

**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Voya Financial Advisors, Inc. ("VFA" or "Firm"). If you have any questions about the contents of this brochure, please contact us at 800-356-2906 or email at [voyafacompliance@voya.com](mailto:voyafacompliance@voya.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities body or regulatory authority.

Additional information about VFA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. VFA's CRD number is 2882.

## **Item 2     Material Changes**

The following summarizes the material changes made to VFA's brochures since March 30, 2020:

### **1) Item 4 – Advisory Business**

Item 4 has been updated to include information concerning the ability of VFA, through its IARs, to exercise discretion to execute transactions in an Adviser Sleeve, and move amongst unaffiliated IIS Sleeves in the UMA Program if such discretion is authorized by the client.

Item 4 has been updated to disclose that, in limited circumstances and subject to the VFA's approval, VFA, through its IAR, can provide ERISA fiduciary services pursuant to ERISA Rule 3(38) in VFA's EPIC program.

Item 4 has been updated to disclose the inclusion of consulting services into VFA's financial planning program, and the reorganization of the services offered under VFA's financial planning and consulting services.

Item 4 has also been updated to reflect VFA's amount of managed assets as of February 28, 2021.

### **2) Item 5 – Fees and Compensation**

Item 5 has been updated to revise information regarding VFA's approach to addressing conflicts of interest regarding investment products issued by affiliates.

Item 5 has been updated to disclose that certain supervisors of investment adviser representatives receive an increased payout percentage on products that they or their supervised persons sell that are issued by Voya affiliates, Venerable Insurance and Annuity Company, and for financial advice programs on VFA's advisory platform and the conflicts of interest associated therewith.

Item 5 has been updated to clarify that Preferred Program clients are assessed \$7 per transaction for listed equity, OTC equity, and ETF transactions for totaling 5,099 shares.

Item 5 has been updated to disclose that certain miscellaneous fees are lower for clients who have provided VFA and its IAR discretionary authority in the UMA Program to manage and Adviser Sleeve and move amongst unaffiliated IIS Sleeves without the client's prior consent.

Item 5 has been updated to clarify that Pershing LLC is responsible for the assessment of a \$10.00 ticket charge for certain fund families.

Item 5 has been updated to disclose that Pershing charges a \$5.00, rather than a \$10.00 ticket charge for Dimensional Fund Advisors.

Item 5 has also been updated to clarify that fees can be assessed for financial planning or consulting services under VFA's financial planning program.

### **3) Item 9 – Disciplinary Information**

Item 9 has been updated to remove a regulatory action which occurred more than ten years prior to the date of this Brochure.

Item 9 has been updated to disclose that The U.S. Securities and Exchange Commission (the "SEC") accepted Voya Financial Advisors, Inc.'s offer of settlement regarding its failure to disclose conflicts of interest associated with (a) the Firm's mutual fund share class selection practices and the financial benefits it received for advising clients to purchase and hold mutual fund share classes that charged fees pursuant to Investment Company Act Rule 12b-1; (b) the Firm's receipt of compensation in connection with certain cash sweep options; and (c) the Firm's policy requiring advisory clients to pay an upfront brokerage commission when purchasing illiquid alternative investment products when the same investment was available to advisory clients with the brokerage commissions waived. The SEC found that, as a result of this conduct, the Firm violated Sections 206(2) and 206(4) of the Investment Advisers Act and Rule 206(4)-7 thereunder. Without admitting or denying the SEC's findings, and solely for the purpose of

settling this proceeding, the Firm consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings (the “Order”), a censure, to pay to affected investors disgorgement of \$11,547,820 and prejudgment interest of \$2,371,335, and to pay a \$9 million civil monetary penalty. VFA also agreed to comply with related undertakings.

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

Item 10 has been updated to disclose that, through an agreement between VFA and Voya Investment Management, Voya Investment Management provides asset allocation models to VFA IARs free of charge and the conflicts of interest associated therewith.

Item 10 has been updated to remove Security Life of Denver as an affiliated insurance company of VFA.

Item 10 has been updated to disclose certain compensation arrangements offered by Voya Retirement Insurance and Annuity Company to financial advisors that service tax exempt retirement plan business, and the conflicts of interest associated therewith.

#### **5) Item 12 – Brokerage Practices**

Item 12 has been updated to disclose that Pershing LLC provides VFA with \$2.50 of every mutual fund only IRA maintenance fee for IRAs opened on the Pershing platform and the conflicts of interest associated therewith.

Item 12 has been updated to disclose that Pershing excludes from its asset-weighted billing of VFA securities that participate in Pershing FundVest program and the conflicts of interest associated therewith.

Item 12 has been updated to clarify that Pershing LLC pays VFA a higher percentage fee if the assets VFA holds at Pershing LLC meet certain thresholds.

Item 12 has been updated to disclose Pershing LLC's exemption of certain inactive account fees that VFA would otherwise owe, reimbursement of certain Pershing Corestone checking fees, and the conflicts of interest that arise therefrom.

Item 12 has also been updated to remove disclosure regarding VFA's receipt of revenue from Advisors Asset Management, as such program was discontinued.

#### **6) Item 13 – Review of Accounts**

Item 13 has been updated to disclose the inclusion of consulting services into VFA's financial planning program with respect to review of accounts.

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

Item 14 has been updated to disclose that certain product sponsors cover the costs for VFA's home office employees to conduct due diligence on the sponsor's products, and the conflict of interest associated therewith.

Item 14 has been updated to disclose that VFA provides forgivable loans to certain financial professionals as an incentive for those financial professionals to remain with the Firm.

Item 14 has been updated to disclose that, in the current interest rate environment, VFA earns significantly more fees from the Voya Financial Advisors Insured Bank Deposit program than those clients who hold cash balances in the program.

Item 14 has been updated to revise the participants in VFA's Product Partners Program.

Item 14 has been updated to disclose that, VFA offers the Voya Financial Advisors Insured Bank Deposit Account (“VIBD”) to customers due to the remuneration it receives in connection with the program. This presents a conflict of interest, as VFA is incentivized to place client cash sweep balances in VIBD, both for the remuneration it receives and for circumstances relating to VFA's investment advisory business model, rather than individualized client

circumstances, and that other cash sweep programs and investments, including those that VFA can offer, but chooses not to, present higher 7-day yields with lower overall costs.

Item 14 has been updated to revise the participants in VFA's Product Partners Program.

Item 14 has also been updated to disclose that non-employee VFA financial advisors are entitled to a bonus based upon sales and assets managed, and the conflicts of interest that arise therefrom.

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## Item 4 Advisory Business

VFA is dually registered as an SEC-registered investment adviser and broker dealer with its principal place of business located in Des Moines, Iowa. VFA began conducting business as an investment adviser in 1994. VFA, through predecessor firms, began conducting business as a broker-dealer in 1968. Please note that being registered with the SEC does not imply a certain level of skill or training. Listed below is the Firm's principal shareholder (i.e., those individuals and/or entities that control 25% or more of VFA). Throughout this Brochure, clients of the firm that utilize investment advisory services may be referred to as either "you" or "Client."

- Voya Holdings, Inc., 100% Shareholder

In addition, the following affiliates indirectly own 25% or more of VFA:

- Voya Financial, Inc., a publicly traded company and the sole shareholder of Voya Holdings, Inc.

VFA offers the following investment advisory services through its associated or access persons, who are also known as Investment Adviser Representatives ("IARs").

Your IAR does not have the ability to withdraw cash from your account without your express authorization.

Unless specifically stated, you may make additions and withdrawals from your account at any time. If your account falls below the minimum required account value, VFA may terminate your account. You may add securities to your account. However, VFA reserves the right to not accept particular securities into your account.

The value of financial investments rises and falls, and no financial plan can guarantee results. Accordingly, VFA cannot guarantee future financial results or the achievement of your financial goals through implementation of a financial plan or any advice or recommendations provided to you. VFA does not monitor the day-to-day performance of your specific investments. As with any investment program, you can lose some or all of your money by investing through VFA's investment advisory programs.

If your financial situation changes, including your goals and objectives, it is important that you let your IAR know as soon as possible.

Client's understanding of the ability to tolerate market fluctuations is important in designing any investment portfolio. Accordingly, it is important for the Client to identify to Client's IAR the Client's ability to tolerate the uncertainties, complexities and volatility inherent in the investment market.

A risk profile is developed under each program based, in part, on data the Client furnished to the IAR, including information about his or her time horizon, investment goals, and other factors. Some of the factors that influence the Client's risk tolerance assessment include but are not limited to present financial condition, financial ability to accept risk, future financial goals, discretionary income and its variability, and willingness to accept volatility. These factors, combined with the Client's personal risk profile, indicate the Client's ability to accept investment risk to meet long-term financial goals. The Client understands that higher returns often involve more volatility and a willingness to tolerate declines in the value of the portfolio to achieve those returns. The Client risk profile is reflected on the Client's Agreement with VFA, the Investment Policy Statement, and Risk Tolerance Questionnaire, which will be reviewed with the Client annually.

VFA makes a variety of products from a number of product sponsors available on its product shelf and through its investment advisory programs. Inclusion on VFA's product shelf is generally contingent upon participation in the Product Partners Program, as described in Item 14, and subject to certain exceptions. VFA reserves the right to not include product sponsors on its product shelf, therefore not permitting you to purchase certain product sponsors through VFA, if the product sponsor does not participate in the Product Partners Program. This creates a conflict of interest, as VFA chooses which products to make available to you based on the remuneration paid to VFA by the sponsors of those products. This conflict results in VFA recommending financial products and services to you that are more expensive than similar products and services you could obtain elsewhere.

Additionally, VFA will consider the entirety of the product sponsor's relationship with VFA and VFA's affiliates in determining whether to place, or to continue to offer, a product sponsor's products on VFA's product shelf. This creates a conflict of interest, as part of VFA's determination as to whether to offer a product to you for sale depends, in part, upon the business and monetary considerations of the product sponsor's relationship with VFA and its affiliates. This conflict results in VFA recommending financial products and services to you that are more expensive than similar products and services you could obtain elsewhere.

VFA policy makes certain share classes of mutual fund products available on its investment advisory platform, as opposed to other share classes of the same product. The share classes VFA makes available on its investment advisory platform are selected because such share classes provide compensation to the Firm. Other share classes, such as certain R Share classes generally (defined below), do not provide additional compensation to the Firm. You are able to purchase the same or other similar products that the Firm offers at other investment advisers, and such investment advisers will make available lower cost share classes of those products to you. For example, in certain circumstances, VFA offers retirement share, or “R Share” classes to retirement plan customers, where available, and if the requirements for use of such class in the product’s prospectus or statement of additional information are met, but does not offer R Share classes to non-retirement plan customers, despite R Shares being available, in certain circumstances, to non-retirement plan customers and generally being less costly than the share classes VFA offers to investment advisory customers. Other mutual fund share classes, such as “clean shares” are also available but not used by VFA because such mutual fund share classes do not pay additional revenue to VFA. Such other share classes are available to you through other investment firms, which would result in lower cost to you. Similarly, investment advisory services fees charged by other investment advisers may be similar to or lower than the fees that VFA charges.

Different share classes of the same mutual fund represent the same underlying investments. However, since different share classes have different costs, the overall costs of owning each share class differ. This means that one share class of a particular mutual fund will be more costly than other share classes of the same fund over time. This increased cost negatively affects the investment return for that particular share class over time.

VFA’s ability to offer you mutual funds and other products is limited by the availability of those products, including different share classes of the same mutual fund, through Pershing, LLC (“Pershing”), the Firm’s clearing broker-dealer. Other investment advisers, including but not limited to investment advisers available through VFA’s third party money manager programs discussed in this Item 4, through their clearing broker-dealer, offer different share classes of the same mutual funds, as well as other investment products, for a lower cost.

VFA policies make certain financial products, such as illiquid non-traded products, available to clients only in the Firm’s role as a broker-dealer, for which it receives commissions. Other registered investment advisers may offer such financial products in an investment advisory account, shares of which may be purchased net of commission, resulting in more shares to the customer than if the same product is purchased through the Firm on a commission basis. Purchasing such products through the Firm in its role as broker-dealer will result in the client receiving fewer shares for the same purchase price than the customer would receive if purchased in an investment advisory account. Clients will receive lower investment returns over the short term, and incur higher execution costs due to the Firm’s policy, as compared to the same financial product held in an investment advisory account. In certain scenarios, a client will pay more fees and expenses over the course of holding the product by purchasing it from VFA in its capacity as a broker-dealer than the client would pay if the product had been purchased in an investment advisory account. Since offering such financial products only in the Firm’s capacity as a broker-dealer creates a conflict of interest, the Firm has an obligation to notify clients of, and to obtain informed consent for, these types of recommendations at the time of sale. VFA does not owe clients a fiduciary duty in circumstances when it offers clients products in its role as a broker-dealer.

## **REP AS MANAGER PROGRAM**

The Rep as Manager Program is a managed account program offered by VFA in which the IAR has discretionary authority to transact in the Client’s account, which means that the IAR will not seek Client’s prior approval for transactions executed on the Client’s behalf in the account. The IAR will purchase and sell securities in Client’s account that are consistent with Client’s investment objectives, time horizon, financial situation and risk tolerance.

IARs may recommend investments including, but not limited to, certain stocks, bonds, closed-end mutual funds, no-load or load-waived mutual funds and Exchange Traded Funds (“ETFs”). Unit Investment Trusts (“UITs”), Real Estate Investment Trusts (“REITs”), Direct Participation Programs (“DPPs”) and Certificates of Deposit (“CDs”) may be offered if the Firm determines that the product’s pricing and liquidity attributes are compatible with an investment advisory account.

The trading costs associated with the Rep As Manager program are assessed either via ticket-charges for each transaction made in an account, or an asset-based fee derived from a percentage of the total assets held in an account. The IAR can select to absorb the ticket charges or the asset-based fee, or charge the asset-based fee to the client. There is no option available for IARs to charge clients for the ticket charges generated by transaction activity in the account. The Firm and its IARs are subject to a number of conflicts of interest due to this fee structure, as IARs have an incentive to select the transaction charge method that results in the most remuneration and least cost for the

IAR, rather than the method most beneficial to the client. In particular, selecting the asset-based fee charge, whether it is paid by the client or absorbed by the IAR can, in certain circumstances, result in higher remuneration to the Firm depending upon the amount of assets in the client's account and the level of trading that takes place in the account. Selecting the ticket charge method incentivizes IARs to trade less frequently in the account. Clients should ask their IAR to discuss which method of paying trading costs is most beneficial to the Client based upon the amount of assets in the Client's account and the intended trading frequency.

## **SELECT ADVANTAGE ADVISORY IRA**

The Voya Select Advantage Advisory IRA Program is an individual retirement account program offered through VFA in which trading and custodial services are provided by Voya Institutional Trust Company (VITC) and administrative and recordkeeping services are provided by Voya Retirement Insurance and Annuity Company (VRIAC). VFA and the IAR assigned to the account provide non-discretionary investment advice regarding investments in the Client's account. Both VRIAC and VITC are affiliated companies of VFA.

The Voya Select Advantage Advisory IRA Program offers the Client a range of mutual funds in which to invest. The mutual funds are contained in a mutual fund custodial account custodied by VITC. VRIAC performs all administrative and recordkeeping services in the mutual fund custodial account, including effecting transactions in the mutual fund custodial account, and performing accounting services, fee calculations and fee deductions.

VFA and the IAR assigned to the account will provide account services for the Voya Select Advantage Advisory IRA Program, including an initial consultation to determine the Client's financial situation and investment objectives. Based on the Client's financial situation, goals, objectives, and other information provided by the Client, the Client will be provided with investment recommendations and periodic investment related services in connection with assets in the account. Client understands and agrees that Client is not obligated to follow any investment recommendations made by VFA or IAR.

Transactions (mutual fund rebalancing, purchases, sales exchanges and liquidations) in the account initiated upon advice by the IAR will be executed on a non-discretionary basis, meaning that the IAR must obtain the Client's prior authorization before entering any such transaction. The prior sentence does not, however, apply to automatic rebalancing transactions effected in accordance with Client's elections in the Voya Select Advantage Advisory IRA Application.

## **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**Preferred Asset Management and Preferred Strategic Advisory Services Select (collectively "Preferred"), Comprehensive Advice Program ("CAP"), Prime Portfolio Services ("Prime"), Total Advice Program ("TAP"), and Strategic Advisory Services Select ("SAS")**

IARs provide continuous investment advice to clients regarding the investment of clients' funds based on the individual needs of each client. The IAR and the client discuss the client's particular circumstance and establish goals and objectives. The IAR helps the client determine the client's individual objectives, time horizon, risk tolerance and liquidity needs. As appropriate, they also review and discuss the client's prior investment history and background. The IAR then helps the client to develop a personal investment policy statement ("IPS"), create an asset allocation model, makes recommendations of securities, and manages the portfolio based on the IPS.

ISS accounts are managed on a non-discretionary basis, meaning that the IAR must obtain permission from the client prior to executing each and every transaction. Account management is based on the client's stated goals and objectives as outlined in the IPS. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Provided however, that VFA may refuse to accept or to continue such program assets, as the case may be, if it determines such restrictions are unreasonable. If client refuses to modify or withdraw such restrictions after VFA has notified client that the restrictions are unreasonable and given client an opportunity to withdraw or modify the restrictions, then a client account will not be opened or, in the case of an existing account, such account will be closed and (i) VFA will no longer be responsible for implementing investment decisions for the account, and (ii) all holdings will be transferred into a brokerage account in client's name held through VFA.

IARs may recommend investments including, but not limited to, certain stocks, bonds, closed-end mutual funds, no-load or load-waived mutual funds and Exchange Traded Funds ("ETFs"). Unit Investment Trusts ("UITs"), Real Estate Investment Trusts ("REITs"), Direct Participation Programs ("DPPs") and Certificates of Deposit ("CDs") may be



offered if the Firm determines that the product's pricing and liquidity attributes are compatible with an investment advisory account.

IARs also may render non-discretionary investment management services to clients relative to variable annuity products that they may own, and/or 529 plans or other products that may or may not be held by Pershing. In so doing, the IAR either guides or suggests the allocation of client assets among the various investment options that are available within the product. Client assets are maintained at the specific product issuer or custodian.

IARs may recommend a tactical investment strategy in response to market conditions to sell defensively or buy to restore the original asset allocation of a portfolio.

## **INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT**

### **Morningstar Wealth Management and Morningstar Wealth Management Tax Sensitive Model Portfolio Program and Voya Global Perspectives Market Models Series, Select Adviser Series Program and Unified Managed Account Program**

#### **Morningstar Wealth Management and Morningstar Wealth Management Tax Sensitive Model Portfolio Program**

VFA has an agreement with an unaffiliated, independent investment adviser, Morningstar Investment Management, LLC. ("Morningstar"), to provide model portfolio allocations to VFA in two programs: (1) the Morningstar Wealth Management Program and (2) a tax-sensitive version known as the Morningstar Wealth Management Tax Sensitive (collectively, "Morningstar Wealth Management Program"). Morningstar also provides capital market assumptions to VFA at no additional cost as part of the suite of services provided.

Morningstar selects the investment options included in the Morningstar Wealth Management Program from a universe of investment options that VFA makes available for the Program. Morningstar constructs and manages the Tax Sensitive Program with the objective to seek to maximize portfolio return while managing risk and attempting to minimize the effect of taxation.

Each model portfolio is designed to meet a particular investment goal (i.e. income, growth and income, growth or aggressive growth), as well as tax considerations. The IAR and the client discuss a client's particular circumstance and establish goals and objectives. The IAR helps determine the client's individual objectives, time horizon, risk tolerance and liquidity needs. The IAR then helps the client to develop an IPS that results in the recommendation of a model portfolio that is suitable for the client.

Once the model portfolio is recommended to the client, the client's account is managed based on the overall model, rather than specifically to each client's individual needs. Clients give VFA limited trading discretionary authority to execute trades, without the client's prior approval for each trade, in accordance with Morningstar's model portfolio allocations. Clients will have the opportunity, subject to a non-negotiable \$5,000 administrative fee as described in Item 5, to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

*Please note that the Morningstar Wealth Management and Morningstar Wealth Management Tax Sensitive Model Portfolio programs are not open to new customers outside of the Unified Managed Account Program.*

#### **Voya Global Perspectives Market Models ("GPMM")**

GPMM is a portfolio management service that offers model asset allocation portfolios ("GPMM Models") for clients to choose from (i.e., income, growth and income, growth or aggressive growth). The GPMM strategy is available through either open-end mutual funds or Exchange Traded Funds ("ETFs").

##### **Mutual Fund Series**

In the GPMM – Mutual Fund Series, clients invest exclusively in mutual funds. The vast majority of mutual funds included in the GPMM – Mutual Fund Series are selected from the Voya family of mutual funds ("Voya funds"). In certain situation, a non-Voya fund may be used in the program. Voya Investment Management ("Voya IM"), an affiliate of Voya, is the strategist for each of these GPMM Models (the "Voya IM Strategist"). In making its fund selections, the Voya IM Strategist generally chooses from the Voya funds. However, it is possible that non-Voya funds will be selected if the Voya funds fail to meet a particular investment need of

the GPMM – Mutual Fund Series. The Program relies on a set of predetermined rules to make any changes or modifications to or to rebalance the GPMM – Mutual Fund Series Models.

Voya IM serves as the adviser to Voya funds and receives a management fee from each fund; these management fees are in addition to any fee paid by the client. Additionally, in some cases Voya IM acts as sub-adviser for certain of the non-Voya funds selected for the GPMM – Mutual Fund Series, and will receive sub-management fees from those funds as to which it acts as a sub-adviser. This creates a conflict of interest, as it incentivizes Voya IM to select Voya funds, and non-Voya funds that pay Voya IM sub-management fees, for inclusion in the GPMM Mutual Fund Series. Fund company sponsors whose mutual funds are included in the GPMM – Mutual Fund Series are required to participate in VFA's Product Partner Program as a prerequisite to inclusion in the GPMM – Mutual Fund Series. This creates a conflict of interest, as the array of mutual funds available to you in the GPMM – Mutual Fund Series are limited to those that pay fees to VFA under the Product Partners Program, as discussed in Item 14.

Participation in the GPMM – Mutual Fund Series is not necessary to purchase Voya funds, which can be purchased separately. Additional information about each fund in the GPMM – Mutual Fund Series is available in the fund prospectus, and additional information about the GPMM – Mutual Fund Series is available in the GPMM – Mutual Fund Series Schedule 1.

#### **ETF Series**

In the GPMM – ETF Series, clients invest exclusively in ETFs. Voya IM, an affiliate of Voya, is the strategist for each of these GPMM – ETF Series models (the "Voya IM Strategist"). In making its selections, the Voya IM Strategist chooses from a list of approved ETFs. The Program relies on a set of predetermined rules to make any changes or modifications to or to rebalance the GPMM – ETF Series models.

The IAR and the client discuss a client's particular circumstances. The IAR helps the client determine his or her goals and objectives, time horizon, risk tolerance and liquidity needs. The IAR then helps the client to develop an IPS that results in the recommendation of an investment portfolio that includes GPMM – Mutual Fund Series Models or ETF Series Models. Generally, GPMM Accounts are managed by Voya IM based on the overall model, rather than on each client's individual needs. Clients, nevertheless, may impose reasonable restrictions on the assets in the Program, provided however, that VFA may refuse to accept or to continue to provide investment advisory services with respect to such program assets, as the case may be, if it determines such restrictions are unreasonable. Clients retain individual ownership of all securities.

With respect to GPMM, the portfolio is automatically rebalanced on a quarterly basis so that the percentages invested in each fund are adjusted to approximate the percentages invested in each fund initially; this may entail reducing the investment in certain funds and increasing the investment in others. With respect to the GPMM ETF Series, rebalancing occurs quarterly when a position increases or decreases by 5% or more, subject to a \$250 trade minimum. With respect to the GPMM Mutual Fund Series, rebalancing occurs quarterly when a position increases or decreases by 5% or more and is not subject to a minimum trade restriction.

