealer (i.e., principal) in the purchase and sale of corporate securities, primarily equity and debt securities traded on exchanges or in the over-the-counter markets. We also act as a broker and/or dealer in the purchase and sale of mutual funds, money market instruments, government securities, high-yield bonds, municipal securities, financial futures contracts and options. We and other affiliates also conduct the futures business and foreign exchange activities. We operate the firm’s U.S. retail branch system, and also provide financing to clients, including margin lending and other extensions of credit as well as a wide variety of financial services, such as securities clearing, retirement services and custodial services. As a result of the involvement in multiple business activities, we and our employees may have interests unrelated to those who are Advice Access clients, which may give rise to potential conflicts of interest, including those discussed below. This discussion does not seek to identify all actual or potential conflicts. Information about certain additional conflicts is described throughout this



Brochure and in many of the contracts and offering documents that govern the specific products and services we offer.

Investment options made available to participants through a Plan may include mutual funds or products from which Merrill Lynch or our affiliates receive fees or compensation in addition to the fees for this service described above. This additional revenue can be in the form of sub-accounting or processing fees (fees for transaction and account processing functions), service fees, and distribution fees. Advice Access will likely recommend changes to Plan participants' account holdings and any implementation of these recommendations will result in transactions in participants' accounts and may result in additional revenue to us and our affiliates. Similarly, investment options made available to participants may change. To the extent that we provide Employers with information about existing or substitute investments, we may provide information regarding mutual funds and other investments, from which Merrill Lynch or our affiliates may receive these additional forms of revenue. However, any decision to change or substitute Plan investment options will be made by each Employer or Employer's Designee, rather than us or any of our affiliates.

As a broker-dealer effecting transactions as part of the program, we or an affiliate may act as agent or as principal for our own account, as permitted by applicable law. Similarly, we or an affiliate may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction. In addition, we or our affiliates may have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of our business as a broker-dealer. We and/or our affiliates may profit from these positions or transactions in securities.

We, through our Financial Advisors, may suggest or recommend that Advice Access participants also use Merrill Lynch securities accounts, execution and custody or other services, or such services of an affiliate in connection with their non-Plan assets. Similarly, Financial Advisors, who also handle participants' securities accounts, may suggest or recommend that participants purchase our products or products of an affiliate. Where Merrill Lynch's or our affiliate's services are used or products are purchased by participants for their non-Plan assets, we and our affiliates will receive fees and compensation. Financial Advisors may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services. Compensation received in connection with participants' purchase or sale of stocks, bonds, mutual funds, other securities or insurance products through us or our affiliates may include commissions, spreads, markups and markdowns, and distribution or other fees. We will also benefit from the possession or use of free credit balances in participants' accounts, subject to the restrictions imposed by Rule 15c3-3 under the Exchange Act.

With respect to participants' non-Plan assets, we, acting in our broker-dealer capacity, may recommend that participants invest in a variety of limited partnerships, investment vehicles such as hedge funds and other investment funds, for which certain of our affiliates may act as general partners or managing members. The investments of the limited partnerships and other entities may vary but include, without limitation, real estate, futures, hedge funds and other alternative investments.

#### **INVESTMENTS IN SECURITIES BY MERRILL LYNCH AND OUR PERSONNEL**

Merrill Lynch provides a variety of advisory and brokerage services to others and these services may involve Merrill Lynch recommending a transaction in securities that are investment options selected by an Employer. From time to time in the course of those duties, confidential information may be acquired that cannot be divulged or acted upon for advisory or other clients. Similarly, recommendations made in other services or programs may be contrary to the recommendations to participants using these services. For example, Merrill Lynch may recommend that an investment advisory client in another program buy shares





of a particular mutual fund and at the same time replace those shares with shares of other investment options in a participant's account.

We or our affiliates may have investment banking or other relationships with certain publicly traded companies; these relationships may from time to time compel us to forego trading in the securities of these companies. In the course of investment banking and other activities, our affiliates may acquire confidential or material nonpublic information that may prevent us or our affiliates, for a period of time, from purchasing or selling particular securities for your account. We and our affiliates are not permitted to divulge or to act upon this information with respect to our advisory or brokerage activities.

