



# SoFi Wealth LLC

## Form ADV, Part 2A, Appendix 1 WRAP PROGRAM BROCHURE

### SoFi Wealth Portfolio Management Program

#### Item 1: Cover Page

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March 31, 2021

This wrap fee program Brochure provides information about the qualifications and business practices of SoFi Wealth, LLC ("SoFi Wealth"). If you have any questions about the contents of this Brochure, please contact Dimple Anderson, Chief Compliance Officer, at (855) 525-7634. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about SoFi Wealth also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SoFi Wealth is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

## Item 2: Material Changes

Under SEC Rules, you will receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year, which is in December. We may also provide you with a new Brochure or other ongoing disclosure information about material changes as necessary, without charge.

Since filing the last Amendment to this Brochure in September 2020, we have made the following material changes.

- As a general matter, there are a number of conflicts identified throughout this document. We have enhanced the disclosures throughout the document to further educate on how these conflicts affect SoFi Clients. Please see Item 9: Other Financial Industry Activities and Affiliations for detailed information regarding each conflict identified.
- We updated our disclosures related to the SoFi-sponsored ETFs to emphasize that SoFi Wealth clients investing in SoFi Wealth's automated investing portfolios will invest in part in SoFi-sponsored ETFs. Using SoFi-sponsored ETFs in SoFi Wealth's automated investing portfolios allows those ETFs to be commercially viable without SoFi having to invest its own capital in those ETFs. SoFi clients should be aware that there is a potential for third party ETFs to offer better performance than SoFi sponsored ETFs.
- We enhanced our disclosures to more clearly describe the conflicts of interests SoFi has related to the SoFi-sponsored ETFs. Those conflicts of interest include: First, while the investment advisor for the SoFi-sponsored ETFs has agreed to waive management fees for the SoFi-sponsored ETFs used in Automated Investing (SFY and SFYX) until at least June 30, 2021, in the future those fee waivers will end, and at that point, SoFi would earn revenue from the SoFi-sponsored ETFs based on the investments made by SoFi clients.. The potential to earn revenue from clients invested in the SoFi-sponsored ETFs is a conflict of interest for SoFi. Second, SoFi receives a marketing benefit of increased brand awareness and marketing reach from the SoFi-sponsored ETFs. Third, SoFi Wealth has a conflict of interest when allocating client accounts between SoFi-sponsored ETFs and third-party ETFs as third party ETFs may offer better performance.
- Social Finance, Inc. has entered into a definitive agreement with Social Capital Hedosophia Holdings Corp. V ("SCH") (NYSE: IPOE), a publicly traded special purpose acquisition company, to bring the major consumer-focused financial technology business to the public markets. In connection with the anticipated offering, a registration statement has been filed with the Securities and Exchange Commission ("SEC") and is currently under SEC review. The Transaction will result in a change of control of SoFi Wealth LLC and an "assignment," as that term is used in the Investment Advisers Act of 1940 and in your investment advisory agreement with us.

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

SoFi Wealth, LLC (“SoFi Wealth”) is an internet based (or “online”) investment adviser registered with the Securities and Exchange Commission (“SEC”). SoFi Wealth provides investment advice to individual investors utilizing proprietary software, along with an experienced investment team to advise clients on general asset allocation. SoFi Wealth is a wholly owned subsidiary of Social Finance, Inc. (“SoFi”), a Delaware corporation.

### **The Services We Provide**

SoFi Wealth provides clients online investment advisory services over the internet and through a mobile application.

SoFi Wealth offers a “Wrap fee Program” that includes client access to “Digital Advice” tools and Automated Asset Management services, each as described further below.

### **Wrap Fee Program**

#### **SoFi Wealth Digital Advice**

SoFi Wealth offers on its website and mobile application access to automated tools designed to provide clients with self-directed insights into their financial situation. SoFi Wealth clients may obtain automated advice in the following ways:

- SoFi Wealth may provide clients with recommended financial actions based on the limited information the user has provided to SoFi Wealth, such as information input directly into SoFi Wealth forms and information imported from connected accounts or from credit reporting information. These recommended financial actions may cause a conflict of interest due to SoFi’s industry affiliations.
- SoFi Wealth offers certain users the option to use a self-directed tool that collects information about the user’s student loan debts and presents alternatives for managing student loan debt and repayment strategies. These alternatives may include a recommendation for student loan refinancing through SoFi Lending Corp which will create a conflict of interest since it could result in increased compensation to our Firm.
- SoFi Wealth offers certain users the option to use a self-directed tool that helps estimate monthly contributions to save for anticipated college expenses. The tool estimates college expenses in a year in the future, and using that estimate, calculates a monthly contribution needed to save the estimated total expense amount. It uses assumptions for the many key variables, including rate of return. The tool allows the user to connect to state-sponsored college savings plans (also called “529 Plans”) to establish an account. In certain employer-sponsored benefit plans, SoFi receives a financial

benefit when a user opts to automatically deduct money from their paycheck to contribute to college-savings plans.

SoFi Wealth believes that automated tools offer value to many clients, but all clients must be aware that the automated tools have significant limitations. SoFi Wealth's automated tools rely upon user-input information, and in some cases, information from connected accounts (which can be incomplete and in some cases unavailable). Note that the automated online tools use predefined algorithms based upon common scenarios and guidance is principles based, therefore many unique circumstances of the client are not taken into account. The usefulness of the results is also limited by the limited quantity of information the user submits.