In addition, on a quarterly basis, tactical adjustments occur when year-over-year earnings growth of companies in the Standard & Poor's 500 Index change from positive to negative - half of the equities are sold and reinvested in fixed income Mutual Funds or ETFs; if earnings growth changes from negative to positive - the portfolios are restored to their original allocation. Client acknowledges that these transactions are part of the GPMM Series and provides authorization to implement these rules-based transactions on Client's behalf on a quarterly basis.

In certain situations, such as when a mutual fund or ETF closes or when a portfolio manager departs, Voya IM may replace the fund or ETF with another appropriate investment provided the management fee and other compensation paid to Voya IM and its affiliates from the new investment is no greater than that paid from the investment being replaced.

Under GPMM, neither VFA nor its affiliates have discretion over client's decision to invest a particular model. The final decision to select and invest in a portfolio managed by Voya IM is made by the client. Furthermore, with respect to the portfolio managed by Voya IM, neither VFA nor its affiliates is acting as a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA") or the Internal Revenue Code of 1986.

## **Voya Choice Advisory**

Voya Choice Advisory, which includes Voya Opportunity Choice Advisory, is referred to as "Voya Choice." Voya Choice is an asset allocation program managed by the Investment Selection Committee ("ISC"). The ISC uses model asset allocations provided by Morningstar as the basis for developing model portfolios. The model asset allocations are defined in terms of risk from conservative to aggressive. Morningstar also provides capital market assumptions to VFA at no additional cost as part of the suite of services provided.

The ISC periodically reviews the investment options available in the model portfolios. Investment selections in each model portfolio are reviewed using information such as performance, risk, risk-adjusted performance, style, consistency and expenses. Upon review, the ISC makes specific recommendations of investment options for the model portfolios. The investments in the model portfolios for Voya Choice are selected by the ISC from a menu of approximately 225 mutual fund families, as well as other possible investments.

The IAR and the client discuss a client's particular circumstance and establish goals and objectives. The IAR helps determine the client's individual objectives, time horizon, risk tolerance and liquidity needs. The IAR then helps the client to develop an IPS that results in the recommendation of a model portfolio that is suitable for the client. Once the model portfolio is recommended to the client, the portfolio is managed based on the overall model, rather than specifically to each client's individual needs. The IAR must have verbal authorization from the client to execute each recommendation made.

Clients will have the opportunity, subject to a non-negotiable \$5,000 administrative fee as described in Item 5, to place reasonable restrictions on the types of investments to be held in their account.

*Please note that the Voya Choice Advisory program is not open to new customers.*

## **Voya Portfolio Track**

Portfolio Track is an asset allocation program managed by the VFA Investment Selection Committee ("ISC"). The ISC uses asset allocation models provided by Voya Investment Management ("Voya IM"), as a basis for developing its model portfolios. The model asset allocations are defined and titled in terms of risk, from conservative to aggressive. Individual asset classes and the recommended allocation to those asset classes are determined by the model selected. The IAR has a choice of investments options (mutual funds) within each asset class to complete the model portfolio.

The ISC periodically reviews the investment options in the model portfolios. Investment options are reviewed using information such as performance, risk, style, consistency and expenses. Upon review the ISC makes recommendations of investment options to be made available in the model portfolios.

The IAR helps determine the client's individual objective, time horizon, risk tolerance and liquidity needs. The IAR then helps the client to develop an IPS that results in the recommendation of a model portfolio that is suitable for the client.

*Please note that the Voya Portfolio Track is not open to new customers.*

## **The Fidelity Program**

The Voya Asset Management Program through Fidelity Investments is referred to as the "Fidelity Program." The Fidelity Program is a non-discretionary managed account program offered only to participants in certain retirement plans where a Voya company does not have a product offering available to the plan. As a general matter, the Fidelity Program is not open to new plans.

The IAR and the client discuss a client's particular circumstance and establish goals and objectives. The IAR helps determine the client's individual objectives, time horizon, risk tolerance and liquidity needs. The IAR then helps the client to develop an IPS that results in the recommendation of an asset allocation that is suitable for the client. Once the asset allocation is recommended to the client, the portfolio is managed based on the overall model, rather than specifically to each client's individual needs. Mutual funds available through Fidelity Investments are used to fulfill the recommended asset allocation. Client transactions may be executed through the retirement plan and/or through a brokerage account established with Fidelity Investments. Clients sign a limited written trading authorization allowing the IAR to execute Fidelity mutual fund transactions in the client's account. Transactions are executed through Fidelity Investments using its Wealthscape system. Fidelity Management Trust Company, 82 Devonshire Street, Boston, MA 02109 is the custodian for these accounts.

## **Select Adviser Series Program**

VFA also sponsors the Select Adviser Series Program ("SASP Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees, not based directly on transactions in the client's account, is charged for advisory services. Services may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions and custody of program assets.

Through the SASP Program, clients are provided with portfolio management services using model asset allocation portfolios or separately managed accounts that offer single investment disciplines or may combine multiple investment disciplines and investment options in a single portfolio. Investment portfolio options include, but are not limited to, mutual funds, exchange-traded funds ("ETFs"), stocks and bonds. VFA provides clients with advice, custodial, trade execution and related services for a single asset-based fee. The SASP Program is designed to coordinate the client's overall investment management process.

VFA has selected certain affiliated and unaffiliated asset managers to participate in the SASP Program (the "Strategists"). An affiliate of VFA, Voya Investment Management ("Voya IM"), is the affiliated Strategist (the "Affiliated Strategist"). Additionally, VFA has selected unaffiliated Strategists ("Unaffiliated Strategist"). VFA has authorized the Strategists to develop and manage model portfolios ("Model Portfolios"). The Model Portfolios are administered by VFA using a third party technology platform. Each Model Portfolio is designed to meet a particular investment goal.

The SASP Program is managed by the Strategist based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors, provided, however, that VFA may refuse to accept or to continue to provide investment advisory services with respect to such program assets, as the case may be, if it determines such restrictions are unreasonable or impracticable.

For additional details on the SASP Program please review VFA's Form ADV Part 2A, Appendix 1 Wrap Program Brochure, which is available upon request from your IAR or from VFA.

## **Unified Managed Account Program and Investor Channel Unified Managed Account Program**

VFA sponsors the Unified Managed Account Program and the Investor Channel Unified Managed Account Program (together, the "UMA Programs"), which are wrap fee programs. A wrap fee program is an advisory program under which a specified fee or fees, not based directly on transactions in the client's account, is charged for advisory services. Services may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions and custody of program assets.

Through the UMA Programs, clients are provided with investment services from the IAR and/or Independent Investment Strategists ("IIS"). Through the use of ISSs, the UMA Programs offer the ability to combine multiple investment disciplines and investment options in a single account. Each account may contain multiple sleeves, including sleeves managed by affiliated or unaffiliated IISs ("IIS Sleeves"). VFA has limited discretionary trading authority as it relates to adhering to changes in the IIS Sleeves, if authorized by the Client. Investment options include, but are not limited to, mutual funds, fixed income securities, exchange-traded funds ("ETFs"), separately managed accounts, model portfolios, stocks and bonds. VFA provides clients with advice, custodial, trade execution and related services for a single asset-based fee. Trades will be executed by VFA and cleared through Pershing LLC.

Your IAR will assist you in determining an appropriate investment strategy to follow. VFA will generally rebalance your account quarterly, whenever the portfolio and/or investments within a sleeve fall outside of certain allocation parameters.

IIS Sleeves are managed by the IIS(s) based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors, provided, however, that VFA may refuse to accept or to continue to provide investment advisory services with respect to such program assets, as the case may be, if it determines such restrictions are unreasonable or impracticable.

The Unified Managed Account Program offers sleeves managed by the IAR ("Adviser Sleeves"), and the option to permit VFA, through its IAR to exercise discretion in a) executing transactions in an Adviser Sleeve without client's prior consent, and b) moving client balances in the Unified Managed Account Program among unaffiliated IIS Sleeves without client's prior consent. This discretionary authority is in addition to the limited discretionary trading authority to adhere to changes in the IIS sleeves described in this section. The complete terms of VFA and its IAR's discretionary

authority with respect to client's Unified Managed Account Program account is contained in the Unified Managed Account Program agreement

The Investor Channel Unified Managed Account Program is available through VFA's phone-based IARs. It offers less IISs than the Unified Managed Account Program. The Investor Channel Unified Managed Account Program does not offer Adviser Sleeves. Unlike in the Unified Managed Account Program, where IARs are paid a portion of the investment advisory fees charged to the client, phone-based IARs are employees of Voya Financial, Inc., and earn a salary, rather than an advisory fee. This creates a conflict of interest, as it incentivizes VFA to offer the Investor Channel Unified Managed Account Program to clients, which limits investor choice in IISs and permits VFA to retain a higher amount of investment advisory fees than in the Unified Managed Account Program.

For additional details on the UMA Programs please review VFA's Form ADV Part 2A, Appendix 1 Unified Managed Account Wrap Program Brochure, and VFA's Form ADV Part 2A, Appendix 1 Investor Channel Unified Managed Account Wrap Program Brochure, both of which are available upon request from your IAR or from VFA.

### **Voya Digital Adviser™**

VFA sponsors Voya Digital Adviser™, an online digital advice wrap fee program (the "VDA Program"). The VDA Program is a limited digital advice tool that provides clients with the recommendation of a model portfolio managed by an Independent Investment Strategist ("IIS"). Each account is assigned an IAR. While the IAR will not participate in the recommendation of the model portfolio, he or she is available to answer questions related to opening a VDA Program account and client's investment through VDA. IAR will offer to, and if accepted, meet at least once annually with the client to discuss client's investment objectives, risk tolerance, goals, and other factors to help ensure that investment through VDA continues to meet the client's needs.

In recommending a model portfolio to you, VDA obtains your responses to questions that gauge your risk tolerance (the "risk tolerance questionnaire"). Each response option to the risk tolerance questionnaire is assigned a predetermined score based on the level of risk tolerance that VFA has associated with each response option. The VDA Program assigns a score to each client based on their responses (the "Risk Score"). If the client has at least \$25,000 to invest, the VDA Program will ask whether the client desires a "strategic" or "tactical" model portfolio. The VDA Program will recommend a model portfolio to the client based on his or her Risk Score and desire for a "strategic" or "tactical" portfolio.

The model portfolios are managed by the IIS(s) based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, may impose reasonable restrictions on the management of assets through the VDA Program; provided, however, that VFA may refuse to accept or to continue to provide investment advisory services with respect to such program assets, as the case may be, if it determines such restrictions are unreasonable.

For additional details on the VDA Program, please review VFA's Form ADV Part 2A, Appendix 1 Voya Digital Adviser™ Wrap Program Brochure, which is available upon request from your IAR or from VFA. This brochure contains important information about the VDA Program, including but not limited to further information about the model portfolios available through the VDA Program, the digital nature of the VDA Program, and the conflicts of interest and risks associated therewith.

As wrap fee programs, the Select Adviser Series Program, the UMA Programs, and the VDA Program offer you the ability to invest in multiple investment strategies managed by a number of investment strategists. This means that your IAR is responsible for recommending the strategist(s) to provide the model asset allocation, rather than recommending the individual investments in your portfolio. This differs from non-wrap fee programs, where the IAR is responsible for recommending investments to you. VFA and its IARs receive a portion of the total fee paid by you to invest through a wrap fee program.

### **THIRD PARTY MONEY MANAGER PROGRAMS**

VFA also offers investment advisory management programs to clients through third party money manager programs.

The IAR and the client discuss a client's particular circumstances and establish goals and objectives. The IAR helps determine the client's individual objectives, time horizon, risk tolerance and liquidity needs. The IAR then helps the client to develop an IPS that results in the recommendation of a model portfolio that is suitable for the client.

The IAR then recommends an unaffiliated third party money manager on VFA's approved list of providers which has a portfolio management style that is suitable for that client. Factors considered in recommending a third party money

manager include account size, risk tolerance, the opinion of each client and the investment philosophy of the selected registered investment adviser. Depending on the third party money manager program, the client's portfolio will either be managed based on the client's specific investment objectives or according to a specific model portfolio. Clients should refer to the recommended registered investment adviser's firm brochure - or other disclosure document for a full description of the services offered by the third party money manager. IARs are available to meet with clients as needed to discuss any changes and review the performance of their account.

VFA periodically reassess, but does not continuously monitor, the performance of the selected third-party money managers. If VFA or the IAR determines that a particular selected third-party money manager is not managing the client's portfolio in a manner consistent with the client's IPS, or the client's investment objectives and situation changes, the IAR may recommend a different third party money manager. Under this scenario, the IAR assists the client in selecting a new registered investment adviser and/or program. However, the decision to move to a new registered investment adviser and/or program is solely at the discretion of the client.

## **FINANCIAL PLANNING AND CONSULTING SERVICES**

VFA and its IARs provide individual and specialty financial planning services to clients on either a one-time or an annual basis. Financial planning is a comprehensive evaluation and analysis of a client's current and future financial situation and needs using variables that may include current and future income, expenses, investment growth, cash flows, asset values and withdrawal plans. Based on the client's financial situation, goals, investment objectives, needs and risk tolerance, IARs may make asset class or asset allocation recommendations. Through the financial planning process, all questions, information and analysis are considered as to how they may impact the financial situation of the client. Clients receive either a written plan or summary report of the services provided, which provides the client with detailed evaluation or advice designed to help them achieve their financial goals and objectives.

VFA cannot guarantee future financial results or the achievement of the client's financial goals through implementation of a financial plan or any advice or recommendations provided. VFA does not monitor the day-to-day performance of the client's specific investments.

In general, the financial planning may address the following services in either the one-time or the annual/ongoing plan. Not all services listed are available in an annual/ongoing financial plan. Detailed descriptions of each service are contained in the Financial Planning and Consulting Services Agreement. Please read that agreement carefully before engaging in any of the services below:

<b>Financial Planning Services</b>	<b>Consulting Services</b>	<b>Specialty Services (Financial Planning or Consulting)</b>
Cash flow, budgeting, and major purchase buy/sell planning	General financial information/education	Business Planning Services
Individual savings goals, asset allocation, and insurance planning	Cash flow, budgeting, and major purchase buy/sell decisions	Estate distribution services
Retirement planning	Insurance review	Special Needs Planning
Education Planning	Estate/Legacy review	Divorce Planning
Estate Planning	Retirement planning/Social Security review	Investment Planning
Qualified Plan and IRA distribution analysis	Education Funding	Executive Planning with stock option and deferred compensation evaluations
Retirement Social Security benefit analysis		
Plan Reviews		

Client is under no obligation to act on the advice of VFA, IAR or any other affiliated persons. The client must decide whether to implement any advice or recommendations made by VFA, IAR or any other affiliated person. If the client does follow such recommendation, client acknowledges that he/she is under no obligation to effect the transactions through VFA or its affiliates. Client should carefully review all sales charges, front-end or deferred, and ongoing fees and loads charged in all products or service programs before investing.

## **Financial Planning and Consulting Services Term**

One-time services do not require VFA or IAR to monitor client's assets or monitor financial markets on an ongoing basis for such client, and do not include periodic plan reviews or updates. Delivery of the written plan or summary report constitutes completion of the one-time service and shall occur within ninety (90) days of the signing of the agreement for most one-time planning services. Certain specialty planning services may take longer to complete.

Annual/ongoing services begin on the date of the signing of the agreement and continue until the renewal date, as defined in the agreement. The annual service will automatically renew on the first day of the month following the annual anniversary date for a period of one (1) year unless terminated by either party pursuant to the terms described below. Delivery of the written plan or summary report does not constitute completion of the agreement and shall occur within ninety (90) days of the initial planning year and within ninety (90) days of the renewal date for each subsequent renewal year.

To provide services under agreement the IAR gathers information through personal interviews. Information gathered may include the client's current financial status, tax status, future goals, return objectives and attitudes towards risk. The IAR carefully reviews documents supplied by the client, which may include a questionnaire completed by the Client, and prepares a written report. Should the client choose to implement the recommendations contained in the plan, the Client should work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of recommendations is entirely at the client's discretion.

IARs do not make recommendations concerning the purchase or sale of specific securities when preparing financial plans. However, in response to requests by clients for advice or recommendations to implement a financial plan, the IAR's recommendations are limited to only those products offered through VFA, where the IAR is registered as an investment adviser representative and as a registered representative of the broker dealer. Similarly, any insurance recommendations will be limited to the insurance companies the IAR is appointed with as an insurance agent or broker. This creates a conflict of interest as the Firm may recommend the use of proprietary insurance or investment products, and will recommend a product for which VFA or its IAR will earn compensation. You are able to purchase the same or other similar products and services at another broker-dealer or investment adviser, but for a lower cost.

## **Termination of the Financial Planning or Consulting Services Agreement**

Client may terminate the agreement without penalty within five business days of entering into the agreement. Any party may terminate the agreement at any time after the five business day period without penalty upon written notice to the other party. Client agrees that such termination will not affect the liabilities or obligations which arise from transactions initiated prior to termination. Upon termination of the agreement, any fees collected by VFA for one-time planning services will be reimbursed in full if a plan has not been delivered. Any annual planning fees collected but not earned will be reimbursed to Client at a pro-rata share based on the amount of days remaining in the payment installment period. Reimbursement will be provided through check regardless of payment method. The agreement will not terminate in the event that the IAR establishing the agreement is no longer associated with VFA or is otherwise removed from the agreement. VFA reserves the right to replace the IAR providing services under the agreement, with or without cause.

**The VFA Financial Planning or Consulting Services Agreement that the client is required to review and execute prior to the preparation and delivery of any type of services contains additional disclosures. Please review that agreement carefully prior to signing the agreement.**

## **RETIREMENT READINESS PROGRAM**

Retirement Readiness is a program for employees of selected worksite plan sponsors who are clients of a VFA affiliate. Retirement Readiness gives employees access to VFA financial professionals who can help them prepare for retirement. Through Retirement Readiness, VFA may make available financial planning services to employees of selected worksite plan sponsors. The costs for products are pre-negotiated for all employees participating in the Retirement Readiness program. Additionally, VFA may make available free-of-charge advisory services on a one-time, non-discretionary basis at the client's request.

**Financial Planning/Analysis Services:** Consists of consultation with the client to collect information about client's goals, risk tolerance and current financial situation, and financial analysis that results in a written evaluation addressing client's retirement income goals and other financial goals as well as risk analysis. The consultation sessions typically will not exceed three sessions of one hour each. The written evaluation will address the financial plan and any of the following goals, as described above: Asset Allocation; Business Retirement Planning; Education

Funding; Estate Planning; Financial Analysis and Statements; General Analysis and Planning; and Insurance Profile/Analysis. If additional time is required to develop the plan, additional consultations are available at an hourly rate.

The financial planning services offered through Retirement Readiness follow the guidelines found in this Brochure. For additional information about financial planning services offered by VFA, please see the section titled "Financial Planning" in this Item 4.

**Retirement Readiness Advisory Services:** VFA may also offer a variety of free-of-charge advisory services to Retirement Readiness clients on a one-time, non-discretionary basis. These advisory services provide basic asset allocation and funding guidance appropriate for client's goals and risk tolerance, and in certain instances, provide corresponding investment recommendations. The Retirement Readiness Advisory Services are not a substitute for a comprehensive financial plan.

Neither the Financial Planning Services nor the Retirement Readiness Advisory Services offered to Retirement Readiness clients shall require VFA or IARs to monitor clients' assets on an ongoing basis, nor shall it require that VFA or IARs update recommendations to reflect changes in clients' circumstances. These services will also not require VFA or IARs to monitor financial markets and conditions for clients and will not require that VFA or IARs perform ongoing analysis of clients' assets for factors that may impact performance.

Clients may request an annual review session. Such annual review sessions shall review changes to the client's financial situation. The annual review may or may not include an accompanying written report. The annual review is not a substitute for a comprehensive financial plan. Clients are solely responsible for contacting their IAR to schedule an annual review session. VFA reserves the right to subsequently limit, modify or discontinue offering annual review sessions or to charge a fee for annual reviews in the future.

Clients are solely responsible for implementing any recommendations made as part of the Financial Planning and Retirement Readiness Advisory services. IARs will not exercise discretion over a client's assets in connection with these services. In addition to the Financial Planning Services and Retirement Readiness Advisory services described in this section, Retirement Readiness clients may also be offered certain advisory products as described elsewhere in this Brochure.

## **FINANCIAL PLANNING SEMINARS**

IARs may conduct seminars which may include, among other topics, presentations on financial planning, various securities and insurance strategies, business planning, long-term care and/or retirement planning. Attendees are under no obligation to do so, but are encouraged to have individual consultations with the IAR and to have a financial plan prepared. In addition, certain IARs receive approval to charge the corporate sponsors of their seminars a fixed fee to hold seminars for the corporation's employees. This fee is not tied to a per employee attendance count.

## **ERISA PLAN INVESTMENT CONSULTING ("EPIC Services")**

VFA offers consulting and advisory services for employer-sponsored retirement plans that are designed to assist plan sponsors of employee benefit plans ("Plan Sponsor(s)"). VFA may also assist Plan Sponsors with enrollment and/or providing investment education to plan participants and beneficiaries. VFA provides these retirement plan services through certain of its investment adviser representatives who have gone through specific training and received approval to offer these services, and may charge a fee for EPIC Services, as described in this Form ADV Part 2A and the ERISA Plan Investment Consulting Agreement ("Agreement").

EPIC Services are either ERISA fiduciary services or ERISA non-fiduciary services. ERISA non-fiduciary services may be performed only so that they would not be considered fiduciary services under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). When delivering ERISA fiduciary services, VFA will perform those services to the plan as a fiduciary, generally under ERISA Section 3(21)(A)(ii). When providing any ERISA fiduciary services under ERISA Section 3(21)(A)(ii), VFA will solely be making recommendations to the Plan Sponsor and the Plan Sponsor retains full discretionary authority and control over assets of the plan.

Under limited circumstances and subject to the IAR's approval by VFA's Home Office, VFA will perform ERISA fiduciary services as an "investment manager" pursuant to ERISA Section 3(38). In such a circumstance, VFA, through its IAR, will exert discretionary authority and power to manage, acquire, or dispose of any asset of the Plan. Importantly, this means that VFA will not seek Plan Sponsor's prior consent or authority prior to executing securities transactions and taking other actions with respect to Plan assets.



Plan Sponsor may engage VFA to perform EPIC Services by completing an ERISA Plan Investment Consulting Advisory Services Agreement providing information about the plan, including but not limited to options available through the plan, plan objectives, investment objectives, investment risk tolerance, demographics about plan participants, and third-party service providers. VFA will provide Plan Sponsor a copy of this Form ADV Part 2A and the Agreement for review. The Agreement describes the terms of the arrangement between VFA and the Plan Sponsor, including a description of the retirement plan services and the fees to be charged by VFA. By signing the Agreement, the Plan Sponsor represents that Plan Sponsor has received sufficient information and determined that the retirement plan services selected are: (i) necessary for the operation of the plan and (ii) reasonable and appropriate based upon the compensation to be paid for the Services. Plan Sponsor must sign and submit the Agreement to VFA before VFA performs any EPIC Services.