We or our affiliates may have a position in or enter into "proprietary" transactions in securities purchased or sold for clients. We or our affiliates may benefit from such securities positions or transactions.

We address these conflicts through disclosure in this Brochure.

## **BROKERAGE PRACTICES**

Transactions in connection with Advice Access are effected by Merrill Lynch or an affiliate. The Employer has authorized us as agent to use our (or an affiliate's) own execution services to purchase, exchange and redeem fund shares and other investment options available under the Plan and to take any other necessary action relating to transactions in Plan participant accounts, including the completion and settlement of transactions.

Mutual fund orders may be combined with other mutual fund purchases and sales across our platform for purposes of submitting consolidated purchase or redemption requests to the relevant transfer agent for each fund. We purchase and redeem all fund shares for the program account at net asset value without the imposition of any front-end or contingent deferred sales charges.

## **REVIEW OF ACCOUNTS**

### **ONGOING MONITORING OF PORTFOLIO MODELS**

The Financial Expert works to keep the participants' strategic targets on track by monitoring the portfolio allocations for manager style drift, addressing portfolio re-balancing issues, and reviewing strategic asset allocations. The Financial Expert will review the asset-level portfolio models annually and the underlying investment allocations quarterly. The Employer or the Employer's Designee must approve and implement any recommended changes within the time-frame established by the Financial Expert to continue to receive Advice Access. The Financial Expert will also update capital market assumptions periodically and will adjust asset class targets at the Plan level. Merrill Lynch reviews the changes to determine reasonability but does not make any changes to the adjustments.

Appropriate testing must occur to ensure the accuracy of the model code implemented in production for each application environment. Model software must be subject to documented change control procedures, so that developers and users do not have the ability to change code without appropriate review, audit trails and validation, where required. A documented log of all model changes must be maintained, so that the cumulative effect of incremental changes that might point to a significant overall impact can be observed and appropriately controlled as required by this Policy. Model change logs must include changes to the choice / version / configuration of models in production systems. Operational procedures must be developed to ensure the production implementation of the model is appropriate, well controlled and produces accurate model results. User access to relevant systems must be reviewed periodically in accordance with Merrill Lynch policy to ensure users do not have entitlements incompatible with their job responsibilities.



A set of criteria is used by the Financial Expert to evaluate the Plan's investments used in the portfolios on an ongoing basis. The criteria are applied to each of these investments quarterly. If this process shows that investments have drifted in investment style, then the Financial Expert will adjust the investment allocations appropriately. If the Financial Expert determines that the investment no longer meets the objectives of one or more of the portfolios, the Financial Expert will notify Merrill Lynch to request from the Employer an appropriate replacement investment from the Employer or the Employer's Designee. The Employer or the Employer's Designee must implement suggested changes to the investment menu to continue to receive Advice Access. As noted above, the Employer or the Employer's Designee will determine and be responsible for the appropriateness of the investments available under the Plan.

### **PERSONALMANAGER**

Approximately every 90 days, PersonalManager will review the Plan participants' profile information as well as changes to the Advice Access model to determine if their investments and asset allocation percentages need to be modified. If so, reallocation and rebalancing modifications will be automatically implemented. If an Employer makes changes to the Plan's investment menu, PersonalManager will automatically rebalance the participants' account.

If a Plan participant makes changes to his/her personal profile information, the Plan participant has the option to either have PersonalManager automatically generate new recommendations if there is a need to do so, or wait for the next quarterly assessment for the reallocation and rebalancing.

### **CLIENT REPORTS**

Participants receive written participant quarterly benefit statements.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

Not applicable.

### **CUSTODY**

Plan assets for which Merrill Lynch serves as record-keeper generally are custodied with BANA as Trustee and held with Merrill Lynch; please refer to the applicable documentation for information regarding Merrill Lynch's responsibilities as a custodian. However, Employers may also enter into separate custody agreements to hold Plan participant funds and securities with other qualified custodians that are not affiliated with Merrill Lynch. Any such separate agreement with an unaffiliated custodian may contain authorizations for transferring assets that are broader than those granted to us in agreements in connection with the Advice Access services and the unaffiliated custodian's monitoring, if any, of assets held with it is governed by that separate agreement. It is important to note that our rights to transfer Plan assets held with an unaffiliated custodian are limited to only those authorities granted to us in agreements in connection with the Advice Access services, regardless of any separate agreement an Employer or Plan participant may enter into with an unrelated custodian and we disclaim any broader rights conferred to us in that separate agreement.