Because of these limitations, automated advice may not be not appropriate for everyone. Some clients will have financial situations that require advice from an in-person planner for actionable guidance.

SoFi Wealth may obtain and use information from a client's accounts at SoFi and at external institutions. SoFi Wealth uses the information to support delivery of insights and automated advice that is more personalized to your situation. A client may elect to connect an account (such as a loan, credit card, or deposit account) held at SoFi or at an external institution, which makes the information available to SoFi Wealth. SoFi offers the service to connect an external account through SoFi's Relay tool and to obtain employer contributions. SoFi connects external accounts using a service offered by Plaid, Inc., which allows a client to connect with the external institution that holds the account. In order for a client to use the service to connect an account, the client authorizes SoFi to obtain account information from the external account as set forth in SoFi's Terms of Use, and the client must register directly with Plaid and accept Plaid's terms of use and privacy policy.

To access the digital advice tools described above, all users must accept and enter a Customer Agreement with SoFi Wealth.

All references to conflicts of interest in the above section are explained further in Item 9: Other Financial Industry Activities and Affiliations.

### **Automated Asset Management Services**

SoFi Wealth offers its clients the opportunity to establish Automated Investing under the SoFi Invest brand name. To establish Automated Investing, a client must accept and enter a SoFi Wealth Advisory Agreement.

In accordance with an Advisory Agreement, SoFi Wealth allows the customer to establish an automated recurring deposit into an investment account, offers recommended asset allocation

portfolio, manages portfolios and performs certain advisory functions with respect to each portfolio. This includes recommending asset allocated portfolios and providing portfolio rebalancing services.

SoFi Wealth is authorized to, among other things:

- Recommend one of five asset allocation models to investors - aggressive, moderately aggressive, moderate, moderately conservative, and conservative. The system evaluates user risk profiles through our online risk-evaluation system, also referred to as the Goals, Risk and Objectives Exercise. Through a series of questions with user-input (goal, time horizon, and risk tolerance), SoFi Wealth reasonably identifies appropriate risk profiles and automatically assigns the recommended asset allocation for our clients, which is designed to tailor client risk to the profile supplied by the user;
- Identify security choices for our clients in order to minimize trading costs and other fees; we continuously evaluate the performance of a range of indices and securities to determine if we should replace an asset class or implement an additional asset class in our client's portfolios;
- Determine optimal times for portfolio rebalancing, at least quarterly, based on market factors that return the client to the target risk profile and attempt to lower trading costs and other fees;
- Identify asset classes and securities which are appropriate according to certain pre-programmed rules related to a client's account: for instance, minimizing tax inefficient securities in taxable accounts while maximizing their potential in tax-deferred accounts. The election of a non-qualified or qualified account will result in different allocations and underlying holdings, but models with a risk tolerance band will have similar target risk and return characteristics;
- Identify and evaluate the timing and method of disposition or liquidation of investments, select and determine investments to be disposed of or liquidated, and cause an investor to dispose of or liquidate investments in accordance with the terms of the Advisory Agreement in order to facilitate allocation remodeling;
- Engage personnel to assist the Investment Advisor in providing investment advisory services, including, without limitation, counsel, consultants, accountants, investment bankers, financial advisors and sub-investment advisors;
- Open, maintain and close accounts, including custodial accounts, but excluding collection accounts, with banks, including banks located outside the United States, and draw checks or other orders for the payment of monies;

- Incur expenditures as the Investment Advisor determines to be appropriate in furtherance of the purpose of the best interest of investors, and, to the extent that the funds of an investor are available, pay all expenses, debts and obligations;
- Perform such other duties, activities, functions and all other similar things necessary to achieve, implement or facilitate any of the foregoing provisions in the United States as well as foreign jurisdictions;
- Invest investor funds into ETFs, including SoFi-sponsored ETFs.

There is no limitation or restriction on the ability of the Investment Advisor SoFi Wealth or any of its Affiliates to act as an investment manager (or in a similar role) for other persons. This and other future activities of SoFi Wealth the Investment Advisor and its Affiliates may give rise to conflicts of interest.

See Item 9: Other Financial Industry Activities and Affiliations for further information regarding the conflicts of interest related to the above section.

Client accounts are managed on a discretionary basis. Clients are responsible for providing any changes to their financial situation or investment objectives by updating their responses on our interactive website. SoFi Wealth will contact clients periodically to determine whether their financial situation or investment objectives have changed or if they want to modify their target asset allocation. Clients may modify their target asset allocation at any time through the SoFi Wealth website.

Clients must appoint SoFi Wealth as their investment adviser of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under the client's name. The qualified custodian maintains physical custody of all funds and securities of the Account, and the client retains all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

It is important for clients to understand that we manage investments for other clients. The advice we give to any client might be different from the advice we give other clients and different from the actions taken on our personal accounts, which presents the potential for a conflict of interest. SoFi Wealth is not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best

interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### Brokerage Practices

SoFi Wealth clients who purchase securities through the SoFi Wealth platform are required to utilize the brokerage services of our affiliate, SoFi Securities, a member of FINRA and SIPC, which acts as an introducing broker-dealer (or agent for custody) in effecting securities transactions for Clients' Accounts in which Apex Clearing provides trade execution and clearing services. Apex Clearing is a broker-dealer, member FINRA and SIPC.