### **Description of the Retirement Plan Services**

VFA offers the following 3(21), and in certain limited circumstances, 3(38) Fiduciary, and Non-Fiduciary Retirement Plan Services:

Plan Sponsor – ERISA 3(21) Fiduciary Services:

- 1) Recommendations to establish or revise the Plan's Investment Policy Statement ("IPS")
- 2) Recommendations to select and monitor the Designated Investment Alternatives ("DIAs")
- 3) Recommendations to allocate and rebalance model asset allocation portfolios
- 4) Recommendations to select and monitor investment managers

Plan Sponsor – ERISA 3(38) Fiduciary Services:

- 1) Selection and monitoring of DIAs
- 2) Allocation of and rebalancing model asset allocation portfolios
- 3) Selection and monitoring of investment managers

Plan Sponsor – ERISA Non-Fiduciary Services:

- 1) Assistance with Plan governance and committee education
  - a) Determining Plan objectives and options available through the plan
  - b) Reviewing retirement plan committee structure and requirements
  - c) Reviewing participant education and communication strategy, including ERISA 404(c) requirements
  - d) Coordinating and reconciling participant disclosures under ERISA 404(a)
  - e) Developing requirements for responding to participant requests for additional information
  - f) Developing and maintaining a fiduciary audit file
  - g) Attending periodic meetings with plan committee (upon request by plan sponsor)
- 2) Assistance with Plan fiduciaries' vendor management (service provider selection/review)
  - a) Reviewing fees and services and identifying procedures to track the receipt and evaluation of ERISA 408(b)(2) disclosures
  - b) Providing periodic benchmarking of fees and services to assist review for reasonableness
  - c) Reviewing ERISA spending accounts or plan expense recapture accounts ("PERAs")
  - d) Generating and evaluating service provider requests for proposals ("RFPs") and or requests from information ("RFIs")
  - e) Support with contract negotiations
  - f) Service provider transition and/or plan conversion
- 3) Investment Education for Plan fiduciaries
  - a) Investment Policy Statements
  - b) Assessment of overall investment structure of Plan
  - c) Review of the Plan's investment options
  - d) Review of Qualified Designated Investment Alternatives ("QDIA")
  - e) Search and review of investment managers

## Plan Participant - ERISA Non-Fiduciary Services

### 1) Employee investment education and communication

- a) Providing group enrollment and investment education meetings
- b) Providing fee specific education and communicate the Plan's requirements for requesting additional information about plan fees and expenses
- c) Supporting individual participant questions
- d) Providing periodic updates, upon request of newsletter
- e) Assisting participants with retirement preparation

### Potential Additional Retirement Services Provided Outside of the Agreement

In providing EPIC Services, VFA and its IARs may establish a client relationship with one or more plan participants or beneficiaries. Such client relationships develop in various ways, including, but not limited to:

- 1) as a result of a decision by the participant or beneficiary to purchase services from VFA not involving the use of plan assets;
- 2) as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relate exclusively to assets held outside of the plan; or
- 3) through an Individual Retirement Account rollover ("IRA Rollover").

If VFA is providing EPIC Services to a plan, IARs may, when requested by a plan participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement that excludes any investment advice on plan assets (but may consider the participant's or beneficiary's interest in the plan in providing that service). If a plan participant or beneficiary desires to affect an IRA Rollover, IAR will obtain a written acknowledgement from the plan participant. Any decision to affect the rollover or about what to do with the rollover assets remains that of the participant or beneficiary alone.

### AMOUNT OF MANAGED ASSETS

As of February 28, 2021, VFA had \$16,206,345,214 of assets under management on a non-discretionary basis plus \$4,309,587,022 of assets under management on a discretionary basis.

### LOAN ADVANCE ACCOUNTS

A LoanAdvance account is an account held through Pershing through which you may borrow money from Pershing by pledging the securities in the account. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. If you decide to open a LoanAdvance account, please carefully consider the following:

1. You are borrowing money that you will be required to pay back.
2. LoanAdvance is only available for accounts that are not retirement accounts. For purposes of this Brochure, a "Retirement Account" is an account held by an ERISA plan or an account otherwise subject to Section 4975 of the Internal Revenue Code (e.g., IRA).
3. You are using the securities that you own in the account as collateral.
4. You are charged an interest rate that is subject to change and the rate can go up or down.
5. VFA or Pershing can force the sale of securities or other assets in any of your accounts held at VFA or Pershing at any time and without notice, to cover any deficiency in the value of the securities pledged for the loan. This forced selling could occur at any time, including during times of increased market volatility, potentially negatively affecting your investment returns and potentially resulting in negative tax consequences for you.
6. VFA or Pershing can decide which securities to sell without consulting with you.
7. Due to the fact that securities are pledged to support the outstanding loan amount, VFA or Pershing can limit client withdrawals from the pledged account until loan requirements are met or the loan is paid off.
8. VFA or Pershing may request additional information such as, but not limited to, a credit check in order to complete our review of your account(s).

Please also carefully review the LoanAdvance Lending Agreement, LoanAdvance Disclosure Statement and Restricted Control Stock Disclosure and Interest Rate Acknowledgement, for additional risks involved in opening a

LoanAdvance account. VFA reserves the right to approve or reject any particular client's participation in LoanAdvance for any reason or for no reason at all.

VFA no longer offers LoanAdvance to clients, though permits existing LoanAdvance accounts to remain open.

### **BNY INVESTMENT CREDIT LINE PROGRAM**

BNY Mellon, an affiliate of Pershing, offers the Investment Credit Line program to its customers. This product allows BNY Mellon customers to borrow funds utilizing assets held in the customers' account custodied with Pershing as collateral for the loan. Although this program is not offered through VFA, IARs can refer Clients to BNY Mellon if Clients desire to establish a line of credit using securities held in their investment advisory account. Clients are not allowed to use funds received through this program to purchase securities or insurance products offered through VFA. No compensation is received by VFA or IARs for the referral or if the client establishes a line of credit. BNY Mellon offers the Investment Credit Line to its customers in its sole discretion, and VFA in no way oversees the BNY Mellon Investment Credit Line, nor determines who is eligible to participate.

BNY Mellon is a parent company of and custodian for Pershing and acts as transfer agent for Voya Investment Management, an affiliate of VFA. This creates a conflict of interest, as BNY Mellon maintains a pre-existing business relationship with VFA's clearing firm and an affiliate of VFA. As discussed in Item 4, above, VFA considers the entirety of a product sponsor's relationship with VFA and VFA's affiliates in determining whether to offer, or continue to offer a product sponsor's product(s), which includes, but is not limited to, Pershing and BNY Mellon's relationship with VFA and VFA's affiliates.

### **CASH ADVANTAGE PROGRAM**

AssetMark offers the Cash Advantage program to VFA clients with certain AssetMark Trust Company custodial accounts. The Cash Advantage program is a securities-backed line of credit linked to your account held at AssetMark Trust. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. If you decide to open a Cash Advantage account, please carefully consider the following:

1. You are borrowing money that you will be required to pay back.
2. Cash Advantage is only available for accounts that are not retirement accounts. For purposes of this Brochure, a "Retirement Account" is an account held by an ERISA plan or an account otherwise subject to Section 4975 of the Internal Revenue Code (e.g. IRA).
3. You are using the securities that you own in the account as collateral.
4. You are charged an interest rate that is subject to change and the rate can go up or down.
5. Depending on the relation between the account value, credit limit and amount borrowed, collateral devaluations may limit the available credit or possibly require a deposit of additional assets or immediate payment.
6. Due to the fact that securities are pledged to support the outstanding loan amount, AssetMark Trust Company can limit client withdrawals from the account until loan requirements are met or the loan is paid off.
7. AssetMark Trust Company may request additional information such as, but not limited to, a credit check in order to complete their review of your account(s).

For the Cash Advantage program, there is an agreement between AssetMark Trust Company and The Bancorp, Inc ("Bancorp"). No agreements are in place between VFA and Bancorp. Bancorp does not compensate VFA for referrals or otherwise. VFA allows AssetMark to offer this service as a courtesy to our clients, and in no way oversees the program.

## **Item 5 Fees and Compensation**

In general, fees for VFA investment advisory services are based upon a percentage of assets under management and are charged monthly or quarterly in advance by debiting advisory fees from client accounts, except as otherwise specified below. VFA will prorate the monthly or quarterly fee it charges you if more than \$10,000 is deposited or

withdrawn from your account during the billing period. Certain clients may have unique fee arrangements that are not specified herein.

Fees that are specific to each VFA investment advisory program are described in detail in Item 5. Account sizes specified for each program are negotiable under certain circumstances. VFA may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Although VFA has established the fee schedules described in this Brochure, VFA's IARs, with the exception of its phone-based IARS, may negotiate alternative fees on a client-by-client basis. The fee schedules contained in this Item 5, therefore, are the maximum amount, or ceiling, that VFA can charge. Depending on the distribution channel of your IAR, you will receive higher or lower fees in any of VFA's investment advisory programs. Retirement Readiness fees may be fixed or negotiable. Client facts, circumstances and needs are considered in determining the fee schedule. These facts include the complexity of the client's situation, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style and account composition, among other factors. The specific annual fee schedule is identified in the contract between the IAR and each client.

VFA policies make certain financial products, such as illiquid non-traded products, available to clients only in the Firm's role as a broker-dealer, for which it receives commissions. Other registered investment advisers may offer such financial products in an investment advisory account, shares of which may be purchased net of commission, resulting in more shares to the customer than if the same product is purchased through the Firm on a commission basis. Purchasing such products through the Firm in its role as broker-dealer will result in the client receiving fewer shares for the same purchase price than the customer would receive if purchased in an investment advisory account. Clients will receive lower investment returns over the short term, and incur higher execution costs due to the Firm's policy, as compared to the same financial product held in an investment advisory account. In certain scenarios, a client will pay more fees and expenses over the course of holding the product by purchasing it from VFA in its capacity as a broker-dealer than the client would pay if the product had been purchased in an investment advisory account. Since offering such financial products only in the Firm's capacity as a broker-dealer creates a conflict of interest, the Firm has an obligation to notify clients of, and to obtain informed consent for, these types of recommendations at the time of sale. VFA does not owe clients a fiduciary duty in circumstances when it offers clients products in its role as a broker-dealer.

VFA policy makes certain share classes of products available on its investment advisory platform, as opposed to other share classes of the same product. The share classes VFA makes available on its investment advisory platform are selected, in part, because such share classes provide compensation to the Firm. You are able to purchase the same or similar products that the Firm offers at other investment advisers, and such investment advisers will make available lower cost share classes of those products to you. For example, VFA does not offer retirement share, or "R Share" classes to non-retirement plan customers, despite R Shares being less costly than the share classes VFA offers to investment advisory customers. Other mutual fund share classes, such as "clean shares" are also available but not used by VFA because such mutual fund share classes do not pay additional revenue to VFA. Such other share classes are available to you through other investment firms, which would result in lower cost to you. Similarly, investment advisory services fees charged by other investment advisers may be similar to or lower than the fees that VFA charges.

### **Termination of the Advisory Relationship**

A client agreement may be terminated at any time, by either party, for any reason. Termination by the client is effective upon receipt of written notice by VFA unless a later date is requested in the client's notice and agreed to by VFA. Termination by VFA is effective 30 days from the date of written notice to the client, unless a later date is stated in the notice. Client may terminate without penalty within five business days of entering into an investment advisory agreement. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, VFA will pro rate the reimbursement according to the number of days remaining in the billing period.

### **REP AS MANAGER PROGRAM**

In the Rep as Manager Program, the Client is responsible for paying the advisory fee charged by the IAR, subject to the Maximum Allowed Fees below. In addition, certain miscellaneous fees are assessed for certain activities in Client's account. Client is responsible for paying these fees. Client understands and agrees that VFA may change the fees identified in in this document at any time by giving the Client written notice as described in the Client's investment advisory account agreement with VFA.

Portfolio Value	From	To	Annual Total Client Fee
First	\$ 0	- \$ 250,000	2.50%
Next	\$ 250,001	- \$ 500,000	2.30%
Next	\$ 500,001	- \$ 1,000,000	1.75%
Next	\$ 1,000,001	- \$ 2,000,000	1.50%
Next	\$ 2,000,001	- \$ 5,000,000	1.50%
Next	\$ 5,000,001	- \$ 10,000,000	1.25%
Next	\$10,000,001	and over	1.25%

The above stated fees are blended: i.e., as the portfolio value reaches each threshold in the above table, the assets above the threshold may be charged successively lower percentages, but the assets below the threshold will be charged the higher percentage.

### Miscellaneous Fees

As stated above, the Client is subject to certain miscellaneous fees in connection with activity within the Client's account. Miscellaneous fees are imposed by Pershing in connection with the Client's account. These fees are unique to the account activity and include, but are not limited to, wire transfer fees, transfer out fees, the annual IRA maintenance fee and any other charges assessed by Pershing at an individual account level. The chart contained in the Client's agreement with VFA describes the miscellaneous fees applicable to the Client's account. The Client is responsible for paying the miscellaneous fees as described. Although VFA has established the fee schedules described in this paragraph, VFA will, in its sole discretion, negotiate alternative fees or waive fees on a client-by-client basis.

As described in Item 4, above, the trading costs associated with the Rep As Manager program are assessed either via ticket-charges for each transaction made in an account, or an asset-based fee derived from a percentage of the total assets held in an account. The IAR chooses to absorb the ticket charges or asset-based fee, or chooses to charge you the asset-based fee. The client chooses which method of assessing trading costs works for the client, but the IAR will likely recommend a method to you. .

Clients that agree to have their IARs manage and report on multiple sleeves within a Rep as Manager account ("Sleeve Rebalancing and Reporting") will be charged an additional 5 basis points (0.05%) (the "Sleeve Rebalancing/Reporting Fee"). The Sleeve Rebalancing/Reporting Fee permits VFA and its IARs to separately rebalance individual sleeves of investments within one Rep as Manager account, and provide performance reporting regarding each such sleeve on the Client's quarterly account statement. The Sleeve Rebalancing/Reporting Fee is a blended rate based on the account value as of the last business day of the preceding calendar quarter. VFA is charged the Sleeve Rebalancing/Reporting Fee by Pershing, and passes the Sleeve Rebalancing/Reporting Fee to you. VFA and its IARs have a conflict of interest when recommending Sleeve Rebalancing/Reporting to clients, as VFA avoids a cost that would it would normally incur by passing the Sleeve Rebalancing/Reporting Fee to you. Clients can avoid the Sleeve Rebalancing/Reporting Fee while obtaining the same rebalancing and reporting benefits by opening multiple accounts that each manage one sleeve.

### SELECT ADVANTAGE ADVISORY IRA

The Client will be charged, and VFA and the IAR will receive, an advisory fee for the investment advice and other services provided to the account by VFA and the IAR. The advisory fee amount and frequency are determined by an agreement between the Client and the IAR and are reflected in the Voya Select Advantage Advisory IRA Program account application. The advisory fee is calculated based on the average monthly account value over the assessment period as of the last day of the calendar quarter or month. The advisory fee is deducted by VRIAC from the Client's account in arrears and is paid to VFA either quarterly or monthly (based on the frequency chosen). Please see the Voya Select Advantage Advisory Account Agreement for more information regarding the advisory fee, including the maximum advisory fee that VFA and its IAR may charge.

In addition to the advisory fee, accounts in the Voya Select Advantage Advisory IRA Program are subject to a variety of additional fees and expenses assessed by VRIAC and VITC. Information concerning these fees are included in the Voya Select Advantage Advisory IRA Disclosure Statements and Custodial Account Agreement disclosure document



OTC Equities - Market >5,099 shares	\$6 flat + \$0.01 per share
OTC Equities - Limit	\$6 flat + \$0.0125 per share
Corporate Bonds	\$18 per order
Municipal Bonds	\$18 per order
Treasuries	\$18 per order
Physicals (Agency/Zeros)	\$18 per order
Money Market Instruments (BAs/CDs/Commercial Paper)	\$18 per order
UITs	\$18 per order
Mortgage Backed When Issued	\$18 per order
Mutual Fund - No Load <sup>1,2</sup>	\$5 per order
Mutual Fund - Load	\$5 per order
Mutual Fund Exchanges	\$0
Systematic Mutual Fund	\$0
Options <sup>3</sup>	\$9 flat + \$0.25 per contract

<b>FundVest Focus Fund (Pershing No-Load, No-Transaction Fee Program)</b>	
	<b>Ticket Charge</b>
Initial Purchase	\$0
Subsequent Purchase	\$0
Redemption (After 30 Day Holding Period)	\$0
Redemption (Prior to 30 Day Holding Period)	\$30
Systematic Redemption (Prior to 30 Day Holding Period)	\$5

1 Certain fund families have an additional \$10 ticket charge: Aegis, Allianz Funds, Alpine, Ashport, CGM, Colorado Bondshares, Dodge & Cox, First Puerto Rico Offshore, Loomis Sayles, New Alternatives, Northeast Investors, Optimum Funds, Pacific Capital, PIMCO Allianz Funds, Pico Institutional, Sequoia, Stratton and Vanguard. Dimension Fund Advisors has a \$5.00 additional ticket charge. The list of fund families with an additional ticket charge is subject to change. A complete list of funds is available from the Client's IAR.

2 Ticket charges apply for the investor share class.

3 Additional option regulatory fees apply and are assessed to Client.

These ticket charges are due and payable at the time orders are placed and certain other miscellaneous charges. As discussed in Footnote 1, above, an additional ticket charge is assessed by Pershing for each purchase and sale transaction in certain mutual fund families identified by Pershing. This is in addition to the generally applicable ticket charge assessed for each such transaction. The list of mutual fund families for which this additional ticket charge is currently assessed is included in Footnote 1, above. The additional ticket charge is subject to change from time to time. Your IAR, upon request, will provide you with the most recent list. Certain "no load" fund shares may be required to be held for a minimum time period, generally six months. In the event that such shares are redeemed prior to the end of the minimum holding period, the shares may be subject to a redemption fee.

Clients that invest through the Comprehensive Advice Program (CAP) will be charged an annualized asset-weighted fee ("Asset-Weighted Fee") of 9 basis points for Program services, which includes transaction fees, paper surcharges and the annual IRA custodial fee. The total Asset-Weighted Fee is a blended rate based on the total Portfolio Value as of the last business day of the proceeding calendar quarter. Client understands and agrees that Sponsor, Pershing, their Affiliates and their representatives, consultants, or other agents in connection with the performance of their respective services, shall be entitled to and will share in the Asset Weighted Fee.

Since Preferred and CAP accounts charge customers either ticket charges or an Asset-Weighted Fee, as described above, your IAR has a conflict of interest and is incentivized to open those accounts versus a Prime, SAS or TAP account, in which your IAR bears such costs. Your IAR also has a conflict of interest in Prime, SAS, or TAP accounts, as the IAR bearing such costs incentivizes the IAR to trade less frequently in these accounts.

The Firm applies a lower maximum fee schedule for Preferred and CAP accounts.

#### **Preferred, CAP, Prime, Voya Portfolio Track, TAP and SAS Potential Transaction Fee Waiver**

VFA IARs may recommend mutual funds that participate in Pershing's FundVest Program to Preferred, CAP, Prime, Voya Portfolio Track, TAP and SAS clients that meet certain purchase requirements. Information regarding the FundVest Program is included in Item 12 of this Brochure. Share classes of certain funds in the FundVest Program are more expensive than the share classes of the same or other similar funds offered outside of the FundVest program, or through other investment advisers.

#### **Preferred, CAP, Prime, Voya Portfolio Track, TAP and SAS Redemption Fees**

Mutual funds that participate in Pershing's FundVest Program will be assessed by Pershing a short-term redemption fee if sold within three months. Similar short-term redemption fees may be charged by mutual fund families that are part of and outside of the FundVest Program. FundVest short-term redemption fees are not covered by your advisory fee and will be charged to you if you have a Preferred, CAP, Prime, Voya Portfolio Track, TAP or SAS account.

#### **Mutual Fund Ticket Charges Assessed to the IAR**

As discussed in more detail above, certain mutual fund families charge an additional ticket charge to invest in their respective mutual funds, and ticket charges are waived for purchases of funds that would normally carry a ticket charge if such fund participates in the FundVest Program. Share classes of certain mutual funds in the FundVest Program are more expensive than the share classes of the same or other similar mutual funds offered outside the FundVest Program, or at other investment advisers. In VFA's investment advisory programs where the IAR is assessed the ticket charges associated with your investment, the IAR is incentivized to avoid ticket charges by concentrating his or her recommendations to or investment selections for clients on mutual funds that participate in the FundVest Program, or whose fund family does not assess an additional ticket charge. This is a conflict of interest, as the IAR is incentivized to choose investments based on avoided costs for the IAR, rather than the client's needs and the ultimate cost of the investment to the client. VFA addresses this conflict by identifying and disclosing this conflict of interest to you, and by reviewing the recommendations and transactions made by IARs to clients to ensure their appropriateness.

### **INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT FEES**

**Morningstar Wealth Management / Morningstar Wealth Management Tax Sensitive Model Portfolio Program, Voya Global Perspectives Market Models Series, Voya Choice Advisory, Voya Portfolio Track, The Fidelity Program, Select Adviser Series Program and Unified Managed Account Program**

The annualized fee will be charged as a percentage of assets under management, according to the following schedules:

#### **1. Morningstar Wealth Management / Morningstar Wealth Management Tax Sensitive Model Portfolio Program**

##### **Maximum Annual Total Client Fee**

Portfolio Value	From	To	Annual Total Client Fee
First	\$ 0	- \$ 250,000	2.75%
Next	\$ 250,001	- \$ 500,000	2.75%
Next	\$ 500,001	- \$ 1,000,000	2.50%
Next	\$ 1,000,001	- \$ 2,000,000	2.35%
Next	\$ 2,000,001	- \$ 5,000,000	2.10%
Next	\$ 5,000,001	- \$ 10,000,000	2.05%
Next	\$10,000,001	and over	2.00%



A minimum of \$25,000 of assets under management is generally required for the Morningstar Wealth Management Programs. Clients electing to exclude certain funds from their Morningstar Wealth Management Program accounts will be assessed a non-negotiable \$5,000 administrative fee. A minimum of \$10,000 of assets under management is generally required for the Voya Portfolio Track program. Morningstar also provides capital market assumptions to VFA at no additional cost as part of the suite of services provided.

## 2. Voya Global Perspectives Market Models ("GPMM")

### Mutual Fund Series

The total annualized fee for services under the GPMM – Mutual Fund Series consists of a Management Fee and a Custody Fee. The Management Fee is composed of a Strategist Fee and an Advisory Fee. The maximum total annual fee will not exceed 2.75%. The Management Fee is assessed based on the total market value of the GPMM account and applied by asset tier per account, as stated on the Fee Schedule in the GPMM account agreement. Voya IM has waived charging a strategist fee for the GPMM – Mutual Fund Series, although Voya IM will receive management fees from the Voya funds, and sub-management fees from the non-Voya funds selected. No portion of any affiliated product's advisory, administrative, service, or other fees will be offset against the Management Fee or Custody Fee.

A minimum of \$10,000 of assets under management is generally required for GPMM – Mutual Fund Series.

### ETF Series

The total annualized fee for services under the GPMM – ETF Series consists of a Management Fee and a Custody Fee. The Management Fee is composed of a Strategist Fee and an Advisory Fee. The maximum total annual fee will not exceed 2.75%. The Management Fee is assessed based on the total market value of the GPMM account and applied by asset tier per account, as stated on the Fee Schedule in the GPMM account agreement. No portion of any affiliated product's advisory, administrative, service, or other fees will be offset against the asset-based fee.

A minimum of \$25,000 of assets under management is generally required for GPMM – ETF Series

### Maximum Annual Total Client Fee

Portfolio Value	From	To	Annual Total Client Fee
First	\$ 0	- \$ 250,000	2.75%
Next	\$ 250,001	- \$ 500,000	2.75%
Next	\$ 500,001	- \$ 1,000,000	2.50%
Next	\$ 1,000,001	- \$ 2,000,000	2.35%
Next	\$ 2,000,001	- \$ 5,000,000	2.10%
Next	\$ 5,000,001	- \$ 10,000,000	2.05%
Next	\$10,000,001	and over	2.00%

## 3. Voya Choice Advisory

### Maximum Annual Total Client Fee

Portfolio Value	From	To	Annual Total Client Fee
First	\$ 0	- \$ 250,000	2.75%
Next	\$ 250,001	- \$ 500,000	2.75%
Next	\$ 500,001	- \$ 1,000,000	2.50%
Next	\$ 1,000,001	- \$ 2,000,000	2.35%

Next	\$ 2,000,001	-	\$ 5,000,000	2.10%
Next	\$ 5,000,001	-	\$ 10,000,000	2.05%
Next	\$10,000,001	and over		2.00%

A minimum of \$25,000 of assets under management is generally required for Voya Choice Advisory. Clients electing to exclude certain funds from their Voya Choice Advisory accounts will be assessed a non-negotiable \$5,000 administrative fee.