In our capacity as record-keeper and, as holder of assets (as applicable), Merrill Lynch provides Plan participants with written participant quarterly benefit statements. Plan participants should review their statements carefully. To the extent you receive account statements from other qualified custodians, please compare the account statements you receive from the qualified custodian with those you receive from us.

### **INVESTMENT DISCRETION**



Plan participants may use the discretionary investment management feature of Advice Access, PersonalManager, to implement the specific asset allocation and investment recommendations provided by Advice Access with respect to their Plan accounts.

#### **VOTING CLIENT SECURITIES**

Merrill Lynch does not accept authority to vote client securities held in the participant's Plan accounts enrolled in Advice Access. Depending on the terms of the Employer's Plan document and its related trust, either the Plan fiduciary may vote proxies relating to securities in the participant's Plan accounts or the proxies may be passed through to the Plan participant to vote the proxies. Merrill Lynch does not provide advice with respect to a particular proxy solicitation.

Merrill Lynch will not render any advice or take any action with respect to securities or other property currently or formerly held in Plan accounts that become the subject of any legal proceedings, including bankruptcies and class actions.

#### **FINANCIAL INFORMATION**

Not applicable.



## GLOSSARY

“Advice Access Agreement” means the agreement between Plan participants’ Employer and Merrill Lynch, as it may be amended from time to time.

“Advisers Act” means the Investment Advisers Act of 1940, as amended.

“Annual Retirement Income Goal” means a participant’s annual after-tax retirement income goal, which Advice Access assumes to be 90% of the participant’s current pre-retirement after-tax income increased for inflation during retirement, unless the participant provides an alternate amount.

“AWC” means a FINRA Letter of Acceptance, Waiver and Consent.

“Bank of America” means Bank of America Corporation.

“Benefits OnLine” means the internet website provided by Merrill Lynch to an Employer and their Plan participants as part of the record-keeping services Merrill Lynch provides to an Employer’s Plan.

“Brochure” means the Merrill Lynch program brochure relating to Advice Access, as amended or updated from time to time.

“Code of Ethics” means Merrill Lynch’s Investment Adviser Code of Ethics.

“Employer” means the employer sponsoring the Plan.

“Employer’s Designee” means an Employer’s designee whom is not Merrill Lynch or its affiliates.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Financial Advisor” means a Merrill Lynch Financial Advisor.

“Financial Expert” means the financial expert, appointed by Merrill Lynch that is responsible for constructing strategic asset class level portfolio models in Advice Access.

“FINRA” means the Financial Industry Regulatory Authority, Inc.

“GoalManager®” means a portfolio rebalancing service unrelated to Advice Access that Merrill Lynch offers to Plan participants.

“Investment Company Act” means the Investment Company Act of 1940, as amended.

“IRS” means the Internal Revenue Service.

“Merrill Lynch,” “we” or “us” means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

“PersonalManager®” means the discretionary investment management feature of Advice Access.

“Plan” means the defined contribution plan sponsored by the participant’s Employer.

“Portfolio Rebalancing” means a service in which Plan participants may enroll to implement asset allocation and investment recommendations or selections.

“Reallocation” means the automatic placement of a participant’s account into a different portfolio model by PersonalManager, if applicable, after review of the participant’s information and the specific investment allocation percentages that comprise the portfolio model.

“Rebalancing” means the periodic rebalancing of the participant’s account by PersonalManager to the participant’s current asset allocation to adjust for investment gains and losses across the asset classes.

“SEC” means the U.S. Securities and Exchange Commission.



“Securities Act” means the Securities Act of 1933, as amended.

“Service Representative” means a Retirement & Benefits Contact Center Representative at a designated Merrill Lynch call center to which Plan participants will have access.

Unless otherwise noted, registered service marks and service marks are the property of Bank of America Corporation.  
© 2018 Merrill Lynch, Pierce, Fenner & Smith Incorporated  
Printed in the U.S.A.