Not all investment adviser firms require the use of a particular broker/dealer. However, for operational and compliance purposes, we have made the decision to provide all asset management services through one brokerage, custodial platform. Please understand you are not required or obligated to utilize our services and therefore you are not required or obligated to open an account with SoFi Securities and Apex Clearing. However, if you do not want to use SoFi Securities or Apex Clearing, we are unable to provide our asset management services.

SoFi Wealth seeks the best overall execution of transactions for Client Accounts consistent with its judgment as to the business qualifications of the various brokers through which SoFi Wealth accounts are available. Using an affiliated broker presents a conflict of interest, as it can result in additional compensation for the firm. SoFi Wealth obtains information as to the general level of commission rates being charged by the brokerage community from time to time and will periodically evaluate the overall reasonableness of brokerage commissions paid on Client transactions by reference to such data to ensure competitive commission rates. "Best execution" means the best overall qualitative execution, not necessarily the lowest possible commission cost. Accordingly, the factors that SoFi Wealth considers when selecting or recommending Brokers are matters that directly benefit Client Accounts, and consistent with obtaining the best execution of their transactions. These factors include: execution capability and available liquidity; timing and size of particular orders; commission rates; responsiveness; trading experience; reputation, integrity and fairness in resolving disputes; quality of their application programming interfaces and technology; and other factors.

Social Finance, Inc. owns a minority ownership interest in Apex Clearing. As an affiliated company of Social Finance, Inc., SoFi Wealth could receive economic benefits from Apex Clearing. SoFi Wealth's interest in generating transactions and other business for Apex Clearing could conflict with a client's interests.



SoFi Securities earns revenue from lending securities and cash, via a sweep mechanism, in client accounts. There is no direct link between this revenue and the investment advice it gives to its Clients. Apex Clearing may also have paid for business consulting and professional services received by SoFi Wealth's related persons. Some of the products and services made available by Apex Clearing through the program may benefit SoFi Wealth but may not benefit its Client accounts. These products or services may assist SoFi Wealth in managing and administering Client accounts, including accounts not maintained at Apex Clearing.

Other services made available by Apex Clearing are intended to help the Advisor manage and further develop its business enterprise. The benefits received by the Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Apex Clearing. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a conflict of interest and may indirectly influence the Advisor's choice of Apex Clearing for custody and brokerage services.

SoFi Wealth aggregates orders for a Client's Account with orders of other Clients. SoFi Wealth may aggregate securities sale and purchase orders for a Client with similar orders being made contemporaneously for other Client Accounts. In such an event, the average price of the securities purchased or sold in such a transaction may be determined and a Client may be charged or credited, as the case may be, the average transaction price. As a result, however, the price may be less favorable to the Client than it would be if similar transactions were not being executed concurrently for other Accounts. SoFi Securities LLC may receive fees or other benefits from their role as introducing broker-dealer, including rebates on order flow, securities lending, and by earning interest on uninvested cash in brokerage accounts. SoFi Securities LLC does not charge commissions on trades. However, revenue is earned from rebates on order flow, securities lending, and by earning interest on uninvested cash in brokerage accounts.

All references to conflicts of interest in the above section are explained further in Item 9: Other Financial Industry Activities and Affiliations.

### **Fee schedule**

SoFi Wealth offers asset management services under the brand "Automated Investing", under the broader SoFi Invest umbrella. SoFi Wealth does not currently charge a management fee for Automated Investing. SoFi Wealth will likely introduce other products or services for which it does charge a fee in the future. SoFi Wealth may make changes to fees from time to time.

SoFi Wealth does not currently receive any sales commissions, 12b-1 fees or other fees from ETFs or other products for investing such funds on behalf of advisory clients. If at any point this changes in the future, clients will be appropriately notified and disclosures updated.

As a general matter, clients who invest in ETFs pay ETF fees. An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and affect a Client's portfolio performance or an index benchmark comparison. Expenses of an ETF may include management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. These ETF fees do not flow back to SoFi Wealth.

SoFi ETFs include the SoFi Select 500 ETF, SoFi Next 500 ETF, SoFi 50 ETF, SoFi Weekly Income ETF, and SoFi Gig Economy ETF. SoFi ETFs are distributed by Foreside Fund Services, LLC. SoFi is not an affiliated person of the Funds, the Adviser, the Sub-Adviser, the distributor, or any of their affiliates. The Fund's investment adviser has agreed to waive its Management Fees for the SoFi-sponsored ETFs used in Automated Investing (SFY and SFYX) until at least June 30, 2021. At some point in the future those fee waivers will end, and at that point, SoFi would earn revenue from these ETFs based on the investments made by SoFi clients.

Investors are charged incidental fees for certain services provided by our clearing firm (Apex Clearing) such as IRA administration, sending money or securities to another firm via ACAT, or sending paper statements or confirms (electronically delivered documents are free). These fees may change from time to time and can be found at the following location when logged into your account on the SoFi website: [www.sofi.com/invest/fee-schedule](http://www.sofi.com/invest/fee-schedule).

A single, all-inclusive fee for brokerage, custodial and recordkeeping services may cost the client more or less than the cost of purchasing these services separately. The primary factor affecting the comprehensive fee is the provision by SoFi Wealth of individualized investment advice and portfolio management services tailored to the needs of each individual. SoFi Securities, LLC, an affiliate of the Firm, marks up these charges under certain circumstances to cover costs associated with the administration of such fees.

SoFi Wealth does not receive transaction-based compensation for the sale of securities to SoFi Wealth investors. Some investors in SoFi Wealth may also be clients of SoFi Securities and may purchase securities through them.