#### 4. The Fidelity Program

Assets Under Management	Maximum Annual Fee
Up to \$250,000	1.00%
\$250,001- \$500,000	0.75%
\$500,001 and greater	0.50%

There is a \$5,000 minimum account balance for participation in the Fidelity Program.

In the Fidelity Program, the client fee is deducted by Fidelity upon calculation and instruction from VFA in accordance with direction from the client. Clients who invest through the Fidelity Program must maintain sufficient assets in the account to meet quarterly fee deductions. The fee is calculated using the account balance on the first business day of the previous quarter. Advisory fee deduction will commence on the first full quarter following enrollment in the Fidelity Program.

#### Additional Charges to Fidelity Program Clients:

Clients may pay separate custodial fees or charges associated with the maintenance of accounts at Fidelity Investments. Brokerage link clients will pay transaction charges for purchases and sales in their account. Fidelity Program clients should refer to their agreement with Fidelity Investments for information regarding applicable custodial and transactional fees.

#### 5. Select Adviser Series Program:

The total annual client fee for services under the SASP Program consists of the Management Fee and the Custody Fee. The Management Fee is composed of the Strategist Fee(s) and an Advisory Fee. The maximum total annual fee will not exceed 2.75%. The Management Fee is assessed based on the total market value of the SASP account and applied by asset tier per account, as stated on the Fee Schedule in the SASP account agreement. On the client's behalf, VFA pays a portion of the asset-based fee to the Strategist for services. Any transfer of assets from one Strategist to a different Strategist may result in a higher or lower Management Fee, as a result of the difference in the Management Fees that each Strategist charges. No portion of any affiliated product's advisory, administrative, service, or other fees will be offset against the asset-based fee.

#### Maximum Annual Total Client Fee

Portfolio Value	From	To	Annual Total Client Fee
First	\$ 0	- \$ 250,000	2.75%
Next	\$ 250,001	- \$ 500,000	2.75%
Next	\$ 500,001	- \$ 1,000,000	2.50%
Next	\$ 1,000,001	- \$ 2,000,000	2.35%
Next	\$ 2,000,001	- \$ 5,000,000	2.10%
Next	\$ 5,000,001	- \$ 10,000,000	2.05%
Next	\$10,000,001	and over	2.00%

#### 6. UMA Programs:

The total annual client fee for services under the Unified Managed Account Program consists of the Management Fee and the Custody Fee. The Management Fee is composed of the Strategist Fee(s), a VFA Administrative Fee, and an

Adviser Fee. As shown in the table below, the maximum total annual fee for the IIS Sleeve(s) will not exceed 2.75% or 2.25% for the Adviser Directed Sleeve. The Management Fee is assessed based on the total market value of the UMA account and applied by asset tier per account, as stated on the Fee Schedule in the Unified Managed Account Program account agreement. On the client's behalf, VFA pays a portion of the total annual client fee to the IIS for services. Any transfer of assets from one IIS to a different IIS may result in a higher or lower Management Fee, as a result of the difference in the Management Fees that each IIS charges. No portion of any affiliated product's advisory, administrative, service, or other fees will be offset against the total annual client fee.

The Advisor Directed Sleeve of the Unified Managed Account Program also charges an annualized asset-weighted fee ("Asset-Weighted Fee") of nine basis points (0.09%) for Unified Managed Account Program services. The total Asset-Weighted Fee is a blended rate based on the total portfolio value as of the last business day of the preceding calendar quarter or month. Client understands and agrees that Sponsor, Pershing, their Affiliates and their representatives, consultants, or other agents in connection with the performance of their respective services, shall be entitled to and will share in the Asset-Weighted Fee.

#### Maximum Total Annual Client Fee

Portfolio Value	From	To	Annual Total Client Fee of IIS Sleeve(s)	Annual Total Client Fee of Advisor Directed Sleeve
First	\$ 0	- \$ 250,000	2.75%	2.25%
Next	\$ 250,001	- \$ 500,000	2.75%	2.00%
Next	\$ 500,001	- \$ 1,000,000	2.50%	1.50%
Next	\$ 1,000,001	- \$ 2,000,000	2.35%	1.25%
Next	\$ 2,000,001	- \$ 5,000,000	2.10%	1.25%
Next	\$ 5,000,001	- \$ 10,000,000	2.05%	1.00%
Next	\$10,000,001	and over	2.00%	1.00%

A minimum account value of \$100,000 for a portfolio that consists of individual equities and \$250,000 for a portfolio that consists of fixed income securities is generally required for the Unified Managed Account Program.

Certain IIS Sleeves may have different account minimums.

The maximum annual total client fee for services under the Investor Channel Unified Managed Account Program will not exceed 1.37%. The maximum annual total client fee is assessed based on the total market value of the Investor Channel Unified Managed Account Program account and applied by asset tier per account, as stated on the Fee Schedule in the Investor Channel Unified Managed Account Program agreement. On the client's behalf, VFA pays a portion of the total annual client fee to the IIS for services. Any transfer of assets from one IIS to a different IIS may result in a higher or lower Management Fee, as a result of the difference in the Management Fees that each IIS charges. No portion of any affiliated product's advisory, administrative, service, or other fees will be offset against the total annual client fee.

A minimum account value of \$10,000 - \$50,000 is generally required for the Investor Channel Unified Managed Account Program, dependent upon the strategist selected. Please refer to the VFA's Form ADV Part 2A, Appendix 1 Investor Channel Unified Managed Account Wrap Program Brochure for more detailed information about the fees applicable to the Investor Channel Unified Managed Account Program.

The UMA Programs incorporate fees that would otherwise be assessed to the client account including, among other things, transaction costs, paper surcharges and the annual IRA custodial fee. Certain account-level miscellaneous fees are not incorporated. VFA will, in its sole discretion, negotiate alternative account-level miscellaneous fees or waive such fees on a client-by-client basis.

Certain miscellaneous fees are lower for clients who have provided VFA and its IAR discretionary authority to manage and Adviser Sleeve and move amongst unaffiliated IIS Sleeves without the client's prior consent. A listing of these miscellaneous fees are contained in client's Unified Managed Account Program Agreement. It is important that clients understand that granting or eliminating discretionary authority for VFA, through its IAR, to manage an Adviser Sleeve and move amongst unaffiliated IIS Sleeves without the client's prior consent will result in lower (by granting such discretionary authority) or higher (by eliminating such discretionary authority) miscellaneous fees.

## **7. VDA Program:**

The VDA Program charges an asset-based fee comprised of four components for its services (the "Asset-Based Fee"). The Asset-Based Fee consists of the Strategist Fee, the Custody Fee, the VFA Administrative Fee, and the Advisor Fee. The maximum total annual Asset-Based Fee for the VDA Program is 1.1%. The Asset-Based Fee is assessed based on the total market value of the client's VDA Program account, as described in the VDA Program account agreement, and VFA's Form ADV Part 2A, Appendix 1 Voya Digital Adviser™ Wrap Program Brochure, which is available upon request from your IAR or from VFA.

VFA's Form ADV Part 2A, Appendix 1 Voya Digital Adviser™ Wrap Program Brochure contains further information about the Asset-Based Fee and the other fees and costs you incur by investing through the VDA Program, including but not limited to the fees and costs charged by the securities contained in the model portfolios and miscellaneous account and service fees. You should read VFA's Form ADV Part 2A, Appendix 1 Voya Digital Adviser™ Wrap Program Brochure carefully before choosing to invest in the VDA Program.

The Strategists in the Select Adviser Series Program, the UMA Programs, and the VDA Program use investment products for which Pershing assesses a ticket charge to VFA for transactions made in VFA client accounts. Some Strategists, however, utilize investment products without ticket charges, which reduces the cost VFA bears to maintain these programs for clients. Generally, investment products for which Pershing does not assess a ticket charge to VFA have higher costs to clients than those investment products for which Pershing charges a ticket charge to VFA. The avoidance of ticket charges is a conflict of interest for VFA, as it incentivizes VFA to select Strategists for inclusion in these programs that choose investments without ticket charges, which results in higher overall costs for the client, rather than selecting Strategists based upon perceived client need. VFA addresses this conflict of interest by identifying and disclosing this conflict of interest to you, and by reviewing Strategists for these programs to ensure their appropriateness.

### **THIRD PARTY MONEY MANAGER PROGRAM FEES**

Fees for the Third Party Money Manager Programs may be negotiated but generally range from 0.75 to 2.50%, depending on the third party money manager program selected, the size of the account and the services provided. Under some programs, an inclusive fee covers account management, brokerage, clearing, custody and administrative services. In other programs, the account may be charged separately for these services. The amount of the fees, the services provided, the payment structure, termination provisions, account minimums, and other aspects of each program are detailed and disclosed in the unaffiliated third party money manager's disclosure document. VFA may share in the fee.

VFA charges its IARs a fee for the IAR's clients' assets held at third party money managers. This is a conflict of interest, as it creates a disincentive for your IAR to recommend third party money manager programs to you.

From time to time, VFA may add or remove third-party asset management programs to or from its investment advisory program platform. During such transitions, VFA may offer incentives to customers in the form of discounts or other incentives on certain programs, to either encourage adoption of those certain program(s) or to ameliorate potential costs of such removals. VFA may also provide increased compensation to IARs who use those certain program(s) for customers whose previous program(s) have been removed. This increased compensation creates a conflict of interest for your IAR by incentivizing the choosing of one program over another.

### **FINANCIAL PLANNING AND CONSULTING SERVICES FEES**

VFA's financial planning or consulting services fee is determined based on the nature of the services provided and the complexity of each client's circumstances. All fees are agreed to prior to entering into the Financial Planning or Consulting Services Agreement with any client. You should discuss fees and services with your advisor as the fees may be negotiable.

Financial planning or consulting fees are calculated on either a flat fee or an hourly basis. Fees are generally based on the complexity of the client's situation and/or the amount of time necessary to prepare a financial plan or provide the services as agreed upon in writing by the client. If you are charged hourly, your IAR will provide an estimate of the total hours at the time of signing of the financial planning agreement.

The one-time financial planning or consulting services fee may be payable at the time the client signs the agreement, within 30 days of delivery of the completed plan or services, or a portion of the fee may be collected at the time the agreement is signed with the remaining portion of the fee due within thirty days of the delivery and/or presentation of

the plan or services. Annual planning or consulting service fees are billed and due monthly, quarterly, or annually, in advance, for the services agreed upon.

The agreement contains payment installment options that the client may select. Please review the financial planning agreement carefully prior to signing.

Client may terminate without penalty within five business days of entering into the agreement. Upon termination of any agreement after the initial five-day period, any one-time fees collected will be reimbursed in full if the financial plan or agreed-to services have not been delivered. Any prepaid, unearned annual planning fees will be promptly refunded. In calculating a client's reimbursement of annual planning fees, VFA will pro rate the reimbursement according to the number of days remaining in the billing period.

### **FINANCIAL PLANNING SEMINAR FEES**

Seminar fees are set by the IAR who is conducting the seminar and may be up to \$500 per person. IARs that have been given approval may charge the corporate sponsors of their seminars a fixed fee, not to exceed \$10,000, to hold seminars for the corporation's employees. This fee is not tied to a per-employee attendance count.

### **ADDITIONAL POTENTIAL FEES**

**Mutual Fund Fees:** All fees paid to VFA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. The fees and expenses of mutual funds and ETFs are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses and may include asset based sales charges, service fees, and/or distribution fees ("12b-1 fees"). In most cases, mutual fund companies offer multiple share classes of the same mutual fund. Some share classes of a fund charge a higher internal expense, including but not limited to 12b-1 fees, whereas other share classes of the same fund charge a lower internal expense, with or without 12b-1 fees.

Different share classes of the same mutual fund represent the same underlying investments. Since different share classes have different costs, the overall costs of owning each share class differ. This means that one share class of a particular mutual fund will be more costly than other share classes of the same fund over time. This increased cost negatively affects the investment return for that particular share class over time.

Institutional and investment advisory share classes typically have lower expense ratios, do not charge 12b-1 fees, and are less costly for a client to hold than Class A shares or other share classes that are eligible to purchase in an investment advisory account. Mutual funds that offer institutional share classes, investment advisory share classes, and other share classes with lower expense ratios are available to clients who meet specific eligibility requirements that are described in the mutual fund's prospectus or in its statement of additional information. These eligibility requirements include, but may not be limited to, investments meeting certain minimum dollar amount thresholds and accounts that the fund considers qualified, fee-based programs.

VFA receives 12b-1 fees from certain share classes of mutual funds with respect to the following accounts: (1) accounts that are managed on a non-discretionary basis ("Non-Discretionary Accounts"); and (2) accounts that are both managed on discretionary basis and are not Retirement Accounts ("Discretionary Non-Retirement Accounts"). The receipt of 12b-1 fees presents a conflict of interest because it gives VFA and its IARs an incentive to recommend mutual funds for accounts based on the compensation received rather than on a client's needs. You should be aware of this conflict and discuss with your IAR whether mutual funds selected or to be selected for your account pay a 12b-1 fee. You should consider 12b-1 fees when negotiating fees with your IAR. In the event that VFA receives 12b-1 fees for funds, VFA will credit the account for such fees. If the fund also imposes sales charges, a client may pay an upfront or deferred sales charge.

The lowest-cost mutual fund share class for a particular fund may not be offered through VFA or made available by VFA for purchase within specific types of investment advisory program accounts. Clients should never assume that they will be invested in the share class with the lowest possible expense ratio or cost. VFA urges clients to discuss with their IAR whether a lower-cost share class is available for their particular account, and why the particular fund(s) or other investments that will be purchased or held in their account are appropriate for them considering their expected holding period, investment objective, risk tolerance, time horizon, financial condition, amount invested, trading frequency, the amount of the advisory fee charged. Clients should also ask their IAR whether the client will pay transaction charges for fund purchases and sales, whether the client will pay higher internal fund expenses in lieu

of transaction charges that could adversely affect long-term performance, and the relevant tax considerations of the mutual fund share class(es) or investment(s) selected for the client's account.

VFA, through its IARs, may recommend, select, or continue to hold a mutual fund share class that charges clients higher internal expenses than other available share classes for the same fund. For example, in certain circumstances, VFA offers retirement share, or "R Share" classes to retirement plan customers, where available, and if the requirements for use of such class in the product's prospectus or statement of additional information are met, but does not offer R Share classes to non-retirement plan customers, despite R Shares being available, in certain circumstances, to non-retirement plan customers and generally being less costly than the share classes VFA offers to investment advisory customers. Other mutual fund share classes, such as "clean shares" are also available but not used by VFA because such mutual fund share classes do not pay additional revenue to VFA. Such other share classes are available to you through other investment firms, which would result in lower cost to you.

A client could invest in a mutual fund directly, without VFA's investment advisory services, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and VFA's investment advisory fees to fully compare and understand the total amount of fees to be paid by the client and, therefore, evaluate the advisory services being provided.

Certain VFA IARs supervise the investment advisory activities of other IARs. VFA refers to these supervising IARs as "OSJs." In exchange for these supervisory services, OSJs receive a higher percentage of the fees that VFA earns in exchange for the investment advice and product recommendations VFA provides to clients, including those made by the OSJ him or herself. The fees that certain of these OSJs earn for supervisory services are higher for the Firm's investment advisory programs than the products offered by the Firm in its role as broker-dealer. This creates a conflict of interest, as it incentivizes such VFA OSJs to concentrate the sales, and the sales of the IARs that they supervise, on products and services offered by the Firm in its role as investment adviser.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by VFA. Such fees may include the investment advisory fees of the independent third party money managers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for investment advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charges in a wrap fee program. In evaluating the wrap fee program, the client should also consider that, depending upon the level of the wrap fee charged by the third party investment adviser, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. The client's IAR will review with clients any separate program fees that may be charged to clients.

**Additional Fees and Expenses:** In addition to VFA's investment advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer for a third party investment adviser.

Clients may also interact with VFA in its role as a broker-dealer. Clients will pay commissions or other transaction charges for investments purchased through VFA in its role as a broker-dealer, but will not pay an investment advisory fee in connection with those investments. Please see item 10 of this Brochure for additional information regarding VFA's broker-dealer activities.

VFA's clearing firm, Pershing charges a paper surcharge of \$1 for each paper statement and trade confirmation issued to clients for transactions in an account. This fee is waived for clients opting for electronic delivery of these statements and confirmations.

You may be subject to certain miscellaneous fees based on activity within your account. Such charges include, but are not be limited to, check fees, transfer fees, and termination fees. Fees are a combination of a fee charged by Pershing plus an associated fee by VFA. Not all programs charge miscellaneous fees, and certain fees may be applicable in some programs and not others. Although VFA has established the fee schedules described in this paragraph, VFA will, in its sole discretion, negotiate alternative fees or waive fees on a client-by-client basis. Please consult your investment advisory program agreement and any associated "Schedule of Miscellaneous Account and Service Fees" for more information regarding the fees payable in your Account.

## EPIC SERVICES FEES

Fees for the EPIC Services ("Fees") are negotiable. A description of the different types of fees for EPIC Services appears in the fee schedule below.

Fee Type	Fee Range
Asset based Fees (% of Plan assets)	Up to a maximum of 100 basis points
Hourly Rate	Up to a maximum of \$500 per hour
Flat Fee	Flat fees will be negotiated with and agreed upon by plan sponsor up to a maximum of \$100,00 per plan per year
How EPIC Services Fees May Be Paid	
The fees described above may be paid by the Plan record keeper directly from Plan assets, accounts or investments. Alternatively, fees for retirement plan services may be billed to the Plan Sponsor.	
How Asset Based Fees are Calculated	
<ul style="list-style-type: none"> <li>■ The initial Fee will be prorated based upon the number of days remaining in the initial quarterly period from the date of execution of the Agreement.</li> </ul>	
<ul style="list-style-type: none"> <li>■ The initial Fee will be based upon the market value of the plan assets at the close of business on the last business day of the initial quarterly period.</li> </ul>	
<ul style="list-style-type: none"> <li>■ Thereafter, the quarterly portion of any annual asset-based Fees will be based upon the market value of the plan assets at the close of business on the last business day of the previous calendar quarter (without adjustment for anticipated withdrawals by plan participants or beneficiaries or other anticipated or scheduled transfers or distributions of assets)</li> </ul>	
Calculation of Prorated Asset Based Fee (Upon Termination)	
<ul style="list-style-type: none"> <li>■ If the Agreement is terminated prior to the end of a quarter, VFA will be entitled to a quarterly fee, prorated for the number of days in the quarter prior to the effective date of termination, and for asset-based fees, based on the market value of the plan assets at the close of business on the effective date of termination.</li> </ul>	

Plan Sponsors receiving EPIC Services may pay more or less than a client might otherwise pay if purchasing the EPIC Services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the plan, the specific investments made by the plan, the number of locations of participants, the EPIC Services offered by another service provider, and the actual costs of EPIC Services purchased elsewhere. In light of the specific EPIC Services offered by VFA the Fees charged may be more or less than those of other similar service provider.

All fees paid to VFA for EPIC Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client may pay an initial or deferred sales charge. The EPIC Services provided by VFA may, among other things, assist the client in determining which investments are most appropriate to each client's financial condition and objectives and to provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the plan's other service providers and the fees charged by VFA to fully understand the total amount of fees to be paid by the client and to evaluate the EPIC Services being provided.

No increase in the Fees will be effective without prior written notice. While not necessarily related to the Services, various vendors, product providers, distributors and others provide non-monetary compensation by paying some expenses related to training and education, including travel expenses, and attaining professional designations. VFA might receive payments to subsidize its own training programs. Certain vendors invite VFA IARs to participate in conferences, on-line training or provide the Firm publications that may further its IARs and employees' skills and knowledge. Some product sponsors occasionally provide VFA IARs gifts, meals and entertainment of reasonable value consistent with industry rules and regulations. Such payments and non-monetary compensation reflect a

conflict of interest for your IAR and VFA because they may incentivize VFA or your IAR to use certain vendors over others.

## **LOANADVANCE ACCOUNTS**

The LoanAdvance interest rate charged to a client is variable based on the amount of credit borrowed by such client and can fluctuate. The prime rate may change with fluctuations in the Federal Funds rate. The LoanAdvance interest rate will consist of the prime rate plus an additional margin as provided below. The added margin may be changed by VFA from time to time. VFA and your IAR have a conflict of interest when a LoanAdvance account is offered to you. This conflict occurs because VFA and your IAR will receive a portion of the interest charged on your loan as compensation.

Subject to the foregoing, the rate of interest that will be charged on any credit extended in the LoanAdvance account is equal to the following Tiered Interest Rate Schedule:

<b>Approval Amount</b>	<b>Pershing Lending Rate<sup>1</sup></b>	<b>VFA's Compensation</b>	<b>Client Interest Rate<sup>1</sup></b>
\$25,001 - \$100,000	3.25%	1.50%	4.75%
\$100,001 - \$250,000	3.25%	1.25%	4.50%
\$250,001 - \$500,000	3.25%	1.00%	4.25%
\$500,001 - \$1,000,000	3.25%	0.75%	4.00%
\$1,000,000+	3.25%	0.50%	3.75%

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

VFA does not charge performance-based fees, so there are no situations where accounts with performance-based fees are managed side-by-side with accounts subject to the fees described in Item 5.

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

VFA provides investment advisory services to the following types of clients:

- Individuals, including high net worth individuals
- Pension and profit sharing plans (and plan participants)
- Municipalities and other government entities
- Charitable organizations and other tax exempt enterprises
- Corporations, trusts, or other entities not listed above

Certain investment advisory programs offered through VFA are subject to account minimums. The minimums applicable to each program are disclosed in Item 5 of this Brochure. IARs may choose not to accept an investment advisory relationship due to the assets, or lack thereof, that the potential client is proposing to invest with VFA.

Certain account types are only available through the Firm in certain investment advisory programs. The Firm offers donor advised funds, but does so at this time only through the Firm's Unified Managed Account Program. This is a conflict of interest, as the Firm restricts donor advised funds to the Unified Managed Account Program to support its own business model, instead of client preference. Donor advised funds are available at other broker dealers and investment advisers for less cost.

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

Most of the advisory services we provide involve the purchase or liquidation of securities. All investing involves the risk of loss, including the loss of your entire principal value. This risk varies based on the type of the security purchased. All securities sold have disclosure documentation that discusses these risks. The initial disclosure document is commonly referred to as a prospectus, but may be called something else depending on the type of security you have purchased. Publicly-traded companies also maintain periodically updated disclosure documents

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<sup>1</sup> Rate Subject to Change



that are useful in evaluating the potential benefits and risks of that publicly-traded company's securities. In any case, it is extremely important that you read these documents in their entirety. If you have any additional questions regarding your investments, please speak with your IAR immediately.

## **Methods of Analysis**

IARs use a variety of methods to analyze a client's situation as well as economic factors to develop investment advice. IARs may use one or more of the following methods of analysis to formulate investment advice and/or manage client assets.

**Charting:** The IAR reviews charts of market and security activity to discern trends in market movements in an attempt to potentially predict future market trends.

**Fundamental Analysis:** IARs evaluate economic and financial factors to determine if a security may be underpriced, overpriced or fairly priced.

**Technical Analysis:** IARs analyze past market movements and apply that analysis to the present conditions in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

**Cyclical Analysis:** IARs analyze past market movements and apply that analysis in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movements.

**Quantitative Analysis:** IARs analyze mathematical models in an attempt to obtain more accurate measurements of a company's value to potentially predict changes to that data.

**Qualitative Analysis:** IARs subjectively evaluate non-quantifiable factors, and attempt to potentially predict changes to share price based on that data.