All references to conflicts of interest in the above section are explained further in Item 9: Other Financial Industry Activities and Affiliations.

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

SoFi Wealth's clients are individual investors, including individuals, high net-worth individuals, trusts, and estates. There is no minimum investment commitment. Account and ACH minimums may be waived as the election of the Firm. SoFi Wealth leverages its technology platform in order to allow for

smaller client minimums as we rely on our risk and portfolio management systems to develop optimal portfolios for our clients.

SoFi Wealth relies heavily on technology to perform investment management services. SoFi Wealth Clients are made aware of the following when utilizing SoFi Wealth's software-based IA services via this disclosure document:

- Clients of SoFi Wealth agree to rely primarily on the SoFi Wealth website for their account information, including, but not limited to, their positions, profits and losses, account value, account performance, statements, and confirmations. However, quarterly or monthly statements as well as trade confirmations will be provided electronically to the client by the clearing broker-dealer on the SoFi website;
- Clients of SoFi Wealth agree that their risk profile is created through our profiling system, and this information is used to map clients to their recommended portfolios. We recommend that clients re-evaluate their risk profile if any of their circumstances have changed in a material way. This will allow SoFi Wealth to quickly recommend a new portfolio, and to establish the client in those new positions;
- Investments in the SoFi Wealth wrap program will be ETFs, and SoFi Wealth will focus on ETFs with low expense ratios while still sufficiently tracking their underlying indices. However, SoFi Wealth is not limited in what it may recommend to its clients, and may offer additional services outside the wrap program that may include positions in individual equity securities, debt securities, futures, foreign exchange, options, and commodities in order to meet client objectives. Client accounts which include products outside of ETFs will be subject to higher fees, and require the client to be sufficiently sophisticated to understand and be able to afford the risks of these strategies. Clients investing in SoFi automated investing portfolios, may request any specific investment restrictions by contacting us at [investsupport@sofi.com](mailto:investsupport@sofi.com). Clients investing in the SoFi automated investing portfolios will invest in part in SoFi-sponsored ETFs, which presents a conflict of interest.

All references to conflicts of interest in the above section are explained further in Item 9: Other Financial Industry Activities and Affiliations.

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

### **Portfolio Management**

Portfolio management, investment selection, and ongoing governance will be provided by an investment committee consisting of John Gardner CFA®, Business Unit Leader of Invest, Advice, William Tanona, Senior Vice President, Corporate Development and Treasury and Linda H Zhang, Ph.D, who is the CEO and the founder of Purview Investments.

## Advisory Business

SoFi Wealth uses a Goals, Risk and Objectives Exercise and an asset class based strategic asset allocation to create a plan for clients to reach their financial goals. We begin by gathering information about the client. Next, we ask for information about the client's goals, the amount of time the client identifies as the period over which to reach those goals, and the investor's stated risk tolerance. We then use algorithmic asset allocation to formulate an investment strategy that can help them reach those goals. Finally, we help them implement the plan by creating and managing a portfolio based on the target they selected. Algorithms are utilized to assess the risk tolerance of a client and to recommend an asset allocation. Clients may accept our recommended investment strategy or select a different one.

SoFi Wealth investment strategies typically contain 4-12 ETF securities, some of which are So-Fi sponsored, which track world indices and will allow us to create diversified portfolios for our clients. These strategies attempt to offer favorable returns given the risk tolerance, time horizon, and objectives of each strategy. Note that past performance is no indication of future returns. SoFi Wealth will adjust portfolios periodically to reflect our analysis of world market conditions. This could result in periods of time where the portfolios are completely in cash or cash equivalents.

There are many ways to build a portfolio of stocks and bonds. Most approaches fall into one of two categories: passive or active. Passive investing picks a benchmark index and mirrors it. An ETF tracking the S&P 500 Index is an example. Active involves making decisions that differ from the benchmark index. A mutual fund benchmarked to the MSCI World Index that picks what it thinks are the best stocks from anywhere in the world, or one that might overweight Europe at the expense of Japan, are examples of active investing.

SoFi Wealth employs the active management of passive assets. We actively curate a portfolio of passively managed index ETFs. Portfolios are generally composed of broadly diversified ETFs that invest in global stocks and bonds, but SoFi Wealth is not limited to these types of investments.

Our Investment Committee drives our portfolio allocation decisions using a combination of backward-looking investment metrics and forward-looking estimates. We also document whether we believe our bias is adding value to the portfolios relative to the static benchmarks for each strategy. We believe this approach will deliver better returns over the long run than holding the same allocation mix with no adjustments for changing economic conditions.

The recommendation of a given investment strategy is heavily dependent on the information provided to SoFi Wealth during the risk profile component of the account opening and during subsequent client update requests, which are transmitted to all clients annually. A client may also log in to their account at any time and provide updated information which may result in a change to their

recommendation. If inaccurate information is provided or if a client fails to respond to update requests, the quality and reliability of advice could be materially impacted.

SoFi Wealth recommends investment strategies based on risk assumptions that are correlated primarily to the savings goals, time horizon and risk tolerance of the investors. and does not consider assets or objectives outside of the stated client goal. The limitations of such an algorithm should be considered in the evaluation of services provided by the Firm. The algorithm utilized does not take into account all market factors, your specific tax situation, political risk, or currency risk. Once an investor has confirmed an investment strategy, they open an account, fund it electronically, and SoFi Wealth implements their plan by investing in the strategy.

Portfolios are automatically rebalanced when asset class weightings drift outside of tolerance ranges. This rebalancing could result in capital gains for some clients. The Investment Committee may alter the mix of a given investment strategy from time to time, either by altering the percentages of existing ETFs or replacing one or more ETFs in the portfolio.

SoFi clients investing in SoFi's automated investing portfolios will invest in part in SoFi-sponsored ETFs, which provide the broad asset allocation determined by these strategies. Using SoFi-sponsored ETFs in SoFi Wealth's automated investing portfolios allows those ETFs to be commercially viable without SoFi having to invest its own capital in those ETFs. SoFi clients should be aware that there is a potential that similar products may offer better performance and/or longer track records than SoFi-sponsored ETFs.

SoFi has conflicts of interests related to the SoFi-sponsored ETFs, including, but not limited to the following conflicts of interest: First, while the investment advisor for the SoFi-sponsored ETFs has agreed to waive management fees for the SoFi -sponsored ETFs used in Automated Investing (SFY and SFYX) until at least June 30, 2021, in the future those fee waivers may end, and if so, SoFi would earn revenue from the SoFi-sponsored ETFs. SoFi has the potential to earn revenue from the selection of ETFs for which SoFi is the sponsor if the underlying funds generate revenue. Second, SoFi receives a marketing benefit of increased brand awareness and marketing reach from the SoFi-sponsored ETFs. Third, SoFi Wealth has a conflict of interest when allocating client accounts between SoFi-sponsored ETFs and third-party ETFs. SoFi Wealth has a conflict of interest when allocating client accounts between SoFi-sponsored ETFs and third-party ETFs as third party ETFs may offer better performance.

The rebalancing algorithms described above and/or a neutral allocation to cash might rebalance client accounts without regard to market conditions and on a more frequent basis than a client might expect.

Portfolios are monitored regularly using software that tracks portfolio drift from neutral allocations and cash holdings. Drift is managed as a percentage deviation above and below the neutral

allocation, known as tolerance band. When a tolerance band is breached or cash exceeds a maximum threshold, the portfolio is rebalanced to neutral. Investment Committee personnel oversee algorithms and respond to identified exceptions, but each client's account may not be regularly reviewed by such personnel. SoFi Wealth provides quarterly statements on client accounts that show account balances, account activity and profits (losses) of the accounts. These statements are delivered electronically and are made available through the SoFi Wealth website. Statements may be mailed to clients, at their request, for an additional fee.

### **Performance Based Fees**

SoFi Wealth does not receive any performance-based compensation.

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

SoFi Wealth uses a Goals, Risk and Objectives Exercise and an asset class based strategic asset allocation to create a plan for clients to reach their financial goals. We begin by gathering information about the client. Next, we gather information about the client's goals, the amount of time the client identifies as the period over which to reach those goals, and the investor's stated risk-tolerance. We then use algorithmic asset allocation to formulate an investment strategy that helps them reach those goals. Finally, we help them implement the plan by creating and managing a portfolio based on the target they selected. Algorithms are utilized to assess the risk tolerance of a client and to recommend an asset allocation. Clients may accept our recommended investment strategy or select a different one.

SoFi Wealth investment strategies typically contain 4-12 ETF securities, some of which are SoFi sponsored, which track world indices and will allow us to create diversified portfolios for our clients. These strategies attempt to offer favorable expected returns given the risk tolerance, time horizon, and objectives of each strategy. Note that past performance is no indication of future returns. SoFi Wealth will adjust portfolios periodically to reflect our analysis of world market conditions. This could result in periods of time where the portfolios are completely in cash or cash equivalents.

There are many ways to build a portfolio of stocks and bonds. Most approaches fall into one of two categories: passive or active. Passive investing picks a benchmark index and mirrors it. An ETF tracking the S&P 500 Index is an example. Active involves making decisions that differ from the benchmark index. A mutual fund benchmarked to the MSCI World Index that picks what it thinks are the best stocks from anywhere in the world, or one that might overweight Europe at the expense of Japan, are examples of active investing.

SoFi Wealth employs the active management of passive assets. We actively curate a portfolio of passively managed index ETFs. Portfolios are generally composed of broadly diversified ETFs that invest in global stock and bonds, but SoFi Wealth is not limited to these types of investments or

indices, and measure both their historical volatility (variance), and how each moves relative to the others (covariance). Then we add our future return assumptions, broken out by dividends, coupons, and price appreciation, as each has potentially different tax treatment.

### Investment Strategies

- **Aggressive** – Investors with an aggressive risk tolerance focus on maximizing returns, believing that getting the greatest long-term return is more important than limiting short-term market fluctuations. They should expect large movements, both up and down, in the value of their portfolio. This strategy has the greatest potential to generate gains over time, but it also comes with the most risk and there may be periods where significant portfolio losses occur. The proportion of stocks in the portfolio may reach 100%.
- **Moderately Aggressive** – Investors with a moderately aggressive risk tolerance focus on maximizing returns, but want a small portion of their portfolio invested in bonds to limit the full effects of stock market movements. However, they should still expect large movements, both up and down, in the value of their portfolio given the large allocation to stocks. Stocks will compose 70-90% of the portfolio, with the remainder invested in bonds.
- **Moderate** – Investors with a moderate risk tolerance balance potential risk with potential reward. They are not seeking the highest return possible and will accept lower returns to reduce large fluctuations in the value of their portfolio. With an allocation of 50-70% in stocks, this portfolio is not immune to stock market drawdowns and still comes with considerable risk of losing money. However, a 30-50% allocation to bonds should prevent the investor from suffering the full effects of a stock market sell-off.
- **Moderately Conservative** – Investors with a moderately conservative risk tolerance focus more on reducing risk than on portfolio gains, although they are usually comfortable with some degree of market fluctuation and wish to have a portion of their portfolio invested in the stock market to increase expected future returns. Stocks still comprise 20-40% of this portfolio, so there may be periods where the portfolio suffers a loss of value. An allocation of 60-80% to bonds should limit the effects of a stock market sell-off, but will not entirely.
- **Conservative** – Investors with a conservative risk tolerance wish to avoid large drawdowns that can typically arise from investing in the stock market. These investors are more concerned with limiting their downside risk and, to achieve that goal, are comfortable not achieving the potentially higher returns of the stock market. They are focused on generating consistent returns over time and avoiding large losses. The proportion of bonds in the portfolio may reach 100%.