**Asset Allocation:** IARs attempt to identify an appropriate ratio of asset classes that are consistent with the client's investment goals and risk tolerance.

**Mutual Fund and / or ETF Analysis:** IARs evaluate a variety of factors in an attempt to potentially predict the future performance of the mutual fund or ETF. The IAR may consider, among other things, the experience, expertise, investment philosophy, and past performance to determine if the manager has demonstrated an ability to invest over a period of time and in different economic conditions. The IAR may monitor the manager's underlying holdings, strategies and concentrations.

**Third Party Money Manager Analysis:** The IAR may evaluate the experience, expertise, investment philosophies, and past performance of independent third party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. The IAR may monitor the manager's underlying holdings, strategies and concentrations.

## **Risks of Various Methods of Analysis**

There are risks inherent in each type of analysis described above. For example, a risk of any method of analysis that considers past performance as a predictor of future performance is that past performance is no guarantee of future results. Some methods of analysis, such as fundamental analysis, focus on identifying the value of the company, without considering external factors such as market movements. Failure to consider external factors presents a potential risk, as the price of a security may be impacted by the overall market, regardless of the economic and financial factors considered in evaluating the specific stock.

Other methods of analysis, such as technical analysis, evaluate external factors, but do not consider the underlying financial condition of a company. Failure to consider a company's underlying value presents a risk that a poorly-managed or financially unsound company may under-perform regardless of positive market movements.

A risk of investing with a third party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as VFA does not control the underlying investments in a third party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for clients. Moreover, as VFA does not control the manager's daily business and compliance operations, VFA may not be aware of any lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Most methods of analysis require the IAR to make one or more assumptions or subjective judgments. If any of the assumptions or judgments are incorrect or are not realized, then the analysis may be inaccurate. Finally, all of the methods of analysis described above rely on the assumption that all publicly-available sources of information are accurate and that the analysis is not compromised by inaccurate or misleading information.

## Investment Strategies

The following strategies may be used in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases:** IAR recommends the purchase of securities with the idea of holding them in the client's account for a year or longer. Typically this strategy is used when the IAR believes the securities may be currently undervalued, and/or the IAR wants exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, the IAR may not take advantage of short-term gains that could be profitable to a client. Moreover, if the strategy is incorrect, a security may decline sharply in value before the IAR makes the recommendation to sell. Additionally, although historical data indicates that the purchase and holding of securities over a long period of time can produce a positive return, the approach tends to be more successful for investors who have a significant period of time to invest, such as ten to twenty years, in order to be able to withstand market fluctuations. Investors who need access to their assets may be forced to sell assets in a declining market, and may be subject to many of the risks experienced by short-term investors. See the discussion of risks in the section on "Short-term purchases" below.

**Short-term purchases:** When utilizing this strategy, IAR recommends securities with the strategy of selling them within a relatively short time (typically a year or less) in an attempt to take advantage of conditions that the IAR believes could soon result in a price swing in the securities recommended. Short-term purchases may enable a client to take advantage of market volatility. However, there are costs and risks associated with short-term trading. Frequent trading can increase the transaction costs associated with a portfolio, and reduce the client's overall return. Frequent trading can also lead to undesirable tax consequences and complex reporting obligations. It is possible to lose money if an investment declines in value. The risk of loss is amplified if the client's portfolio is leveraged.

**Margin transactions:** A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. With the client's prior authorization, securities may be purchased for the client's portfolio through a margin loan. Purchasing securities on margin allows the client to purchase more than he or she would be able to with available funds and allows the purchase of additional securities without having to sell other holdings. The use of a margin loan creates a conflict of interest in that portfolio risk, indebtedness and the investment advisory fee paid may be higher than if such a strategy were not used. Also, since the client is taking out a loan to purchase securities the client is charged interest on the margin loan balance. The interest rate charged is determined by VFA and Pershing.

Margin investing is not right for every investor. Margin borrowing increases an investor's level of market risk; a declining market may result in even greater losses than if the client invested without margin. A client must repay a margin loan, regardless of the underlying value of the securities purchased. If the value of the margined securities in a client's account falls below the minimum maintenance requirements, Pershing will issue a maintenance call requiring the client to deposit additional cash or acceptable collateral. If a client fails to meet a maintenance call, Pershing may be forced to sell some or all of the securities in the account to protect its loan, even if the client is not able to provide prior approval.

**Option writing:** With the client's prior authorization and VFA's approval, IARs may recommend options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a security at a specific price on or before a certain date. An option is a type of security, just like a stock or bond. An option is also a derivative, because it derives its value from the value of an underlying asset. Options can be used to speculate on the possibility of a sharp price swing. They can also be used to provide a "hedge" against the purchase of the underlying security. Options can be used to limit the potential upside and downside fluctuations of a security in a portfolio.

Option strategies involve risk, and they are not suitable for every investor. Many options strategies are designed to minimize risk by hedging existing portfolios. Such strategies can also prevent upside appreciation in a security. Options carry no guarantees. It is possible to lose all of the principal amount invested, and sometimes more can be lost as well. Gains earned on an option can be realized very quickly, but losses can mount quickly as well. It is

important to understand all the risks associated with holding, writing, and trading options before including them in an investment portfolio.

**Risk of Loss:** Investing in securities involves risk of loss that clients should be prepared to bear. Any of the following risks, among others, could affect performance or cause an investment to lose money or to underperform market averages.

*Diversification:* Allocation among different asset classes does not guarantee a profit or protect against risk of loss.

*Equities:* The price of a given company's stock could decline or under perform for many reasons including, among others, poor management, financial problems, or business challenges. If a company declares bankruptcy or becomes insolvent, its stock could become worthless.

*Fixed Income:* Fixed income products are affected by a number of risks, including fluctuations in interest rates, credit risk, and prepayment risk. In general, as prevailing interest rates rise, fixed income prices will fall. Bonds face credit risk if a decline in an issuer's credit worthiness causes a bond's price to decline. Finally, fixed income products may be subject to prepayment risk; when interest rates fall, a borrower may choose to borrow money at a lower rate, while paying off previously issued bonds. High yield bonds are subject to additional risks, such as increased risk of default and greater volatility.

*International Investments:* International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, tax withholding, lack of liquidity, absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified for foreign issuers in emerging markets.

*Market Capitalization:* Stocks fall into three broad market capitalization categories - large, mid and small. Investing primarily in one category carries the risk that, due to current market conditions, that category may be out of favor with investors. If valuations of large capitalization companies appear to be greatly out of proportion to the valuations of mid or small capitalization companies, investors may migrate to the stock of mid and small capitalization companies, causing an investment in these companies to increase in value more rapidly than an investment in larger, fully-valued companies. Investing in mid and small capitalization companies may be subject to special risks associated with narrower product lines, more limited financial resources, smaller management groups, and a more limited trading market for their stock as compared with larger companies. As a result, stock of mid and small capitalization companies may decline significantly in market downturns.

*Past Performance:* Past performance is no guarantee of future results.

*Stock Prices:* Stock prices are volatile and are affected by the real or perceived impacts of such factors as economic conditions and political events. The stock market tends to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline. Any given stock market segment may remain out of favor with investors for a short or long period of time, and stocks as an asset class may underperform bonds or other asset classes during some periods.

Securities investments fluctuate and are not guaranteed and clients may lose the principal invested.

## **Item 9    Disciplinary Information**

The following are disciplinary events relating to VFA and/or VFA's management personnel that are material to an evaluation of VFA's investment advisory business and the integrity of VFA's management:

1) Voya Financial Advisors, Inc. ("Firm") submitted an offer of settlement that the Securities and Exchange Commission ("SEC") agreed to accept. The Firm agrees, without admitting or denying the findings, that it violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by breaching its fiduciary duty to its investment advisory clients in connection with (a) Firm's mutual fund share class selection practices and the financial benefits it received for advising clients to purchase and hold mutual fund share classes that paid fees pursuant to Investment Company Act Rule 12b-1 ("12b-1 fees"); (b) Firm's receipt of compensation in connection with certain client cash sweep accounts; and (c) Firm's policy requiring investment advisory clients to pay an upfront brokerage commission when purchasing illiquid alternative investment products ("Illiquid Alts") when the same investment was available to investment advisory clients with the brokerage commissions waived. From January 13, 2013 through

December 31, 2018, Firm received 12b-1 fees when a lower-cost share class was available, and in some instances avoided paying certain transaction fees, when it purchased, recommended, or held mutual funds for investment advisory clients, without providing adequate disclosure. From January 13, 2013 to December 31, 2018 the unaffiliated clearing broker the Firm used for client accounts (the "Clearing Broker") paid Firm a portion of the revenue Clearing Broker received from client balances in cash sweep products, which payments the Firm failed to adequately disclose. From January 13, 2013 through July 28, 2017, the Firm caused certain investment advisory clients to pay higher fees in the form of upfront commissions when purchasing Illiquid Alts when those same products were available with commissions waived, which practice the Firm failed to adequately disclose. Without admitting or denying these findings, the Firm consented to the entry of an Order Instituting Administrative and Cease and Desist Proceedings ("Order"). The Firm agreed to a censure and disgorgement of \$11,547,820, prejudgment interest of \$2,371,335 and a civil monetary penalty of \$9,000,000. The Firm agreed to cease and desist from committing or causing any violations or future violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The Firm further agreed to comply with the following undertakings: notify affected investment advisory clients within 30 days of the Order, retain an independent compliance consultant within 30 days of the Order to conduct a review of the Firm's compensation receipt and disclosure practices with respect to advisory client investments, and adopt all of recommendations contained in the independent compliance consultant's reports. The Firm will certify its compliance with the previous undertakings no later than sixty days from the completion of the undertaking. The Order was executed on December 21, 2020.

2) The Financial Industry Regulatory Authority (FINRA) alleged that Voya Financial Advisors, Inc. (Firm) disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge (Eligible Customers) between January 1, 2009 and May 26, 2016. Eligible Customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. FINRA also alleged that during this period, the Firm failed to reasonably supervise the application of sales charge waivers to mutual funds transactions by Eligible Customers, failed to maintain written supervisory procedures designed to assist financial advisors in determining whether a customer was eligible for a sales charge waiver, and failed to notify and train its financial advisors regarding the availability of mutual fund sales charge waivers for Eligible Customers. FINRA alleged that these supervisory violations resulted in the Firm violating NASD Conduct Rule 3010 (for violations before December 1, 2014), FINRA Rule 3110 (for violations after December 1, 2014), and FINRA Rule 2010. Without admitting or denying these findings, the Firm entered into a Letter of Acceptance, Waiver and Consent (AWC) with FINRA, in which it consented to the entry of censure, and agreed to provide remediation to Eligible Customers who qualified for, but did not receive, the applicable mutual fund sales-charge waiver. The Firm further agreed to provide FINRA with i) a schedule of Eligible Customers identified for remediation, and a detailed plan to remediate Eligible Customers based on specific details within 60 days of the AWC's acceptance, and ii) a satisfactory proof of payment of restitution to Eligible Customers by a registered principal of the Firm no later than 180 days from the AWC's acceptance. The Firm estimates that Eligible Customers were overcharged by \$125,982. FINRA accepted the AWC on 4/23/2019.

3) The Securities and Business Investments Division of the Connecticut Department of Banking ("Division") alleged that Voya Financial Advisors, Inc. ("Firm") violated Section 36b-31-6(f) of the Regulations of Connecticut State Agencies (the "Regulations") by failing to enforce and maintain a system for supervising the activities of its agents, investment adviser agents and Connecticut office operations that was reasonably designed to achieve compliance with applicable securities laws and regulations. The allegations pertain to former Firm agent Dale Quesnel's ("Quesnel") sale of unregistered securities to investors in Connecticut and other states ("Investors"). The Division found, through a March 3, 2016 order against Quesnel, that Quesnel participated in private securities transactions without providing prior written notice to the Firm. The Firm acknowledged the Division's allegations against it and, without admitting or denying them, entered into a Consent Order (the "Order") in which it consented to the entry of the following sanctions: a) the Firm shall cease and desist from directly or indirectly violating the Connecticut Securities Act or any regulation, rule, or order adopted or issued thereunder, including, without limitation, any activity in or from Connecticut that violates Section 36b-31-6(f) of the Regulations; b) an administrative fine, payable to the Treasurer of the State of Connecticut, of \$100,000; c) the establishment and administration of a fund (the "Fund") to reimburse Investors in the amount of \$915,000, and the use of all reasonable efforts to confirm that the contact and address information for the Investors is up to date; d) no later than thirty days from the Order, distribution of a copy of the Order and a written notice, preapproved by the Division Director, to Investors stating that the Investor or its estate is entitled to a payment from the Fund if he or she responds to the Firm within sixty days and provides distribution instructions sufficient to make a payment, and e) no later than ninety days from the Order, disbursement of money owed from the Fund, according to the amounts identified by the Division, to the Investors that replied, and provide

proof of disbursement to the Division via a copy of the check or wire transfer to each Investor. The Firm agreed to immediately notify the Division if any Investor cannot be located after a diligent search, fails to provide sufficient disbursement instructions, fails to timely respond to the notice, or unequivocally denies disbursement in writing. The Order was entered on March 11, 2019.

4) Voya Financial Advisors, Inc. ("Firm") has submitted an offer of settlement that the Securities and Exchange Commission ("SEC") has agreed to accept. The Firm agrees, without admitting or denying such findings, that it violated Rule 30(a) of Regulation S-P (the "Safeguards Rule") and Rule 201 of Regulation S-ID (the "Identity Theft Red Flags Rule") by failing to adopt written policies and procedures reasonably designed to protect customer records and information, and failing to develop and implement a written Identity Theft Prevention Program. Over six days in April, 2016, one or more persons impersonating the Firm's independent contractor representatives called the Firm's technical support line, in two instances using phone numbers the Firm had previously identified as associated with fraudulent activity, and requested a reset of three representatives' passwords for the web portal used to access Firm customer information. The portal was serviced and maintained by the Firm's parent company, Voya Financial, Inc. The intruders used the Firm's independent contractor representatives' usernames and passwords to log in to the portal and gain access to personal identifying information ("PII") for at least 5,600 Firm customers, and subsequently obtained account documents containing PII of at least one Firm customer. The intruders used customer information to create new voya.com customer profiles, giving them access to PII and account information of two additional customers. There have been no known unauthorized transfers of funds or securities from Firm customer accounts as a result of the attack. The Firm violated the Safeguards Rule because its policies and procedures to protect customer information and to prevent and respond to cyber security incidents were not reasonably designed to meet these objectives. In particular, the Firm's policies and procedures with respect to resetting the Firm's independent contractor representatives' passwords, terminating web sessions in its proprietary gateway system for such representatives, identifying higher-risk representatives and customer accounts for additional security measures, and creation and alteration of voya.com customer profiles, were not reasonably designed. The Firm violated the Identity Theft Red Flags Rule because it did not review and update its Identity Theft Prevention Program in response to changes in risks to its customers, or provide adequate training to its employees. Additionally, the Identity Theft Prevention Program did not include reasonable policies and procedures to respond to identity theft red flags, such as those detected by the Firm during the April 2016 intrusion. The Firm consented to the entry of an Order Instituting Administrative and Cease and Desist Proceedings ("Order"), a censure, and civil money penalty in the amount of \$1,000,000. The Firm agreed to cease and desist from committing or causing any violations or future violations of Rule 30(a) of Regulation S-P and of Rule 201 of Regulation S-ID. The Firm further agreed to comply with the following undertakings. The Firm shall retain an independent compliance consultant ("Consultant") to conduct a comprehensive review of the Firm's policies and procedures for compliance with Regulation S-P and Regulation S-ID. The Firm will fully cooperate with the Consultant, and require the Consultant submit a written Initial Report to the Firm and the SEC within ninety days of this Order. The Firm agrees to adopt the recommendations from the Initial Report, subject to adoption of alternative policies, procedures, or systems, within 90 days of its issuance. The Consultant shall complete its review and issue a written Final Report within nine months of the Order, and the Firm shall take necessary and appropriate steps to implement all recommendations and alternative policies, procedures or systems. The Firm will certify its compliance with each of the previous undertakings. The Order was executed on September 26, 2018.

5) The Commonwealth of Massachusetts Securities Division alleged that Voya Financial Advisors, Inc. ("Firm") violated the Massachusetts Uniform Securities Act, Mass. Gen. Laws Ch. 110A ("Act"), by failing to register two (2) of its investment adviser representatives who had a place of business in Massachusetts and provided investment advisory services to residents of the Commonwealth between August 24, 2012 to January 30, 2017 (the "Relevant Period"). The Firm admitted to the facts described but neither admitted nor denied any violations of law. The Firm consented to the entry of a Consent Order that found that the Firm violated sections 201(c) and 201(d) of the Act. The Firm agreed to i.) cease and desist from any violations of sections 201(c) and 201(d) of the Act in the Commonwealth, ii.) register its investment adviser representatives in the Commonwealth prior to them providing investment advisory services in the Commonwealth, iii.) review its written supervisory policies and procedures with respect to, and provide compliance with sections 201(c) and 201(d) of the Act, iv.) pay restitution of all asset management fees paid by clients located in the Commonwealth to the representatives in question during the Relevant Period ("Eligible Clients"), which was determined to amount to \$10,936.47, v.) memorialize its restitution in a letter ("Restitution Letter") to each Eligible Client within thirty (30) days of the Consent Order, and vi.) provide the Restitution Letter to the Division at least ten (10 ) days prior to the sending of the Restitution Letter to Eligible Clients.

The Firm further agreed to reimburse the asset management fees to each Eligible Client within forty-five (45) days of the Consent Order, and submit to the Division a report detailing the distribution of all funds to Eligible Clients within ninety (90) days of the Consent Order. The Firm paid a fine of \$75,000. This matter was resolved on July 31, 2017.

6) The Securities and Exchange Commission ("SEC") alleged that Voya Financial Advisors, Inc. ("Firm"), in its role as a Registered Investment Adviser, failed to disclose to its clients the compensation it received through an arrangement with a third party broker-dealer ("Clearing Firm"), and conflicts of interest arising from that compensation. Through an addendum to the fully-disclosed clearing agreement between Clearing Firm and the Firm, Clearing Firm shared with the Firm certain revenues it received from the mutual funds in Clearing Firm's no-transaction-fee mutual fund program ("NTF Program"). In a separate agreement, Clearing Firm agreed to pay the Firm a certain percentage of service fees that Clearing Firm received from certain mutual funds in the NTF Program in exchange for the Firm performing certain administrative services on Clearing Firm's behalf. The SEC alleged that these payments created a conflict of interest in that they provided a financial incentive for the Firm to favor the mutual funds in the NTF Program over other investments when giving investment advice to its advisory clients. The SEC alleged that the Firm did not disclose the aforementioned arrangements or the resulting conflict of interest to its advisory clients, resulting in a violation of Sections 206(2) and 207 of the Advisers Act. The SEC also alleged that, by not adequately implementing policies and procedures reasonably designed to ensure proper disclosure of conflicts of interests, the Firm violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. Without admitting or denying these findings, the Firm consented to the entry of an Order Instituting Administrative and Cease and Desist Proceedings ("Order"). The Firm agreed to a censure and disgorgement of \$2,621,324, prejudgment interest of \$174,629.78 and a civil monetary penalty of \$300,000. The Firm agreed to cease and desist from committing or causing any violations or future violations of Sections 206(2), 206(4) and 207 of the Advisers Act and Rule 206(4)-7 thereunder. The Firm further agreed to comply with the following undertakings: the Firm will provide a copy of the Order to each of the Firm's existing advisory clients within forty-five days of the entry of the Order and further comply with all disclosure obligations concerning the Order under the Advisers Act. The Firm will certify its compliance with the previous undertaking no later than sixty days from the completion of the undertaking. The Order was executed on March 8, 2017.

7) The Financial Industry Regulatory Authority ("FINRA") alleged that Voya Financial Advisors, Inc. ("Firm") failed to report to TRACE 100 transactions in TRACE Agency/Securitized Products ("SP") within the time permitted by FINRA Rule 6730, constituting 26.25 percent of the transactions in TRACE-eligible SP (381) that the Firm reported to TRACE during the fourth quarter of 2015. This conduct constituted separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010. Without admitting or denying FINRA's findings, the Firm accepted and consented to the described findings and to the entry of a censure and fine in the amount of \$7,500 by agreeing to a Letter of Acceptance, Waiver and Consent ("AWC") with FINRA. FINRA accepted the AWC on March 1, 2017.

8) The Financial Industry Regulatory Authority ("FINRA") alleged that Voya Financial Advisors, Inc. ("Firm") failed to (a) implement a supervisory system and procedures designed to reasonably ensure suitability of its multi-share class variable annuities sold to customers, (b) identify and investigate red flags in variable annuity sales, (c) supervise variable annuity sales, and (d) implement an adequate supervisory system and procedures for variable annuity exchange transactions. The Firm's failures included, but were not limited to supervision and oversight, and the maintenance of policies and procedures regarding the sale of L-share variable annuities with Long-Term Income riders and no persistency credits to investors with long-term time horizons. Without admitting or denying FINRA's findings, the Firm accepted and consented to the entry of findings and the sanctions described below by agreeing to a Letter of Acceptance, Waiver and Consent ("AWC") that was accepted by FINRA on November 2, 2016. The AWC included a Firm censure and fine in the amount of \$2,750,000. The Firm agreed to pay restitution to customers in accordance with a plan not unacceptable to FINRA in an amount that will total not less than \$1,800,000. The Firm additionally agreed to review and revise, as necessary, its systems, policies and procedures and training with respect to multi-share class variable annuity sales. The Firm will certify to FINRA that it has established policies and procedures that are reasonably designed to achieve compliance with applicable FINRA and NASD rules.

9) The Commonwealth of Massachusetts Securities Division (the "Division") alleged that the Firm violated Section 204(a)(2)(J) of the Massachusetts Uniform Securities Act by failing to include specific policies regarding voting shareholder proxies in its written supervisory procedures or other manuals. The Division found that two Firm representatives voted shareholder proxies on behalf of customers despite VFA's position that it does not permit registered representatives to vote shareholder proxies on behalf of customers. VFA entered into a Consent Order with the Division on June 22, 2016. VFA admitted the Division's Statement of Facts but neither admitted nor denied the Violations of Law contained therein. VFA was censured and paid an administrative fine of \$100,000.00 to the Commonwealth of Massachusetts. VFA was also required to certify that it had reviewed its written supervisory policies and procedures with respect to broker-dealer representative proxy voting. VFA agreed to report to the

Division within thirty (30) days of the Consent Order regarding the steps taken by VFA during its review, along with conclusions and recommendations resulting from the review.

10) The Florida Office of Financial Regulation alleged that Voya Financial Advisors, Inc. ("Firm") was in violation of Rule 69W-600.013(1)(h)(1), Florida Administrative Code, - by violating NASD Rule 3010(b)(1), by failing to enforce its written supervisory procedures in the supervision of variable annuity purchases. Without admitting or denying the findings, the Firm consented to the described sanctions and to the entry of a Final Order. In the Final Order, the Florida Office of Financial Regulation stated that the Firm's trade review principals failed to request additional information to determine suitability for six (6) customer annuity purchases, failed to obtain full documentation of variable annuity purchases for four (4) customer files, and failed to adequately review surrender charges on twenty-two (22) annuity transactions, of which fourteen (14) were identified by the Firm. - The Firm agreed to cease and desist from violations of Chapter 517, Florida Statutes, and the Office's rules promulgated thereunder, and agreed to strictly comply with all provisions of Chapter 517, Florida Statutes, and the Office's rules promulgated thereunder. The Firm paid an administrative fine of \$50,000. This matter was resolved on February 25, 2016.