The asset allocations in these target portfolios and the specific securities used to implement them may change from time to time. SoFi Wealth maintains allocations within qualified accounts that are

distinct from non-qualified accounts to account for the tax treatment of such assets. Expected Returns are decomposed into dividend/interest and capital gains. Assumed tax rates, which are applied on an asset specific basis, are applied to each portion in order to get to an approximate after-tax return. Taxable account strategies are optimized using these after-tax returns. SoFi Wealth's tax assumptions are designed to be generally applicable but may not necessarily be appropriate for each individual's circumstances. Nontaxable accounts, however, are optimized under the pretax return and thus result in a different asset allocation than a taxable account of the same risk.

The performance benchmark for our investment strategies is a blended benchmark of the MSCI All Country World Index (ACWI) and the Bloomberg Barclays US Aggregate Index, blended to meet the approximate expected stock and bond exposure levels of each investment strategy, though these exposure levels may not exactly equal that of the blended benchmark.

### **Risk of Loss**

The SoFi Wealth investment program entails risk, including the risk of a total loss of principal. There can be no assurance that the investment objective of the portfolios will be achieved and that investors will not incur losses. When investing in securities, clients may be subject to numerous risks including those that arise as a result of changes in general economic and market conditions, such as interest rates, availability of credit, inflation rates, and economic uncertainty. While the use of diversified investment vehicles, such as exchange traded funds (ETFs), reduces the risk of investing in individual securities, it cannot completely eliminate this risk. These ETFs invest in individual stocks and bonds that are subject to the risks that include industry conditions, laws, governmental regulation, competition, technological developments, and national and international political circumstances. It is possible that these portfolios will lose money. The shorter the holding period one considers, the greater the probability of a loss over that given holding period.

There are other risks an investor should consider, including, but not limited to: credit risk, legislative risk, tax risk (including tax loss harvesting strategies), and emerging markets risk. SoFi Wealth makes no guarantee of an investor's internet provider to access the website. Further, as SoFi Wealth delivers its services entirely through its online platform there is a risk that software may not perform as designed.

### **Voting Client Securities**

SoFi Wealth does not vote on proxy statements issued by the securities held in client portfolios. Proxies will be forwarded directly to client's mailing addresses by Apex Clearing.



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

We gather information on the client's goals, time frame for achieving those goals, and rate of savings they will make. This information is used to recommend the investment strategy the manager feels is the best match for the client. The client may update this information at any time, which may result in a change in the recommended portfolio.

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

Clients generally do not consult directly with the portfolio managers, but will have access to investment advisor representatives who will work with them to refine their plan.

## **Item 9 – Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events. There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

#### **Social Finance, Inc.**

SoFi Wealth is owned by Social Finance Inc., which is commonly known as SoFi. SoFi was formed to be, what we consider, a new kind of finance company. It is our goal to take a radical approach to lending and wealth management. We strive to develop innovative products and tools for faster service and open conversations. Whether our members are looking to buy a home, save money on student loans, ascend in their careers, or invest in the future, SoFi seeks to provide useful tools, products, and services.

Social Finance, Inc. is also the sponsor of an ETF fund family (currently constituting 5 funds which have been filed with the SEC) in partnership with Toroso Investments, LLC (ETF Advisor) and Tidal ETF services and has a direct economic interest in these funds.

The ETF Advisor serves as investment adviser to the funds and has overall responsibility for the general management and administration of the funds. The ETF Adviser also arranges for sub-advisory, transfer agency, custody, fund administration, and all other related services necessary for the funds to operate. The ETF Adviser has entered into an Agreement with Social Finance, Inc., under which Social Finance, Inc. pays many expenses of the funds. Although Social Finance, Inc. has agreed to be responsible for expenses, the ETF Adviser retains the ultimate obligation to the funds to pay such expenses. Social Finance, Inc. will also provide marketing support for the funds, including hosting the

funds website and preparing marketing materials related to the funds. For these services and payments, Social Finance, Inc. is entitled to a fee based on the total management fee earned by the ETF Adviser under the Advisory Agreement less certain expenses and start-up costs. Social Finance, Inc. does not make investment decisions, provide investment advice, or otherwise act in the capacity of an investment adviser to the funds.

SoFi has conflicts of interests related to the SoFi-sponsored ETFs, including, but not limited to the following conflicts of interest: First, while the investment advisor for the SoFi-sponsored ETFs has agreed to waive management fees for the SoFi-sponsored ETFs used in Automated Investing (SFY and SFYX) until at least June 30, 2021, in the future those fee waivers will end, and at that point, SoFi would earn revenue from the SoFi-sponsored ETFs based on the investments made by SoFi clients. SoFi has the potential to earn revenue from the selection of ETFs for which SoFi is the sponsor if the underlying funds generate revenue. Second, SoFi receives a marketing benefit of increased brand awareness and marketing reach from SoFi-sponsored ETFs. Third, SoFi Wealth has a conflict of interest when allocating client accounts between SoFi-sponsored ETFs and third-party ETFs. SoFi Wealth has a conflict of interest when allocating client accounts between SoFi-sponsored ETFs and third-party ETFs as third party ETFs may offer better performance.

The Social Finance, Inc. funds are included in SoFi Wealth portfolios and marketed directly to SoFi Wealth clients. SoFi Wealth does not make investment decisions, provide investment advice, or otherwise act in the capacity of an investment adviser to the funds.

SoFi Wealth uses, suggests and recommends its own services and products in addition to the services and products of affiliated entities in connection with the SoFi Wealth advisory business. The particular services and products recommended will be dependent upon the particular client and their stated objectives. The arrangements described below can involve compensation arrangements which may take the form of commissions, service fees or other equivalents. SoFi clients are not entitled to any compensation received by SoFi affiliates.

## **Affiliations**

Social Finance, Inc. owns or holds investments in multiple operating companies in addition to SoFi Wealth that offer financial services. Firms affiliated with SoFi Wealth include: SoFi Securities LLC, a registered broker-dealer; SoFi Capital Advisors LLC, an exempt reporting investment adviser, SoFi Digital Assets, LLC, SoFi Lending Corp., a non-bank consumer lending company, SoFi Credit Corp., LLC, and SoFi Insurance Holding Corp.

SoFi Wealth may deliver to its clients information about and advertisements for products and services offered by its affiliates, as described in detail below. In addition, SoFi Wealth can recommend specific products from marketing partnerships that Social Finance, Inc maintains and as such, Social

Finance, Inc. is compensated for these referrals, which is a conflict of interest since it could result in increased compensation to our Firm.

Several of the affiliated companies have activities that create interests for SoFi Wealth that conflict with a client's interests. Please note that SoFi Wealth has established a number of policies and procedures that are designed to identify and address potential conflicts of interest between affiliates.

### **SoFi Securities, LLC**

SoFi Wealth is under common ownership with the full-service, introducing broker/dealer, SoFi Securities LLC, used for all SoFi Wealth managed accounts. SoFi Securities LLC is a member of FINRA and SIPC. SoFi Wealth and SoFi Securities LLC share office space, personnel, and resources. Many of the SoFi Wealth advisory personnel are also registered representatives with SoFi Securities LLC. SoFi Securities LLC also provides no commission brokerage services to customers under the SoFi Invest umbrella, called "Active Investing". SoFi Wealth clients may be marketed this service and may choose to participate; however, it would be under a separate, direct agreement with SoFi Securities, LLC and in a separate SoFi Securities, LLC account (and only incidental to their SoFi Wealth activities).

SoFi Wealth clients who purchase securities through the SoFi Wealth platform are required to utilize the brokerage services of our affiliate, SoFi Securities, a member of FINRA and SIPC, which acts as an introducing broker-dealer (or agent for custody) in effecting securities transactions for Clients' Accounts in which Apex Clearing provides trade execution and clearing services. Apex Clearing is broker-dealer, member FINRA and SIPC. Social Finance, Inc. owns a minority ownership interest in Apex Clearing. As such, SoFi Securities LLC may receive fees or other benefits from their role as introducing broker-dealer, including rebates on order flow, securities lending, and by earning interest on uninvested cash in brokerage accounts. SoFi Securities LLC does not charge commissions on trades. However, revenue is earned from rebates on order flow, securities lending, and by earning interest on uninvested cash in brokerage accounts. For the order flow rebates, we use third parties to execute transactions and they pay rebates to SoFi Securities for the opportunity to execute these transactions. However, all parties still have an obligation to execute all customer orders in the most advantageous way for the client. The securities in your account can be lent to Apex Clearing. This does not affect your ability to sell your securities. We are also limited in investment selection; we can only invest your account in securities which are available on Apex's platform. This causes a conflict of interest, as there may be securities available on other platforms that are not available on Apex's platform.

All brokerage services provided by SoFi Securities LLC within the scope of SoFi Wealth activities are for the Asset Management Services outlined in Item 4 of this brochure.

### **SoFi Lending Corp.**

SoFi Lending Corp. is a non-bank, consumer lending company providing student loans, real estate-secured mortgage loans, personal loans, and consumer credit services to the general public. If you obtain a SoFi Lending loan or other service, SoFi Wealth as an affiliate of SoFi Lending would earn revenue. SoFi Wealth's affiliation with SoFi Lending Corp. can create interests for SoFi Wealth that conflict with a client's interests. You are not required to use any SoFi Lending products or services to obtain SoFi Wealth services. However, from time to time, SoFi Wealth may recommend that you use a product offered by SoFi Lending Corp which will create a conflict of interest since it could result in increased compensation to our Firm.

### **SoFi Credit, LLC**

SoFi Credit, LLC provides credit card services to cardholders. If you obtain a SoFi Credit card or other service, SoFi Wealth as an affiliate of SoFi Credit would earn revenue. SoFi Wealth's affiliation with SoFi Credit can create interests for SoFi Wealth that conflict with a client's interests. You are not required to use any SoFi Credit products or services to obtain SoFi Wealth services. However, from time to time, SoFi Wealth may recommend that you use a product offered by SoFi Credit, LLC which will create a conflict of interest since it could result in increased compensation to our Firm.