11) The Financial Industry Regulatory Authority ("FINRA") alleged that Voya Financial Advisors, Inc. ("Firm") failed to identify and apply volume discounts to certain customers' eligible purchases of Real Estate Investment Trusts ("REITs") and Business Development Companies ("BDCs"), resulting in customers paying excessive sales charges of approximately \$42,000. The Firm has paid restitution in the amount of \$42,166.56, in addition to interest in the amount of \$3,519.65. Also, it was found the Firm failed to establish, maintain and enforce a supervisory system and written supervisory procedures with respect to the sale of REITs and BDCs. The FINRA findings also stated that the Firm failed to identify and apply sales charge discounts to certain customers' eligible purchases of Unit investment Trusts ("UITs"). Specifically, the Firm failed to supply discounts resulting in the customers paying excessive sales charges of \$322,000. The Firm has already paid restitution to all affected customers. Also, the Firm failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure customers received sales charge discounts on eligible UIT purchases. Without admitting or denying FINRA's findings, the Firm consented to the described sanctions and to the entry of findings by agreeing to a Letter of Acceptance, Waiver and Consent with FINRA on July 20, 2015, which included a Firm censure and fine in the amount of \$325,000.

12) The Financial Industry Regulatory Authority ("FINRA") alleged that Voya Financial Advisors, Inc. and four control affiliates (Directed Services, LLC, Voya America Equities, Inc., Voya Financial Partners, LLC, and Voya Retirement Advisors, LLC) collectively known as ("Respondent Firms"), were involved in violations of the supervision and email retention requirements of FINRA rules and federal securities laws over an extended period of time. Without admitting or denying FINRA's findings, the Respondent Firms consented to the described sanctions and to the entry of findings by agreeing to a Letter of Acceptance, Waiver and Consent with FINRA. The Respondent Firms were censured and fined in the aggregate amount of \$1.2 million, of which Voya Financial Advisors, Inc. was responsible for \$347,394.96. In the Acceptance, Waiver and Consent, FINRA acknowledged that the Respondent Firms self-reported the email issues described herein and undertook an internal review of their supervisory policies, procedures and systems relating to these issues. FINRA stated that the sanctions reflect the credit that the Respondent Firms have been given for self-reporting these issues, and for the substantial assistance they provided to FINRA during its investigation by, among other things, providing information obtained as a result of their internal investigation. The Respondent Firms further agreed to comply with the following undertakings: the Respondent Firms will each conduct a comprehensive review of their systems and procedures for the capture, retention and review of email to determine that those systems and procedures are reasonably designed to achieve compliance with the recordkeeping and supervisory requirements of FINRA rules and the federal securities laws.

13) VFA entered into a Consent Order with the New Jersey Bureau of Securities on December 1, 2011 that it failed to follow its procedures, or that its procedures were inadequate, with respect to detecting prior undisclosed employment disciplinary issues, customer fund disbursement procedures, and trade review procedures. As a result of this New Jersey matter, the Minnesota Department of Commerce stated that such conduct in New Jersey would be a violation of Minnesota Statute 80A.67 (d)(9) and subject to disciplinary action. The Firm agreed to resolve this matter with the Minnesota Department of Commerce by payment of a \$5000 civil penalty and acknowledgement of the findings of fact and conclusions of law as set forth in the Consent Order issued by the New Jersey Bureau of Securities. This matter was resolved on April 18, 2012.

14) New Jersey Bureau of Securities ("Bureau") alleges that the Voya Financial Advisors, Inc. ("Firm") failed to follow its procedures, or that its procedures were inadequate, with respect to detecting prior undisclosed employment disciplinary issues, customer fund disbursement procedures, and trade review procedures. Without admitting or denying the Bureau's findings of fact and conclusions of law, the Firm entered into a consent order with the Bureau

pursuant to which the Firm agreed to cease and desist from future violations of New Jersey Uniform Securities Laws and to the payment of a \$50,000 civil monetary penalty with \$30,000 of this amount suspended based upon the Firm voluntarily and on its own initiative: 1. Promptly terminating the two subject registered representatives upon discovering their misconduct, and placing their supervisor on suspension; 2. Promptly paying restitution to certain affected customers, and; 3. Revising its supervisory procedures with respect to authorization of third party checks. The remaining civil monetary penalty in the amount of \$20,000 is due and payable within 10 days of the entry of the consent order. This matter was resolved on December 13, 2011.

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

### **Affiliations:**

VFA is indirectly owned by Voya Financial, Inc. and is under common control with the following insurance companies: Voya Retirement Insurance and Annuity Company ("VRIAC"), ReliaStar Life Insurance Company and ReliaStar Life Insurance Company of New York.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. Part 1 of VFA's Form ADV can be accessed by following the directions provided on the Cover Page of this Brochure.

In addition to VFA being a registered investment adviser, VFA is a broker-dealer member of the Financial Industry Regulatory Authority ("FINRA"). A list of affiliated broker dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

As discussed in Items 4 and 5 of this Brochure, affiliates of VFA offer products and services that VFA offers to its customers. In particular, VFA offers a) investment model portfolios and mutual funds created, advised, and/or managed by Voya IM, b) custodial mutual fund products created, managed, and administered by VRIAC and VITC, and c) equity and fixed income securities issued by Voya Financial, Inc. VFA has a conflict of interest in offering these products to you, as affiliates of VFA earn revenue by your investment in these products. VFA addresses this conflict of interest by identifying and disclosing this conflict of interest to you, and by reviewing the recommendations and transactions made by IARs to clients to ensure their appropriateness.

Pursuant to an agreement between VFA and Voya IM, Voya IM makes model portfolios available to VFA's IARs free of charge. These model portfolios contain an asset allocation that VFA IAR's can utilize to develop their investment recommendations and advice to clients. This is a conflict of interest, as VFA's use of Voya IM's services is due, in part, to the fact that Voya IM does not charge VFA for the services, rather than solely the nature and quality of the services provided.

Certain VFA financial advisors primarily service VRIAC's tax-exempt market retirement plan business in their roles as registered representatives of VFA ("RAD Channel financial advisors"). While VFA generally keeps a portion of the compensation generated from product sales, the Firm pays its RAD Channel financial advisors 100% of the compensation generated in connection with each particular RAD Channel financial advisor's sales and servicing of tax-exempt market 403(b) plans and corporate 401(k) plans. Further, RAD Channel financial advisors earn further compensation from the Firm's affiliate, VRIAC in the following ways:

1. RAD Channel financial advisors that meet a certain threshold of sales of VRIAC products are eligible to become classified as statutory employees of VRIAC, which affords such RAD Channel financial advisors benefits such as health insurance and retirement plan benefits.
2. Non statutory employee RAD Channel financial advisors are eligible for a fixed dollar bonus if they meet certain sales and asset thresholds of VRIAC products.

These arrangements create a conflict of interest, as it incentivizes RAD Channel financial advisors to concentrate their activities on selling and servicing VRIAC products, as opposed to selling retail investment products, or offering clients investment advisory services.

### **Broker-Dealer Registrations of IARs:**

IARs of VFA are separately registered with VFA as registered representatives. They may also be independent insurance agents appointed with various insurance companies. As such, IARs are able to receive separate, yet



customary, commission compensation resulting from implementing brokerage and insurance product transactions on behalf of investment advisory clients. Clients, however, are not under any obligation to engage these individuals in their role as a registered representative of a broker-dealer or insurance agent.

Firm policies make certain financial products available only through a commission-based transaction, in which the IAR receives commissions in his or her role as a registered representative. Purchasing such products through the Firm in its role as broker-dealer will result in the client receiving fewer shares for the same purchase price than the customer would receive if purchased in an investment advisory account. Since offering such financial products only in the Firm's capacity as a broker-dealer creates a conflict of interest, the Firm has an obligation to notify clients of, and to obtain informed consent for recommendations of these financial products at the time of sale.

While VFA and its IARs must place the interest of the clients first as part of VFA's fiduciary obligation, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and affects the judgment of IARs when making recommendations. VFA takes the following steps to address this conflict:

- VFA discloses material conflicts of interest to clients, including the potential for VFA and IARs to earn compensation from advisory clients in addition to advisory fees;
- VFA discloses to clients that they are not obligated to purchase recommended investment products from IARs or affiliated companies;
- VFA collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- VFA requires that IARs seek prior approval of any outside business activity so that VFA may confirm that any conflicts of interests in such activities are properly addressed;

As previously disclosed, IARs recommend the services of various third party money managers to VFA clients. In exchange for this recommendation, VFA receives referral fees from the selected third party money managers. The fee received by VFA is typically a percentage of the fee charged by that third party money manager to the referred client. VFA and its IARs will only recommend third party money managers that pay a referral fee.

Certain VFA IARs are licensed as insurance agents, and also own licensed insurance agencies ("IAR-Owned Agencies"). VFA maintains contractual arrangements with IAR-Owned Agencies, as well as Voya Insurance Solutions, Inc. ("VIS") and nonaffiliated insurance agencies (together with IAR-Owned Agencies and VIS, "Insurance Agencies") to perform certain application processing functions with respect to fixed indexed annuity contracts that clients can purchase. In exchange for performing certain functions, the Insurance Agencies receive a portion of the compensation earned from the fixed indexed annuity contract sale. This creates a conflict of interest, as IARs who own the IAR-Owned Agencies are incentivized to sell you a fixed indexed annuity contract, as they and entities they own earn more compensation, in certain circumstances, for fixed indexed annuities as opposed to other products available on VFA's investment advisory platform. Further, VFA is incentivized to recommend fixed indexed annuity contracts to you so that VIS and the nonaffiliated insurance agencies with which VFA maintains contractual relationships receive additional compensation.

VFA follows the rules of the Investment Advisers Act of 1940, as amended, and state law regarding the receipt of referral fees for solicitation of investment advisory clients. Registered representatives of VFA may provide investment advisory services to you without being registered as an IAR under exemptions to registration that exist in certain states' laws.

VFA IARs may recommend the services of Savvi Financial, LLC. ("Savvi"), a third party investment advisory firm, to generate investment and general financial recommendations to clients. The Client may then decide whether to implement the recommendations made by Savvi, either through VFA or through another financial intermediary. VFA pays a fee to Savvi for Savvi's services to VFA's clients and potential clients. Further, VFA's parent organization, Voya Financial, Inc., maintains an investment in Savvi, with an option to increase its ownership percentage. This creates a conflict of interest, as use of Savvi by VFA clients, or customers of VFA affiliates, will increase the value of Savvi, which increases the value of Voya Financial, Inc.'s ownership share of Savvi. Clients are not obligated to utilize Savvi's services. VFA addresses this conflict of interest by identifying and disclosing this conflict of interest to you

VFA has entered into certain networking arrangements with state and federally chartered banks and credit unions. Pursuant to these networking arrangements, VFA offers brokerage and investment advisory services to clients on the

premises of the bank or credit union, and shares the brokerage and investment advisory fees it earns with the bank or credit union on whose premise it conducts business, which gives those banks and credit unions a financial incentive to refer customers to VFA and its IARs. IARs of VFA that operate on the premises of the bank or credit union may also be employees of that bank or credit union. VFA retains all responsibility for supervising the brokerage and investment advisory activities of its IARs operating on the premises of a bank or credit union, regardless of that IAR's relationship with the bank or credit union.

**VFA is not a bank or credit union, and the securities and investment advisory services offered by it are not a deposit of, an obligation of, or guaranteed by the bank or credit union, nor, with the exception of the Voya Insured Bank Deposit Program (as discussed in Item 14, below) are they insured by the Federal Deposit Insurance Corporation, National Credit Union Share Insurance Program, or any agency of the United States or state governments. As such, they may fluctuate in value and are subject to investment risk, including potential loss of the principal amount invested. The bank or credit union is not a party to your investment advisory agreement with VFA. As a client, you will interact solely with VFA for any brokerage or investment advisory services provided on the premises of the bank or credit union.**

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

VFA has adopted a Code of Ethics which sets forth high ethical standards of business conduct required of our employees and IARs, including compliance with applicable federal securities laws. A copy of VFA's Code of Ethics is available to advisory clients and prospective clients. A copy may be requested by email sent to [voyafacompliance@voya.com](mailto:voyafacompliance@voya.com), or by calling 800-356-2906.

VFA's Code of Ethics is designed to ensure that the personal securities transactions, activities and interests of VFA's employees and IARs will not interfere with (i) making decisions in the best interests of investment advisory clients, and (ii) implementing such decisions while, at the same time, allowing employees and IARs to invest for their own accounts. VFA's Code of Ethics requires the review of quarterly securities transactions reports of its IARs, including initial and annual securities holdings reports. These reports must be submitted to VFA by IARs quarterly and annually. IARs may buy or sell for their personal accounts securities identical to or different from those recommended to clients.

VFA's Code of Ethics includes the Firm's policy prohibiting the use of material non-public information. All registered employee access persons and IARs are reminded that such non-public information may not be used in a personal or professional capacity. Among other things, VFA's Code of Ethics requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) and prohibits investing in an initial public offering ("IPO"). The Code also provides for oversight, enforcement and record keeping provisions. VFA and its IARs may buy securities for the Firm or for themselves from VFA investment advisory clients, or sell securities owned by the Firm or the individual(s) to investment advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to investment advisory clients.

VFA may, at times, effect an agency cross transaction for an investment advisory client, provided that the transaction is consistent with the Firm's fiduciary obligation to the client and that all requirements are met. An agency cross transaction is a transaction where VFA acts as an investment adviser in relation to a transaction in which VFA or any person controlled by or under common control with VFA acts as broker for both the investment advisory client and for another person on the other side of the transaction.

Client funds may be invested in shares of mutual funds for which an affiliate of VFA serves as an investment ("Affiliated Funds"). The affiliate will receive a management fee, outlined in the prospectus, from the Affiliated Fund. Assets invested in Affiliated Funds are included in the asset-based fee charged to the client. In addition, IARs are required to report all personal securities transactions conducted in Affiliated Funds.

EPIC plan assets may not be invested in Affiliated Funds or Voya Retirement Plans.

VFA may aggregate trades of employees, associated persons and IARs with client transactions where possible and when in compliance with VFA's obligation to seek best execution for our clients. When trades are aggregated, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the cases where there is a partial execution of a particular batched order, VFA will allocate all purchases

pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to VFA clients, VFA has established the following policies and procedures for implementing the Code of Ethics to ensure VFA complies with its regulatory obligations and provides its clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No VFA IAR may place his or her own interest above the interest of an investment advisory client.
2. No IAR may purchase or sell securities for their personal portfolio(s) where their decision is a result of information received due to his or her association with VFA unless the information is also available to the investing public.
3. No person associated with VFA may purchase or sell any security prior to a transaction(s) being implemented for an investment advisory client account. This prevents such individuals from benefiting from transactions placed on behalf of investment advisory client accounts.
4. VFA requires prior approval for any private placement investments by IARs of the Firm.
5. VFA maintains a record of all reportable securities holdings of its IARs. These holdings are reviewed on a regular basis by our Firm's Chief Compliance Officer or his/her designee.
6. VFA has established procedures for the maintenance of all required books and records.
7. Clients may choose to decline to implement any advice given, except in situations where the client has authorized VFA to use discretionary authority when purchasing or selling securities.
8. VFA and its IARs must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. VFA requires delivery and acknowledgement of the Code of Ethics by each VFA associated person.
10. VFA has established policies requiring the reporting of Code of Ethics violations to senior management.
11. Any individual who violates any of the above restrictions may be subject to disciplinary action, up to and including termination.

As disclosed in Item 10 of this Brochure, IARs are separately registered as registered representatives of VFA and/or are licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

VFA has a fully disclosed clearing agreement with Pershing. Pershing maintains and holds funds and securities for all Prime, TAP, Preferred, CAP, SAS, Morningstar Wealth Management / Morningstar Wealth Management Tax Sensitive Model Portfolio Program, GPMM, and Voya Choice advisory accounts held by VFA.

Factors considered in selecting Pershing include its expertise as a clearing firm, the existing broker dealer clearing relationship VFA has with Pershing, its financial strength, reputation, reporting, technology, and ability to work with broker dealers and investment advisers who have independent contractors, and execution pricing.

Pershing is the only firm with which VFA has a fully disclosed clearing agreement. Therefore, VFA can only execute your transactions through Pershing for its non-Third Party Money Manager programs. Other clearing firms offer less expensive execution of customer transactions, and in certain circumstances, execution of customer transactions on better terms. This creates a conflict of interest, as VFA routes your orders through Pershing for its own contractual arrangements, including the compensation arrangements described herein, without regard to whether your transaction could be executed for less cost and on better terms at another clearing firm. The fees charged by VFA and Pershing, or any other designated custodians are exclusive of and in addition to VFA's investment advisory fees.

Pursuant to an agreement with Pershing, Pershing reimburses the Firm for transition fees incurred in moving new customer assets to the Pershing platform. Additionally, with respect to Individual Retirement Accounts ("IRA") held on the Pershing platform, the Firm is credited \$5.00 of each annual maintenance fee for IRAs that hold general

securities, and \$2.50 for IRAs that hold only mutual funds as revenue sharing. This reimbursement and credit creates a number of conflicts of interest. First, it incentivizes the Firm to custody assets, including IRA accounts, on the Pershing platform as opposed to another custodian that neither reimburses the Firm for transition fees nor credits the Firm a portion of the annual IRA maintenance fee. Second, the Firm is incentivized to open IRA accounts that are not limited to mutual funds, as opposed to those that are limited to mutual funds, as a means to receive the higher revenue sharing amount.

Pershing also provides compensation to VFA based upon the assets of VFA customers that are held in money market mutual funds on the Pershing platform. This creates a conflict of interest, as it incentivizes VFA to retain Client assets in money market mutual funds on the Pershing platform and generally results in a lower yield to you due to the higher expense of such money market mutual funds.

Through an agreement with Pershing, VFA is paid a percentage fee by Pershing on all assets (mutual funds, exchange traded funds, equities, bonds and other assets) above a certain threshold custodied at Pershing by VFA customers. Pershing pays VFA a higher percentage if the assets VFA holds at Pershing meet certain thresholds. VFA receives this percentage fee payment from Pershing in addition to any payments it may receive on such assets from its Product Partner firms described above. In addition, Pershing pays VFA a per account fee for each customer account of VFA held at Pershing. These payments create a conflict of interest between VFA and its customers, as these payments provide VFA with an incentive to recommend investing through Pershing as opposed to another investment program that does not provide VFA with such fees. You are able to purchase the same or other similar securities, products and services at another broker-dealer or investment adviser, but for a lower cost.

Pershing also exempts the Firm from payment of 5% of the VFA's total inactive account fees, and reimburses VFA a portion of each annual fee for Pershing Corestone checking features placed on customer accounts. The exemption and reimbursement are conflicts of interest. VFA earns compensation via cost avoidance with respect to inactive account fees and therefore has an incentive not to trade in client investment advisory accounts, and is incentivized to recommend customers add Corestone checking features to their account due to Pershing's reimbursement of a portion of the Corestone fees.

As discussed in Item 4, above, VFA assesses a mark-up on the ticket charges assessed by Pershing and charged to clients in certain programs. This mark-up helps compensate VFA for the services it provides to you in relation to your VFA account.

VFA IARs may recommend mutual funds that participate in Pershing's FundVest mutual fund program (the "FundVest Program") to clients that meet certain purchase requirements. The FundVest Program was established and is maintained by Pershing. In the FundVest Program, ticket charges are waived for purchases of funds that would normally carry a ticket charge. Pershing, in its sole discretion, may add or remove mutual funds from the FundVest Program without prior notice. Share classes of certain funds in the FundVest Program are more expensive than the share classes of the same or other similar funds offered outside of the FundVest program, or through other investment advisers. As discussed in Item 5, above, VFA's IARs are incentivized to avoid ticket charges in VFA's investment advisory programs where the IAR is assessed the ticket charges associated with your investment by concentrating his or her recommendations to or investment selections for clients on mutual funds that participate in the FundVest Program. This is a conflict of interest, as the IAR is incentivized to choose investments based on avoided costs for the IAR, rather than the client's needs and the ultimate cost of the investment to the client.

VFA also participates in Pershing's FundVest No Transaction Fee Exchange Traded Fund Program (the "NTF ETF Program"). The NTF ETF Program was established and is maintained by Pershing. In the NTF ETF Program, ticket charges are waived for purchases of exchange traded funds that would normally carry a ticket charge. Pershing, in its sole discretion, may add or remove exchange traded funds from the NTF ETF Program without prior notice. Exchange traded funds in the NTF ETF program are generally more expensive than exchange traded funds outside of the NTF ETF Program that contain similar investment objectives and underlying investments, and those offered through other investment advisers. VFA's IARs are incentivized to avoid ticket charges in VFA's investment advisory programs where the IAR is assessed the ticket charges associated with your investment by concentrating his or her recommendations to or investment selections for clients on exchange traded funds that participate in the NTF ETF Program. This is a conflict of interest, as the IAR is incentivized to choose investments based on avoided costs for the IAR, rather than the client's needs and the ultimate cost of the investment to the client.

Further, Pershing charges VFA an asset-weighted fee in instances where clients are charged an asset-weighted fee. However, Pershing's calculation of the asset-weighted fee charge to VFA excludes securities that participate in the FundVest program, while VFA's assessment of the asset-weighted fee to clients includes those securities. This is a

conflict of interest, as VFA is incentivized to choose FundVest securities for client accounts to minimize its costs paid to Pershing, while not passing that reduction in costs to clients. In other words, VFA makes more money on trades in which VFA or an IAR recommends or utilizes a FundVest fund. Other investment advisers may not charge customers an asset-weighted fee in similar circumstances.

VFA will hold customers' checks made payable to third parties, such as insurance companies, investment companies, and VFA's clearing broker-dealer, Pershing, LLC (Pershing) in connection with subscription-way (directly held) transactions, to rollover funds from a qualified retirement plan, and the opening of a new account with VFA and Pershing. VFA holds such checks during the pendency of its principal review of the transaction or the new account in accordance with applicable FINRA and SEC guidance and rules. Each check held by VFA is safeguarded in accordance with VFA's procedures. VFA may hold a check for no more than seven (7) business days. If the VFA principal reviewer approves the transaction or new account, the check will be forwarded to the product issuer or Pershing, respectively, no later than Noon on the business day following approval of the transaction or new account. If the VFA principal reviewer rejects the transaction or new account, the check will be returned to the customer no later than Noon on the business day following rejection of the transaction or new account.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

#### **Preferred Asset Management, Preferred Strategic Advisory Services, Comprehensive Advice Program, Prime Portfolio Services, Total Advice Program, and Strategic Advisory Services**

**Reviews:** - VFA periodically reassess, but does not continuously monitor, the performance of the selected registered investment adviser(s). If VFA or the IAR determines that a particular selected registered investment adviser(s) is not managing the client's portfolio in a manner consistent with the client's IPS, or the client's investment objectives and situation changes, the IAR may recommend a different registered investment adviser(s). If your IAR has discretion with respect to your account, the advisor will not monitor the performance of your account on a day-to-day basis.

The IAR will offer to meet at least annually with the client to review performance, changes in the client's net worth, income, goals and investment objectives, to determine if there are material changes to the client's financial condition, and to discuss if the client wishes to impose any reasonable management restrictions on the account

**Reports:** Clients have access to monthly statements and confirmations of transactions from Pershing. Clients also have access to quarterly performance reports summarizing account performance, balances and holdings provided by request from FolioDynamix, Inc.

### **INVESTMENT SUPERVISORY SERVICES MODEL PORTFOLIO MANAGEMENT**

#### **Morningstar Wealth Management / Morningstar Wealth Management Tax Sensitive Model Portfolio Program, Voya Global Perspectives Market Models Series, Voya Choice Advisory, The Fidelity Program, Select Adviser Series Program, and Unified Managed Account Program**

**Reviews:** VFA periodically reassess, but does not continuously monitor, the performance of the selected registered investment adviser(s). If VFA or the IAR determines that a particular selected registered investment adviser(s) is not managing the client's portfolio in a manner consistent with the client's IPS, or the client's investment objectives and situation changes, the IAR may recommend a different registered investment adviser(s). If your IAR has discretion with respect to your account, the advisor will not monitor the performance of your account on a day-to-day basis.

The IAR will offer to meet at least annually with the client to review performance, changes in the client's net worth, income, goals and investment objectives, to determine if there are material changes to the client's financial condition, and to discuss if the client wishes to impose any reasonable management restrictions on the account

**Reports:** Clients have access to monthly statements and confirmations of transactions from Pershing. Clients also have access to quarterly performance reports summarizing account performance, balances and holdings provided by request from FolioDynamix, Inc.

### THIRD PARTY MONEY MANAGERS

**Reviews:** Clients of third party money managers should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser. VFA periodically reassess, but does not continuously monitor, the performance of the selected third-party money managers. If VFA or the IAR determines that a particular selected third-party money manager is not managing the client's portfolio in a manner consistent with the client's IPS, or the client's investment objectives and situation changes, the IAR may recommend a different third party money manager. Under this scenario, the IAR assists the client in selecting a new registered investment adviser and/or program. However, the decision to move to a new registered investment adviser and/or program is solely at the discretion of the client. If your IAR has discretion with respect to your account, the advisor will not monitor the performance of your account on a day-to-day basis.

**Reports:** These clients should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment adviser. VFA does not typically provide reports in addition to those provided by the independent registered investment adviser selected to manage the client's assets.

### FINANCIAL PLANNING AND CONSULTING SERVICES

**Reviews:** Reviews may occur at different stages depending on the nature and terms outlined in the financial planning or consulting services agreement, however, typically no formal reviews will be conducted for clients unless otherwise specifically stated in the agreement. Typically, the agreement ends with the delivery of the financial plan, except as may be specifically stated in the financial plan.

**Reports:** Clients receive a completed financial plan or written summary of the services provided. Additional reports are not typically provided unless otherwise specifically stated in the agreement.

## Item 14 Client Referrals and Other Compensation

It is VFA's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to VFA.

VFA offers clients different investment options in its various products sponsored by many different companies, focusing on some of the largest product providers that offer a broad spectrum of investment products. Each product provider with whom VFA has a selling agreement has access to VFA's IARs to provide training, educational presentations, product information, information on industry trends, and new investment ideas.

### Product Partners Program

VFA participates in Voya Financial, Inc.'s Product Partners Program. This program enables participating investment product providers ("Product Partners") to receive services and value from VFA through reporting, marketing/sponsorship/engagement opportunities with VFA and its registered representatives and investment advisor representatives ("financial advisors"), enhanced communication, education, access to key contacts at VFA, and relationship management. Participation in the Product Partners Program is contingent upon the products offered by the potential Product Partner meeting VFA's product standards and, generally, the payment of fees to VFA, as discussed below. Affiliates of VFA may be Product Partners. Product Partners may also participate in Pershing's FundVest program.

Product Partners attend or sponsor education and training meetings, either in conjunction with a Product Partner's participation level in the Product Partners Program or in exchange for an additional fee to VFA through the Product Partner Engagement Program. Non partners are also permitted to attend sponsor education and training meetings through the Product Partner Engagement Program in exchange for a fee, at the sole discretion of VFA.

In general, for a product to be included on VFA's approved product shelf, the product sponsor must participate in the Product Partners Program by paying the applicable fee, as described below. There are, however, product sponsors that do not pay to participate in the Product Partners Program, and whose products are permitted on the VFA approved product shelf. Additionally, not all share classes of products for a given Product Partner pay additional

revenue to VFA. Further, VFA's calculation of the fees a Product Partner owes will exclude certain kinds of accounts and products, depending upon the agreement between the Product Partner and VFA. VFA reserves the right to not include product sponsors on its product shelf, therefore not permitting you to purchase certain products through VFA, if the product sponsor does not participate in the Product Partners Program. This creates a conflict of interest, as VFA chooses which products to make available to you based on the remuneration paid to VFA by the sponsors of those products. This conflict results in VFA recommending financial products and services to you that are more expensive than similar products and services you could obtain elsewhere.

Product Partners pay a fee to VFA to compensate VFA for the opportunities offered through the Product Partners Program, which are conditioned on participating in the Product Partners Program at the particular Product Partner fee level. The fee is based on a number of factors, including but not limited to the amount of VFA customer assets held in the Product Partner's products, and is calculated for each Product Partner. The additional compensation VFA receives in connection with the sale of Product Partner products poses a conflict of interest for VFA to promote such products over other products as to which VFA does not receive such additional compensation. However, Clients are able to purchase, through other firms, Product Partner products, other products and services offered through VFA, or similar products and services, for a lower cost.

VFA from time-to-time adds or removes specific firms from its Product Partners Program. Certain products offered by the Product Partners listed are not offered through the Firm's investment advisory program. Below is the current list of Product Partners:

**Mutual Fund/Exchange Traded Fund Product Partners:**

- Alger Funds
- Allianz Global investors
- American Century Investments
- Amundi Pioneer Asset Management
- Aquila Group of Funds
- Buffalo Funds
- Davis Funds / Select Funds / Clipper Funds
- Doubleline Funds
- Federated Investors
- Fidelity Institutional Asset Management
- First Trust
- Franklin Templeton Investments
- Invesco Funds
- Lord Abbett Funds
- MassMutual Funds
- MFS Investment Management
- Natixis Investment Managers
- Neuberger Berman Funds
- Pacific Life Funds
- PIMCO Funds
- Principal Funds
- Prudential Global Investment Management
- Putnam Investments
- T. Rowe Price Funds
- Thornburg Investment Management
- Transamerica Mutual Funds
- Victory Capital Management
- Virtus Investment Partners
- WisdomTree Exchange Traded Funds

**Insurance Product Partners:**

- Allianz Life
- Athene

- Equitable Insurance
- Brighthouse Financial
- Forethought Life Insurance Company (Global Atlantic Financial Group)
- Great American Insurance Group
- Jackson National Life Insurance
- Sammons Financial (Midland National Life Insurance Company and North American Life)
- Nationwide Life and Annuity Company
- Pacific Life Insurance Company
- Protective Life Insurance Company
- Pruco Life insurance Company (Prudential)
- Transamerica Life Insurance Company

**Third Party Platform Partners:**

- AssetMark, Inc.
- Flexible Plan Investments Ltd.
- SEI Investment Management

**Alternative Investment and Interval Fund Marketing Reallowance**

In addition to the Product Partners described above, certain distributors of units in SEC-registered public and non-SEC-registered non-public non-traded Real Estate Investment Trusts and Direct Participation Programs, shares of non-traded common stock, corporations, and shares of Regulation D offerings participate in the Product Partners Program and pay additional amounts outside the Product Partners Program to VFA to compensate VFA for enhanced marketing and training opportunities. The payment of this additional compensation to VFA by these distributors poses a conflict of interest by creating a financial incentive for VFA to promote these products over other products.

The additional amounts distributors pay VFA vary from one to another and from one product to another. For example, a significant portion of these payments can be calculated as a fixed amount or as a percentage of product sales (up to a maximum of 1.5%—which would be \$150 on a \$10,000 investment). Please read the prospectus, statement of additional information and your offering memorandum for each product to learn more about these payments. While your financial advisor receives a commission for selling one of these products, he or she does not receive additional compensation based on the payment of marketing reallowance. Your financial advisor may attend a training and education meeting to learn more about these products, the investment features they contain, and general industry or market trends.

Below is the current list of companies that issue alternative investments or interval funds that participate in the Product Partners Program and compensate the Firm for enhanced marketing and training opportunities:

- Blue Rock Capital Markets, LLC
- CION Investments
- CIM (Cole)
- FS Securities (Franklin Square)
- Griffin Capital
- Hines Securities, Inc.
- Inland Real Estate

Below is the current list of companies that issue alternative investments or interval funds and compensate the Firm for enhanced marketing and training opportunities through marketing reallowance only:

- Altegris
- Dividend Capital Securities, Inc.
- Voya/Pomona Investments

VFA has entered into arrangements outside of the Product Partners Program for the following product sponsors:

**Voya IM:** While Voya IM receives opportunities similar to those received by non-affiliated Product Partners, Voya IM's arrangement with VFA is not subject to the Product Partners Program. VFA receives compensation from Voya IM



based on a percentage of assets invested in funds for which Voya IM acts as investment manager. Though the amount of compensation paid to VFA by Voya IM will vary each year, the compensation will represent a sum of up to .51% of VFA customer assets held in funds for which Voya IM acts as investment manager, subject to certain exceptions based upon the fund, the share class of the fund, or the account type in which the fund is held.

**VRIAC:** While VRIAC receives opportunities similar to those received by non-affiliated Product Partners, VRIAC's arrangement with VFA is not subject to the Product Partners Program. VFA receives compensation from VRIAC based upon a) new sales of Voya Select Advantage accounts, and b) VFA customer assets invested in Voya Select Advantage accounts. Though the amount of compensation paid to VFA by VRIAC will vary each year, the annual compensation will represent a sum of 0.25% of sales by VFA of Voya Select Advantage accounts, and 0.05% of VFA customer assets held in Voya Select Advantage accounts.

**American Funds:** While American Funds Distributors receives opportunities similar to Product Partners, its arrangement with VFA provides that the amount of compensation to VFA will be determined based upon a number of factors, including the level of assets invested in American Funds, net sales, and American Funds' Distributors assessment of the quality of the relationship with VFA. Though the amount of compensation paid to VFA by American Funds Distributors will vary each year, the compensation will represent a sum of up to 0.10% of the previous year's American Funds sales by VFA, and up to 0.02% of VFA customer assets held at American Funds.

### **VFA Strategic Partner Program**

Prior to January 1, 2018, VFA maintained the Strategic Partner program. VFA is still subject to certain Strategic Partner agreements and will continue to receive payments from product sponsors participating in the Strategic Partner Program. VFA expects to accrue payments from the following product sponsors under the Strategic Partner Program:

#### **Mutual Fund Sponsors**

- BlackRock Investment Management
- DWS Funds (Deutsche Asset Management)
- Hartford Funds
- JP Morgan Asset Management

#### **Variable Annuity Sponsors**

- American General Life Insurance Company (AIG SunAmerica)
- Hartford Life Insurance
- Lincoln Financial Group
- Venerable Annuity (Voya Insurance and Annuity Company)

#### **Third Party Platform Sponsors**

- Loring Ward Financial, Inc.

As a Client of VFA, you may be invited to attend seminars or training and educational meetings. If you attend a training or educational meeting with your financial advisor and a product sponsor is present, you should assume that the product sponsor has paid for all or a portion of the cost of the meeting or event, including the cost of travel to the event, and any meals or accommodations offered. Additionally, product sponsors may provide business entertainment or nominal gifts to VFA IARs and employees. Payments by the product sponsor to cover all or a portion of the cost of a meeting or event, as well as the receipt of business entertainment or nominal gifts by VFA personnel from product sponsors are conflicts of interest, as they incentivize VFA and its IARs to recommend and select investments based on the value of the meetings, events, business entertainment, or nominal gifts offered by the product sponsor, rather than the client's investment needs.

From time to time, product sponsors will reimburse VFA's IARs for the purchase of software that the IAR uses it conducting securities business. This reimbursement creates a conflict of interest as it incentivizes the IAR to recommend the products of the product sponsor offering reimbursement.

Companies that are not Product Partners may at times send VFA payments and/or non-cash compensation in recognition of VFA's efforts in educating its financial advisors regarding such companies' products, which payments and/or non-cash compensation pose a conflict of interest for VFA to promote such products over other products.

VFA offers its financial advisors incentive programs through which financial advisors are eligible to receive awards, including but not limited to trips, bonuses, and other non-cash items. These incentive programs are based on securities product sales or assets retained through and on behalf of VFA. All incentive awards are pre-approved by VFA, administered according to its procedures, and are based on total production or asset retention for all products and services. From time to time, VFA will weigh certain products or services more heavily in its calculations for purposes of qualifying for such incentives. For example, VFA may weigh investment advisory programs assets under management more heavily than other sales. Such weighting provides incentives for your IAR to recommend such weighted products or services over others with less weighting. The existence of these incentive programs and the possibility of receiving incentive awards create a conflict of interest, as they incentivize financial advisors to sell customers products through VFA, and retain customer assets with VFA. Non-employee financial advisors are also entitled to a bonus expressed as a percentage of their annual compensation if their combination of broker-dealer remuneration and investment advisory fees reach certain thresholds each calendar quarter. This is a conflict of interest, as these financial advisors are incentivized to increase sales and assets under management to qualify for this bonus.

The Select Advantage Advisory IRA Program, issued by an affiliate of VFA, does not charge IARs a platform fee for holding client assets. However, assets held in the Select Advantage Advisory IRA Program are included in the calculation to determine the incentive awards described in the previous paragraph. This creates a conflict of interest, as it incentivizes VFA's IARs to place client assets in the Select Advantage Advisory IRA Program, thereby avoiding a platform fee and continuing to include such assets in the calculation for incentive awards. Further, VFA has a conflict of interest in not charging platform fees to IARs for Select Advantage Advisory IRA Program assets, as it incentivizes increased assets to be held with an affiliate of VFA.

The Firm holds competitions throughout the course of the calendar year that award tuition rebates and prizes to the top five IARs based on assets under management. Tuition rebates and prizes provided to the top five IARs are worth between \$400-\$500 and \$500 respectively for each adviser. The existence of such content(s) create a conflict of interest for your advisor, as it incentivizes your IAR to increase his or her assets under management to qualify for the prizes associated with the contest(s).

As part of its due diligence of new products and services to offer to clients, the Firm will, from time to time, send its employees to product sponsor or service provider offices or other locales. The product sponsor or service provider will cover the cost of such travel. This is a conflict of interest, as VFA is incentivized to offer the products and services of sponsors and providers that cover the cost of any due diligence travel, as opposed to those sponsors and providers that do not cover the cost of such travel.

VFA advisors may use the AssetMark Platform, which may allow VFA, subject to negotiation with AssetMark, to receive certain allowances, reimbursements or services from AssetMark in connection with VFA investment advisory services to its clients. In addition to the fee reductions and/or allowances granted VFA by AssetMark, AssetMark may agree to provide VFA or its advisers with organizational consulting, education, training and marketing support. This creates a conflict of interest, as it incentivizes VFA and its IARs to recommend the AssetMark Platform instead of other third party money manager programs.

Pursuant to an agreement with Advisors Asset Management (AAM), VFA receives ten percent (10%) of the markup or markdown assessed by AAM on bond transactions that it helps facilitate for VFA customers. The receipt of this revenue creates a conflict of interest, as it incentivizes VFA to utilize the services offered by AAM in effecting bond transactions in customer accounts.

VFA's phone service IARs offer certain managed account services to customers who were or are participants of various plans that are recordkept by VFA's affiliates. Sales of such managed account services that are produced by VFA's phone service IARs may generate referral payments to the agent of record for the existing Voya product. Where that is the case, VFA and the agent of record may enter into rules of engagement that govern how rollover sales opportunities will be allocated between VFA's phone service IARs and the agent of record. Typically, low balance rollover opportunities are allocated to VFA's phone service IARs and higher balance opportunities are allocated to the agent of record. VFA, through its IARs, concentrates its rollover sales efforts on certain proprietary products and services. Alternative products and services are available through other distributors.

As described in Items 4 and 5, Morningstar provides capital market assumptions to VFA at no additional cost as part of the suite of services it provides. For information concerning VFA's relationship with Morningstar, please consult Items 4 and 5 of this Brochure.

IARs are required to pay a platform fee to VFA to access the Firm's systems, and a separate platform fee to access third party money manager programs. The fee is calculated as a percentage of the IARs assets under their management with the Firm plus a fixed fee for each account in the ISS Individual Portfolio Management and Rep as Manager programs. Additionally, IARs are charged a small account platform fee for accounts under \$50,000 of assets in the aforementioned programs that are not part of a larger "household" of assets. With the exception of the third party money manager programs, as an IAR's assets under management increases, the percentage used to calculate the platform fee decreases. VFA's platform fee structure creates a number of conflicts of interest. It (i) incentivizes the IAR to increase the amount of assets under their management to pay a lower platform fee, (ii) disincentivizes the use of the ISS Individual Portfolio Management and Rep as Manager programs based on the fees assessed to the IAR in those programs, (iii) incentivizes IARs to not accept investment advisory accounts of less than \$50,000, and (iv) incentivizes the IAR to choose which platform and investment advisory product to recommend to you based on the fees that the IAR will incur, rather than your investment needs.

VFA provides forgivable loans to certain financial advisors as an incentive to join or remain with the Firm. The loans are offered to financial advisors at VFA's discretion and vary in amount and terms. Principal amounts loaned to financial advisors are based, in part, on the amount of customer assets that the Firm anticipates will be transferred to VFA by the financial advisor or the perceived profitability to the Firm of the financial advisor's business. For financial professionals recruited to the Firm, the principal amounts are loaned either upon joining the Firm, or partly upon joining, with the remaining amount loaned upon either the passage of a threshold period of time or a certain threshold of assets being moved to the Firm. Loaned amounts pursuant to a loan are forgiven at regular intervals based on a financial advisor's continued affiliation in good standing with the Firm. A financial advisor is responsible for paying back any amounts owed if he or she fails to abide by the terms of the loan, including but not limited to failure to maintain securities licensure or affiliation with the Firm. The Firm offering forgivable loans to financial advisors creates a conflict of interest, as it incentivizes IARs to select the Firm to service your account(s), and remain with VFA for the duration of the loan's forgiveness terms, instead of another firm that may not offer loans, but may offer the same or similar services of VFA for a lower cost.

Client cash positions in VFA investment advisory accounts will be deposited into VFA's cash sweep program, the Voya Financial Advisors Insured Bank Deposit Account ("VIBD"), subject to certain exceptions. Cash balances, including those deposited in VIBD, are subject to VFA's applicable advisory fees and other asset-based fees, and VFA includes such cash balances in its calculation of the fees payable by the client for investment advisory services.

VFA determines the interest rate payable to you in VIBD in accordance with a formula that considers the prevailing interest rates available to customers through bank deposit cash sweep accounts at other broker-dealer and investment advisory firms, which VFA deems to be peer firms in its sole discretion, as approved by VFA's Investment Product Due Diligence Committee. Further, VFA is compensated on cash balances in VIBD by retaining a portion of the fee that the banks pay for assets for which each bank acts as custodian. The total amount of the fee that VFA receives affects the amount of interest payable to customers on cash balances in VIBD. Therefore, VFA has a conflict of interest with regard to the VIBD program. First, it is incentivized to move customer cash balances to VIBD to earn its fee, and second, any increase in the fee VFA chooses to receive will decrease the amount of interest received by customers. A copy of the VIBD Disclosure Booklet is available at the following internet address: [www.voyafinancialadvisors.com/banksweep](http://www.voyafinancialadvisors.com/banksweep).

While VFA's default cash sweep option for clients is VIBD, certain clients will, depending upon account type and other circumstances, have another cash sweep option. VFA offers VIBD to customers due to the remuneration it receives in connection with the program. This presents a conflict of interest, as VFA is incentivized to place client cash sweep balances in VIBD, both for the remuneration it receives and for circumstances relating to VFA's investment advisory business model, rather than individualized client circumstances. Other cash sweep programs and investments, including those that VFA can offer, but chooses not to, present higher 7-day yields of up to 0.04% (as of December 30, 2020), with lower overall costs, for you, the client.

Given current fees paid by the Banks, it is important that clients understand that the fee VFA retains in connection with clients' participation in the VIBD program is greater than the interest VFA pays to clients for their assets held in the VIBD program. VFA believes this will be the case for the foreseeable future.

## **Item 15 Custody**

With the exception of client accounts holding the Select Advantage Advisory IRA Program, VFA does not have actual or constructive custody of client accounts. VFA, through its clearing firm, Pershing, directly debits investment advisory fees from client accounts. VFA has constructive custody of client assets in the Select Advantage Advisory IRA Program because its affiliate, VITC is the asset custodian for the Select Advantage Advisory IRA Program. VFA is operationally independent from VITC.

VITC, for the Select Advantage Advisory program, and Pershing, for all other non-third party manager programs, sends clients a quarterly account statement showing all activity, including deposits and withdrawals of funds, purchases and sales of securities, transfers, securities positions and charges within the account during the reporting period.

VFA calculates the amount of the investment advisory fee to be deducted. Therefore it is important for clients to carefully review their account statements to verify the accuracy of the calculation, among other things. Clients should contact VFA directly if they believe that there are any errors in their statement.

FolioDynamix, Inc, on behalf of VFA, also provides clients access to performance reports on a quarterly basis. Clients should carefully compare the information provided on these statements to confirm that all account transactions, holdings and values are correct and current. VFA statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities, so clients are advised to contact VFA and the custodian with questions.

## **Item 16 Investment Discretion**

Clients may authorize their VFA IAR to exercise discretion when executing transactions in their accounts. When an IAR is authorized by the client to exercise discretion, he or she may execute trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Only IARs who have received written authorization from both the client and VFA may exercise discretion in clients' accounts. This discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the price and amount of the security to buy or sell; and/or
- determine the time to buy or sell the security

Clients give IARs discretionary authority when they sign a discretionary agreement with VFA, and may terminate this authority by giving VFA written instructions. VFA exercises discretion in two types of programs, a) the Rep as Manager program, and b) wrap fee programs.

An IAR must apply to VFA leadership to be granted authority to use the Rep as Manager program. Consideration of the IAR's assets under management, number of accounts, investment strategies, and methods of building and managing investment models are considered in determining whether to approve an IAR to use the Rep as Manager program.

Discretion by VFA in wrap fee programs is limited to effecting transactions in the client's account to align to the model portfolio(s) selected by the client. Further information regarding the extent of VFA's discretionary authority in wrap fee programs is contained in Appendix 1, wrap fee program brochure for each wrap fee program, and each wrap fee program's account agreement. No separate approval is required for VFA IARs to utilize wrap fee programs.

## **Item 17 Voting Client Securities**

As a matter of Firm policy, VFA does not vote proxies on behalf of clients and does not offer any consulting assistance regarding proxy issues to clients. Therefore, although VFA may provide investment advisory services relative to client investment assets, clients maintain the right and exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining

to the client's investments. Clients are responsible for instructing each custodian to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

## **Item 18 Financial Information**

VFA may require or solicit payment of fees in excess of \$1200 per client more than six months in advance of the investment advisory services rendered under an annual financial planning agreement. Therefore, VFA is required to include a financial statement. A current audited balance sheet can be found at the conclusion of this brochure.

As a registered investment adviser that maintains discretionary trading authority for client accounts, VFA is also required to disclose any financial condition that is reasonable likely to impair its ability to meet its contractual obligations. To the best of VFA's knowledge and belief, VFA has no financial circumstance that is reasonably likely to materially adversely affect its ability to provide investment advisory services to its clients, and has not been the subject of a bankruptcy proceeding.

## STATEMENT OF FINANCIAL CONDITION

Voya Financial Advisors, Inc.

*December 31, 2020*

*with Report of Independent Registered Public  
Accounting Firm*

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL
OMB Number: 3235-0123
Expires: October 31, 2023
Estimated average burden hours per response..... 12.00

SEC FILE NUMBER
8- 13987

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/20 AND ENDING 12/31/20  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: VOYA FINANCIAL ADVISORS, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

699 WALNUT STREET, SUITE 1000

OFFICIAL USE ONLY

FIRM I.D. NO.