### **Social Digital Assets LLC**

SoFi Wealth clients may be marketed the opportunity to invest in cryptocurrencies through SoFi Digital Assets, LLC, which also sits under the umbrella of SoFi Invest. SoFi Wealth will not offer investment advice nor recommendations with respect to cryptocurrencies.

### **SoFi Insurance Holdings Corp.**

SoFi Wealth clients may be marketed the opportunity to purchase insurance products through SoFi Insurance Holding Corp., who has partnered with a number of affiliates to create competitive insurance products available to SoFi clients. SoFi is compensated for the referral of prospective clients who purchase insurance products through these affiliates. The referral to these insurance products will create a conflict of interest since it could result in increased compensation to our Firm.

Additional information about SoFi Wealth's structure and directors is provided on Part 1 of SoFi Wealth's Form ADV which is available online at <http://www.adviserinfo.sec.gov>.

SoFi Wealth does not recommend or select other investment advisors for clients.

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

SoFi Wealth has adopted a Code of Ethics expressing its commitment to ethical conduct to comply with applicable securities laws including those relating to employees' personal trading, insider

trading and anti-money laundering. SoFi Wealth's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth SoFi Wealth's practice of supervising the personal securities transactions of employees. Individuals associated with SoFi Wealth may buy or sell securities for their personal accounts identical to or different from those recommended to clients of the advisor.

Associated persons may buy or sell specific securities for their own accounts that are not purchased or sold for Clients. SoFi Wealth monitors the securities transactions of all associated persons and investigates any unusual patterns that it detects. Neither SoFi Wealth nor any of its associated persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure. Note that associated persons do not receive incentive compensation, bonuses or commissions for assets under management, product sale commissions or the recommendation or sale of any products.

To avoid a conflict of interest between SoFi Wealth and its clients, SoFi Wealth prohibits principal securities transactions between SoFi Wealth and any advisory client without first obtaining the prior written approval of the Chief Compliance Officer and the written consent of the client. SoFi Wealth will also not cross trades between client accounts. SoFi Wealth will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

Affiliates of the Investment Advisor may provide other services to investors and may receive fees from the investors in such capacities. Other present and future activities of the SoFi Wealth and other Affiliates of SoFi Wealth may give rise to additional conflicts of interest. Notwithstanding such conflicts, SoFi Wealth understands that it is a fiduciary to the investors and is committed to implement the obligations stated in its Code of Ethics.

### **Review of Accounts**

Portfolios are monitored regularly using software that tracks portfolio drift from neutral allocations and cash holdings. Drift is managed as a percentage deviation above and below the neutral allocation, known as tolerance band. When a tolerance band is breached or cash exceeds a maximum threshold, the portfolio is rebalanced to neutral. Investment Committee personnel oversee algorithms and respond to identified exceptions, but each client's account may not be regularly reviewed by such personnel. SoFi Wealth provides quarterly statements on client accounts that show account balances, account activity and profits (losses) of the accounts. These statements are delivered electronically and are made available through the SoFi Wealth website. Statements may be mailed to clients, at their request, for an additional fee.

SoFi Wealth reviews each Client's Account when it is opened, and continuously monitors and periodically rebalances each Client's portfolio to seek to maintain a Client's targeted risk tolerance and optimal return for the Client's risk level. Note that past performance is no indication of future

returns. SoFi Wealth also conducts reviews when material changes may have occurred to a Client's portfolio or investment objectives. On a not less than annual basis, SoFi Wealth contacts each Client to remind them to review and update the profile information they previously provided.

### **Client Referrals and Other Compensation**

SoFi Wealth advertises to attract Clients to establish advisory relationships and maintains agreements with other companies to promote SoFi Wealth to prospective and potential clients. SoFi Wealth maintains marketing services agreements with various companies to promote SoFi Wealth to their customers or website users. SoFi Wealth promotions may appear on social media and other websites, sites that host articles about investment products and services (including products and services of SoFi Wealth corporate affiliates disclosed in Item 9), and other firms with customers or users SoFi Wealth believes might be interested in our services. SoFi Wealth promotions include links to SoFi Wealth.

Promotions offered by such companies may include SoFi offering prospective clients benefits such as reduced advisory fees, additional advisory services, or branded promotional items of nominal value (shirts, hats, etc.) for becoming Clients.

SoFi Wealth pays marketing services fees to companies that promote SoFi Wealth. The fee is often paid based upon the number of customers who reach SoFi through the marketing services and register to become SoFi Wealth clients. SoFi may also pay marketing services fees on a per impression basis. In some cases, SoFi Wealth's fee will be paid only if the client opens an account with a certain amount of investment.

SoFi maintains on its website a disclosure explaining that marketing fees are paid to other websites and other companies for presenting SoFi Wealth promotions and links to SoFi Wealth.

Referral and solicitation programs are operated in compliance with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, to the extent required by applicable law.

All references to conflicts of interest in the above section are explained further in Item 9: Other Financial Industry Activities and Affiliations.

### **Financial Information**

This Item is not applicable because SoFi Wealth does not require or solicit the prepayment of any advisory fees and does not have any adverse financial condition that is reasonably likely to impair our ability to continuously meet our contractual commitments to our clients.