(No. and Street)

DES MOINES

IA

50309

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

KRISTIN HULTGREN

860-580-1798

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

ERNST & YOUNG LLP

(Name - if individual, state last, first, middle name)

55 IVAN ALLEN JR BLVD NW, SUITE 1000 ATLANTA

GA

30308

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

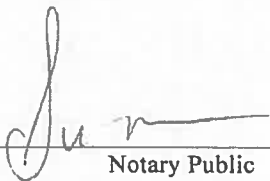
## OATH OR AFFIRMATION

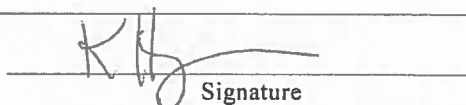
I, KRISTIN HULTGREN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of VOYA FINANCIAL ADVISORS, INC., as of DECEMBER 31, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

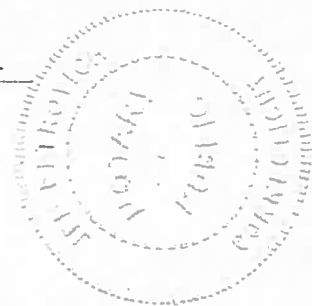
\_\_\_\_\_

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Notary Public

  
Signature  
FINANCIAL OPERATIONS PRINCIPAL  
Title

My Commission Expires 10/31/2025



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



**Voya Financial Advisors, Inc.**  
**Statement of Financial Condition**  
**December 31, 2020**

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Ernst & Young LLP  
Suite 1000  
55 Ivan Allen Jr. Boulevard  
Atlanta, GA 30308

Tel: +1 404 874 8300  
Fax: +1 404 817 5589  
ey.com

## Report of Independent Registered Public Accounting Firm

Stockholder and Board of Directors  
Voya Financial Advisors, Inc.

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Voya Financial Advisors, Inc. (the Company) as of December 31, 2020, and the related notes (the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company at December 31, 2020 in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

This financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company’s auditor since 2001.

*Ernst & Young LLP*

February 26, 2021

**Voya Financial Advisors, Inc.**  
**Statement of Financial Condition**  
**December 31, 2020**

<b>Assets</b>		
Cash	\$	83,355,349
Securities owned, at fair value		1,216,430
Commissions and concessions receivable		13,732,099
Accounts receivable, net of allowance of \$2,210,136		4,392,999
Prepaid expenses		1,850,238
Receivable from affiliates, including \$1,308,621 receivable under tax sharing agreement		6,113,782
Notes receivable, net of allowance of \$809,783		3,925,789
Deferred tax asset, net of valuation allowance of \$2,014,115		15,408,100
Deferred compensation plan investment		45,234,797
Other assets		4,996,074
<b>Total assets</b>	<b>\$</b>	<b>180,225,657</b>
<b>Liabilities and stockholder's equity</b>		
<b>Liabilities:</b>		
Securities sold, not yet purchased, at market value	\$	13,988
Commissions and concessions payable		17,684,851
Accounts payable and other accrued liabilities		4,160,543
Payable to affiliates		9,283,488
Deferred compensation plans accrued liabilities		47,500,687
Other liabilities		1,007,526
<b>Total liabilities</b>		<b>79,651,083</b>
<b>Contingencies (Note 6)</b>		
<b>Stockholder's equity:</b>		
Common stock (\$10 par value; 5,000 shares authorized; 1,500 issued and outstanding)		15,000
Additional paid-in capital		88,215,176
Retained earnings		12,344,398
<b>Total stockholder's equity</b>		<b>100,574,574</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$</b>	<b>180,225,657</b>

*The accompanying notes are an integral part of these financial statements.*

## **1. Nature of Business and Ownership**

Voya Financial Advisors, Inc. (the "Company") is an indirect, wholly-owned subsidiary of Voya Holdings Inc. ("Parent"), and ultimately of Voya Financial, Inc. ("Voya"). The Company is registered with the Securities and Exchange Commission ("SEC") as a broker-dealer pursuant to Section 15 of the Securities Exchange Act of 1934, and as a Registered Investment Adviser pursuant to the Investment Adviser's Act of 1940. The Company is a member of the Financial Industry Regulatory Authority ("FINRA") and is also registered with the appropriate U.S. jurisdictions, U.S. territories, and state securities authorities as a broker-dealer.

The Company is a fully disclosed broker-dealer and clears all brokerage securities transactions through an unaffiliated clearing broker. The Company does not carry customer accounts and is not required to make periodic computation of reserve requirements for the exclusive benefit of customers. Therefore, the Company is exempt from SEC Rule 15c3-3.

## **2. Summary of Significant Accounting Policies**

### *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

### *Use of Estimates*

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

### *Cash*

Cash represents cash on deposit.

### *Securities Owned*

Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are carried at fair value.

### *Accounts Receivable*

Accounts receivable are reported in the Statement of Financial Condition at net realizable value. Management estimates the credit loss allowance for accounts receivable using a factor based method of probability of default which incorporates relevant information from internal sources relating to past events. Included in the factor based method are the terminations of registered representatives and any collections after termination.

### *Prepaid Expenses*

The Company classifies expenses that are paid before the benefit is received as prepaid expense in the Statement of Financial Condition. This prepaid expense is charged to operations ratably over the period of benefit.

*Notes Receivable*

The Company loans money to certain of its registered representatives under two types of promissory note agreements, which bear interest at various rates. One such agreement is a forgivable promissory note and the other is a payback promissory note which is described more fully below.

Each forgivable note contains a provision for forgiveness of principal and accrued interest based on the registered representative maintaining their securities registration with the Company. The forgiveness determination is made at specified intervals that coincide with scheduled principal and interest payments. The Company amortizes the principal balance of the notes into operations as commissions expense over the contractual term of the notes if the forgivable criteria is met. Notes receivable relating to these loan agreements in the amount of \$4,576,007 is reported in Notes receivable on the Statement of Financial Condition.

The payback notes are payable by registered representatives to the broker-dealer and are due at various maturity dates. Notes receivable relating to these loan agreements in the amount of \$159,565 is reported at December 31, 2020 within Notes receivable on the Statement of Financial Condition.

Notes receivable are reported in the Statement of Financial Condition at net realizable value. Management estimates the credit loss allowance for forgivable promissory notes using a factor-based method of probability of default and loss given default which incorporates relevant available information from internal sources relating to past events. Included in the factor-based method are the value of new loans issued, terminations of registered representatives, and any recoveries after default. The allowance for credit losses is a valuation account that is deducted from the notes receivable balance to present the net realizable value. There was an \$809,783 allowance for bad debt relating to these loan agreements as of December 31, 2020.

*Income Taxes*

The Company uses certain assumptions and estimates in determining (a) the income taxes payable or refundable to/from Voya Financial, Inc. for the current year, (b) the provision for income taxes and (c) the deferred income tax assets and liabilities.

The provision for income taxes is based on income and expense reported in the financial statements after adjustments for permanent differences between our financial statements and consolidated federal income tax return. Permanent differences include the dividends received deduction. As a result of permanent differences, the effective tax rate reflected in the financial statements may be different than the actual rate in the income tax return.

Temporary differences between our financial statements and income tax return create deferred tax assets and liabilities. Deferred tax assets represent the tax benefit of future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards. The Company's deferred tax assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. The Company evaluates and tests the recoverability of its deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. Considerable judgment and the use of estimates are required in determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance, the Company considers many factors, including the nature and character of the deferred tax assets and liabilities, the amount and character of book income or losses in recent years, projected future taxable income and future reversals of temporary differences, tax planning strategies we would employ to avoid a tax benefit from expiring unused, and the length of time carryforwards can be utilized.

**Voya Financial Advisors, Inc.**  
**Notes to Statement of Financial Condition**

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We recognize the tax benefit from an uncertain tax position only if it is more likely than not to be sustained under examination by the applicable taxing authority. The Company also considers positions that have been reviewed and agreed to as part of an examination by the applicable taxing authority. For items that meet the more-likely-than-not recognition threshold, the Company measures the tax position as the largest amount of benefit that is more than 50% likely to be realized upon ultimate resolution with the applicable tax authority that has full knowledge of all relevant information.

*Securities Sold, Not yet Purchased*

Securities sold, not yet purchased, are recorded at fair value. Fair value is generally determined by quoted prices on national exchanges. If listed market prices are not available, fair value is determined based on relevant factors, including broker or dealer price quotations. Securities sold, not yet purchased, represent obligations to deliver specified securities sold short at prevailing market prices in the future to satisfy these obligations, generally within three business days.

*Commissions and Concessions Receivable*

Commissions and concessions receivable reflect commissions earned but not yet received on products sold and fee income.

*Commissions and Concessions Payable*

Commissions and concessions payable reflect the compensation to be paid to agents for products sold and advisory services.

*Revenue Recognition*

Revenue is measured based on consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties.

Investment Advisory Fees and Services

The Company provides investment advisory services on a daily basis. For advisory services, the Company recognizes revenue as services are provided, generally over time. In addition, the Company may arrange for sub-advisory services for a customer under certain contracts. Revenue is recognized when the Company has satisfied a performance obligation by transferring control of a service to a customer. Contract terms are typically less than one year, and consideration is generally variable and due as services are rendered.

Commissions, and Revenue from the Sales of Investment Company Shares

Commissions, and revenue from the sale of investment company shares represent revenue earned by the Company upon transactions in non-investment company shares, or the sale of an investment company share or insurance product. For these products, the Company provides distribution services at a point in time and shareholder services over time. Such revenue is recognized when the Company has satisfied a performance obligation and related consideration is received. Contract terms are less than one year, and consideration is variable. For distribution services, revenue may be recognized in periods subsequent to when the Company has satisfied a performance obligation, as a component of related consideration is constrained under certain contracts.

Fee Revenue

Fee Revenue represents revenue earned from various sponsors whereby the Company provides marketing services and other opportunities to promote the sale of sponsor's products to its customers. The Company provides these

services over time. Such revenue is recognized when the Company has satisfied a performance obligation and related consideration is received. Contract terms are less than one year, and consideration is variable.

Receivables of \$13,732,098, \$4,805,143, and \$1,705,589 are included in Commissions and concessions receivable, Receivables from affiliates, and Accounts receivable, respectively, on the Statement of Financial Condition.

#### *Contract Costs Associated with Certain Contracts*

Contract cost assets represent costs incurred to obtain or fulfill a contract that are expected to be recovered and, thus, have been capitalized and are subject to amortization. Capitalized contract costs include incremental costs of obtaining a contract and fulfillment costs that relate directly to a contract and generate or enhance resources of the Company that are used to satisfy performance obligations.

The Company defers variable compensation paid to the Company's registered representatives as a result of obtaining certain contracts. The Company expenses as incurred deferrable contract costs for which the amortization period would be one year or less (based on the U.S. GAAP practical expedient) and other contract-related costs. The Company periodically reviews contract cost assets for impairment. Capitalized contract costs are included in Other assets on the Statement of Financial Condition.

As of December 31, 2020, contract cost assets were \$4,759,833. Capitalized contract costs are amortized on a straight-line basis over the estimated lives of the contracts, which typically is 5 years. This method is consistent with the transfer of services to which the assets relate. There was no impairment loss in relation to the contract costs capitalized.

#### *Financial Instruments with Off-Balance Sheet Risk*

The securities transactions of the Company's customers are introduced on a fully disclosed basis with a clearing broker-dealer. The Company holds no customer funds or securities. The clearing broker-dealer is responsible for execution, collection of and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments. In this event, the clearing broker-dealer may charge any related losses to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker-dealer.

#### *Subsequent Events*

The Company has evaluated subsequent events for recognition and disclosure through the date the financial statements were issued.

#### *Adoption of New Pronouncements*

##### Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13") which:

- Introduces a new current expected credit loss ("CECL") model to measure impairment on certain types of financial instruments,
- Requires an entity to estimate lifetime expected credit losses, under the new CECL model, based on relevant information about historical events, current conditions, and reasonable and supportable forecasts,
- Modifies the impairment model for available-for-sale debt securities, and

- Provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

In addition the FASB issued various amendments during 2018, 2019, and 2020 to clarify the provisions of ASU 2016-13. The Company adopted the provisions of ASU 2016-13 on January 1, 2020, using the modified retrospective approach. The company recorded a \$83,644 increase, net of tax, to Retained earnings as of January 1, 2020 for the cumulative effect of adopting ASU 2016-13. The ASU did not have a material impact on the Company's financial condition, results of operations, or cash flows. In addition disclosures have been updated to reflect accounting policy changes made as a result of the implementation of ASU 2016-13.

#### *Future Adoption of Accounting Pronouncements*

##### Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (ASC Topic 740): Simplifying the Accounting for Income Taxes" which simplifies the accounting for income taxes by eliminating certain exceptions to the general principles and simplifying several aspects of ASC 740, Income taxes, including requirements related to the following:

- The intraperiod tax allocation exception to the incremental approach,
- The tax basis step-up in goodwill obtained in a transaction that is not a business combination,
- Hybrid tax regimes,
- Ownership changes in investments - changes from a subsidiary to an equity method investment,
- Separate financial statements of entities not subject to tax,
- Interim-period accounting for enacted changes in tax law, and
- The year-to-date loss limitation in interim period tax accounting.

The provisions of ASU 2019-12 are effective for fiscal years beginning after January 1, 2021 with early adoption permitted. Initial adoption of ASU 2019-12 is required to be reported on a prospective basis, except for certain provisions that are required to be applied retrospectively or modified retrospectively. The Company does not expect ASU 2019 -12 to have a material impact on the Company's financial condition, results of operations, or cash flows.

### **3. Income Taxes**

The results of the Company's operations are included in the consolidated tax return of Voya Financial, Inc. Generally, the Company's financial statements recognize the current and deferred income tax consequences that result from the Company's activities during the current and preceding periods pursuant to the provisions of Income Taxes (ASC 740) as if the Company were a separate taxpayer rather than a member of Voya Financial, Inc.'s consolidated income tax return group with the exception of any net operating loss carryforwards and capital loss carryforwards, which are recorded pursuant to the tax sharing agreement. If the Company instead were to follow a separate taxpayer approach without any exceptions, there would be no impact to income tax expense (benefit). Also, any current tax benefit related to the Company's tax attributes realized by virtue of its inclusion in the consolidated tax return of Voya Financial, Inc. would have been recorded directly to equity rather than income. Under the tax sharing agreement, Voya Financial, Inc. will pay the Company for the tax benefits of ordinary and capital losses only in the event that the consolidated tax group actually uses the tax benefit of losses generated.

Deferred income taxes have been established by each member of the consolidated group based upon the temporary differences within each entity. Significant components of the Company's deferred tax asset at December 31, 2020 are as follows:



**Voya Financial Advisors, Inc.**  
**Notes to Statement of Financial Condition**

Deferred tax assets:

Federal Loss Carryforwards	\$	5,846,818
Compensation and benefits		10,064,132
State deferred tax assets		2,446,010
Other		406,238
Total gross assets before valuation allowance		18,763,198
Less: tax valuation allowance		2,014,115
Deferred tax asset, net of valuation allowance	\$	16,749,083
Deferred tax liability:		
Investments	\$	1,340,983
Net deferred income tax asset	\$	15,408,100

The following table sets forth the federal and state loss carryforwards for tax purposes as of December 31, 2020:

Federal net operating loss carryforward	\$	27,841,990 <sup>(1)</sup>
State net operating loss carryforward		1,633,091 <sup>(2)</sup>

<sup>(1)</sup> \$5,455,498 not subject to expiration. \$22,386,492 expires between 2035 and 2036.

<sup>(2)</sup> \$41,481 not subject to expiration. \$1,591,610 expires between 2035 and 2036.

Valuation allowances are provided when it is considered more likely than not that some portion or all of the deferred tax assets will not be realized. Management believes that it is more likely than not that the benefit from unitary state net operating losses and temporary differences will not be realized. Accordingly, a valuation allowance of \$2,014,115 has been provided on the deferred tax assets relating to the unitary state net operating losses and temporary differences.

The Company has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with ASC Topic 740, *Income Taxes*, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Company.

***Tax Regulatory Matters***

For the tax years 2018 through 2020, Voya Financial, Inc. participated in the Internal Revenue Service ("IRS") Compliance Assurance Process ("CAP"), which is a continuous audit program provided by the IRS. The IRS finalized the audit of Voya Financial, Inc. for the period ended December 31, 2018. For the periods ended December 31, 2019 and December 31, 2020, the IRS has determined that Voya Financial, Inc. would be in the Compliance Maintenance Bridge ("Bridge") phase of CAP. In the Bridge phase, the IRS does not intend to conduct any review or provide any letters of assurance for the tax year.

**4. Related-Party Transactions**

Operating expenses of the Company are incurred pursuant to an expense sharing agreement with affiliates.

Receivables and payables with Voya Financial, Inc. and affiliated entities are settled in cash on a regular basis.

Amounts reported in the Statement of Financial Condition related to transactions and agreements with affiliates may not be the same as those recorded if the Company was not a wholly-owned subsidiary of its Parent.

Effective January 1, 2012, the Company and Voya Investment Management LLC ("VIM"), an affiliate of the Company, entered into an agreement where VIM and/or its subsidiaries agree to pay the Company on average net assets invested in VIM Funds by the Company's clients.

The Company's affiliate entered into a merger agreement (the Agreement) with Pen-Cal Administrators, Inc. (Pen-Cal) and other parties dated May 10, 2018. The Agreement requires the assignment from a shareholder of Pen-Cal to the Company of all corporate owned life insurance commissions and other amounts receivable by the shareholder of Pen-Cal.

The Company entered into perpetual marketing allowance agreements on June 1, 2018 with Voya Retirement Insurance and Annuity Company ("VRIAC"), an affiliate of the Company. Under the agreements, the Company provides VRIAC with the opportunity to market its products by participating in national conferences, sales and annual meetings where VRIAC is given the opportunity to educate and train the Company's registered representatives about VRIAC products. To compensate the Company for providing these enhanced marketing and training opportunities, VRIAC has agreed to make payments to the Company based on product sales and assets.

The Company sells variable life and annuity products and mutual funds issued by Voya Retirement Insurance and Annuity Company ("VRIAC"), ReliaStar Life Insurance Company ("RLIC"), and SLD, affiliates of the Company. The Company further facilitates payment of commissions from VRIAC, SLD and RLIC directly to its registered representatives.

The Company distributes Voya mutual funds which are underwritten by Voya Investments Distributor, LLC, an affiliate of the Company.

## **5. Employee and Registered Representative Benefits**

### *401(k) and Pension Plans for Employees*

The employees of affiliated companies providing services to the Company are covered by a variety of employee benefit plans (401(k), pension and deferred compensation plans) that are administered by affiliates. The different plans have various eligibility standards, vesting requirements, and guidelines for matching. The Company had separate employee benefit plans in 2020 and relied on its affiliated companies to cover all eligible employees. All benefits paid by affiliates are charged back to the Company for reimbursement.

### *Deferred Compensation Plans for Employees and Registered Representatives*

The Company maintains deferred compensation plans (Plans) for registered representatives and other eligible employees. Under the Plans, if certain eligibility requirements are met, a participant may defer a portion of their income, including commission and fee earnings, as applicable. Such amounts are reported as Salaries and employee benefits in the Statement of Operations. Additionally, the Company may, at its discretion, allocate additional amounts to participants. Participants may elect to have all or a portion of their deferred compensation account indexed to rates of return on a variety of investment options, including a fixed rate option. The Company accrues interest based upon the actual rate of return on the underlying investment index choice. Such amounts are reported in Salaries and employee benefits in the Statements of Operations. The plans are unfunded; therefore, benefits are paid from the general assets of the Company. However, for one of the Plans, the Company purchased investments that mirror amounts and elections of the participants, of which \$45,234,797 is included as a Deferred compensation plan investment on the Statement of Financial Condition and is carried at market value. The total of net participant deferrals, which is reflected within Deferred compensation plans accrued liabilities on the Statement of Financial Condition, was \$47,500,686 as of December 31, 2020.

## **6. Contingencies**

The Company is party to claims, lawsuits, and/or arbitrations arising in the course of its normal business activities. While it is not possible to forecast the outcome of such lawsuits/arbitrations, in light of existing insurance and established reserves, it is the opinion of management that the disposition of such lawsuits/arbitrations will not have a materially adverse effect on the Company's operations or financial position.

The Company and its affiliates periodically receive informal and formal requests for information from various state and federal governmental agencies and self-regulatory organizations in connection with inquiries and investigations of the products and practices of the Company, its affiliates or the financial services industry. Such requests include, for example, the SEC mutual fund share class enforcement initiative, which settled in December. Such investigations and inquiries could result in regulatory action against the Company. The potential outcome of any such action is difficult to predict but could subject the Company or its affiliates to adverse consequences, including, but not limited to, settlement payments, penalties, fines and other financial liability.

For some matters, the Company is able to estimate a possible range of loss. For such matters in which a loss is probable, an accrual is made. For matters where the Company, however, believes a loss is reasonably possible, but not probable, no accrual is required. For matters for which an accrual is made, but there remains a reasonably possible range of loss in excess of the amounts accrued or for matters where no accrual is required, the Company develops an estimate of the reasonably possible range of losses in excess of reserves.

For other matters, the Company is currently not able to estimate the reasonably possible loss range or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support an assessment of the range of possible loss, such as quantifications of a damage demand from plaintiffs, discovery from plaintiffs and other parties, investigation of factual allegations, rulings by a court on motions or appeals, analysis by experts and the progress of settlement discussions. On an ongoing basis, the Company reviews relevant information with respect to litigation and regulatory contingencies and updates the Company's accruals, disclosures and reasonably possible losses or ranges of loss.

## **7. Fair Value of Financial Instruments**

ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820), defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC Topic 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included in level 1) that are observable for the asset or liability, either directly or indirectly.

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- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
<b>Securities owned:</b>				
Bonds	\$ 21	\$ —	\$ —	\$ 21
Equities	53,175	—	—	53,175
REITS	175,835	—	—	175,835
<b>Deferred compensation plan investment:</b>				
Cash and money market funds	6,258,143	—	—	6,258,143
Mutual funds	38,976,654	—	—	38,976,654
<b>Liabilities:</b>				
<b>Securities sold, not yet purchased</b>				
Bonds	\$ 2,219	\$ —	\$ —	\$ 2,219
Equities	11,769	—	—	11,769

The Company assumed the ownership of certain REITS as a result of legal settlements. The REITS, in which the Company owns shares, are primarily engaged in the business of the acquisition and development of commercial real estate, the drilling of natural gas development wells, and the trading of futures in agriculture, metals energy and interest rates. The securities are held as trading securities by the Company.

REITS are comprised of several assets that are measured at fair value using NAV per share as a practical expedient and have not been classified in the fair value hierarchy. Business Development Corporation has a balance of \$366,362, Phillips Edison II has a balance of \$225,467, Steadfast Apartment has a balance of \$183,374, InvenTrust has a balance of \$163,271, Colony Capital has a balance of \$32,705 and Hospitality Investors Trust has a balance of \$16,221. Business Development Corporation provides financing solutions to a variety of industries. The remaining companies primarily invest in retail, residential, and healthcare real estate.

REIT positions held by the Company are excluded from the Company's net capital.

## **8. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit balances arising from customer transactions, as defined.

As of December 31, 2020, the Company had net capital of \$54,019,598, which was \$53,769,598 in excess of the required net capital of \$250,000. The Company had no aggregate debit items at December 31, 2020.

**9. Subsequent Events**

On February 8, 2021, Voya announced that it has entered into a definitive agreement with Cetera Financial Group, Inc. ("Cetera") for Cetera to acquire the independent financial planning channel of the Company. Through the transaction, approximately 900 independent financial professionals serving retail customers will become part of Cetera. The Company and approximately 600 field and phone-based financial professionals who support Voya's Retirement business will remain with Voya. Voya expects that the transaction will provide the Company with over \$300 million in deployable proceeds at closing. The transaction is expected to close in the second or third quarter of 2021. The Company anticipates that it will pay a dividend to Voya Holdings, Inc. The payment of the dividend will be in compliance with the SEC Uniform Net Capital Rule (Rule 15c3-1) as further described in Note 8 Net Capital Requirements.

**10. Risks and Uncertainties**

The Company has not been materially impacted by the global outbreak of COVID-19. The extent to which COVID-19 could potentially impact the Company's business operations will depend on future developments, which are highly uncertain and cannot be predicted including the scope and duration of the pandemic, macroeconomic conditions, and actions taken by the governmental authorities in response to the pandemic.