

March 2023

# DISCLOSURE BROCHURE FOR FINANCIAL PLANNING SERVICES

This Brochure provides information about the qualifications and business practices of Pruco Securities, LLC (“Pruco Securities”) and its financial planning services. If you have any questions about the contents of this Brochure, please contact us at the telephone number provided below.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Pruco Securities, LLC is an investment adviser registered with the SEC that provides investment advisory services and programs and financial planning services under the marketing name Prudential Financial Planning Services (“PFPS”). Registration as an investment adviser does not imply any level of skill or training.

Additional information about Pruco Securities, LLC is also available on the SEC’s website at **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**.



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## **ITEM 2 – MATERIAL CHANGES**

This Brochure is dated March 2023 and supersedes its predecessor Brochure dated December 2022.

The following information provides a summary of material changes that have been made to this Brochure since the last annual filing in March 2022. Capitalized terms used but not defined in this section are defined in the body of the Brochure. The following is only a summary of the material changes to this Brochure and is qualified by reference to the full discussion in the Brochure. We urge you to read the full Brochure and invite you to call us with questions at 1-800-235-7637.

### **Updates regarding Payments to Managers and Internal Consultants**

We added information to disclose that Managers of the IARs and Virtual IARs are compensated based on qualitative metrics, such as their leadership abilities (which include hiring, training, monitoring and oversight), as well as quantitative metrics, such as the performance (financial or otherwise) and productivity of the financial professionals they supervise. This Compensation arrangement creates a conflict of interest by incentivizing managers to encourage those they manage to act on their financial interest in maximizing Compensation. An internal consultant can increase his or her bonus to up to three times the baseline amount, which is a sizable portion of his or her total Compensation, by increasing sales of financial planning services and net inflows into PSP, PruUMA, and PruChoice.

### **Updates regarding Virtual IARs**

This Brochure was updated to include information about financial planning services offered by virtual IARs, and compare those services with financial planning services offered by Traditional IARs. The virtual IARs are a team of IARs available to you through a centralized call center and other virtual channels (e.g., phone, email or videoconference). Our standard fee is \$250 for plans provided by virtual IARs and the fee is waived for clients with assets under management of \$250,000 or more. Our fees for plans provided by a traditional IAR generally do not exceed \$15,000 for a comprehensive plan and vary based on factors including, but not limited to, your Planner's level of expertise and experience, the type of analysis performed and/or the complexity of your financial situation and needs.

When selecting an IAR, you should consider your preference for a dedicated individual you select, the availability of the products and services available, the complexity of your financial needs, and your personal preference for communication. For clients comfortable communicating with their IARs virtually and working with a team member who changes based on availability, a virtual IAR may be appropriate.

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## **ITEM 4 – ADVISORY BUSINESS**

### **Introduction: About Pruco Securities, LLC**

Pruco Securities, LLC (“Pruco Securities”) provides investment advisory services and programs as an SEC-registered investment adviser under the marketing name Prudential Financial Planning Services (“PFPS”). Pruco Securities registered with the SEC as an investment adviser in 1984. Pruco Securities is also an SEC-registered broker-dealer, offering brokerage services and engaging in the business of selling variable life insurance, variable annuities, mutual funds, Section 529 College Savings Plans, and general securities. Pruco Securities is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

In this Brochure, we refer to “PFPS” when discussing advisory services and programs and to “Pruco Securities” when discussing the company generally or when it acts as a broker-dealer.

Part of a global financial services organization, Pruco Securities is a wholly-owned subsidiary of The Prudential Insurance Company of America (“Prudential Insurance”), which in turn is an indirect wholly-owned subsidiary of Prudential Financial, Inc. (“Prudential Financial”), a publicly traded company.

Pruco Securities is affiliated with other insurance companies, investment advisers and registered broker-dealers. For more information about material affiliations and their conflicts of interest in connection with PFPS’s advisory services, please refer to Item 10 of this Brochure.

As an investment adviser, PFPS offers fee-based financial planning services. PFPS is also a sponsor of three wrap fee programs: (1) PruChoice®, a nondiscretionary mutual fund and ETF asset allocation program, (2) PruStrategist Portfolios® (“PSP”), a discretionary mutual fund and ETF program, and (3) PruUMA®, a discretionary unified managed account service. PFPS also offers a non-wrap fee program called Managed Income Solutions (“MIS”), where clients purchase a fee-based variable annuity contract separately from an insurance company and pay an asset-based fee to PFPS. This Brochure describes the financial planning services. Additional information related to the other advisory programs can be found in separate disclosure brochures.

As of March 20, 2023, PFPS had approximately \$11,142,017,411 of nondiscretionary assets under management and approximately \$2,887,304,010 of discretionary assets under management.

In addition to the financial planning services described in this brochure, PFPS, through its Planners, offers educational seminars and workshops on financial-planning-related topics.

Different investment adviser representatives (“IARs”) can assist you in different ways. Not all IARs will offer financial planning services or all advisory programs offered by Pruco Securities (“Programs”), and, when considering advisory products for you, your IAR will only consider the Programs and planning services offered by PFPS. When your IAR provides you with financial planning services, we refer to your IAR as a “Planner.” If your IAR is also licensed as a registered representative of Pruco Securities (“Representative”), acting as a broker-dealer or as a licensed agent of a Prudential insurance company or of an unaffiliated insurance company that has executed a selling agreement with Pruco Securities, then, acting in that capacity, he or she may also offer you brokerage or insurance products, which are not described in this Brochure. If your IAR determines that a Program he or she does not offer is in your best interest, he or she will refer you to an IAR that does offer that Program.

### **Virtual IARs**

You can choose between a virtual IAR and a traditional IAR. The virtual IARs are a team of IARs available to you through a centralized call center and other virtual channels (e.g., phone, email or videoconference) (a “virtual IAR”). You meet with a traditional IAR in-person or on the phone. When selecting an IAR, you should consider your preference for a dedicated individual you select, the availability of the products and services available, the complexity of your financial needs, and your personal preference for communication. For clients comfortable communicating with their IAR virtually and working with a team member who changes based on availability, a

virtual IAR may be appropriate. A virtual IAR's salary plus discretionary bonus is determined by considering achievements in individual business and leadership objectives including: asset growth, number of new accounts opened, and qualitative leadership attributes. As of January 2023, virtual IAR discretionary bonus calculations no longer consider the number of financial planning discussions performed with clients.

Any information relating to the tax considerations affecting your financial arrangements or transactions is not intended to be tax advice and you should not rely on it as such. Neither Pruco Securities nor the IARs provide tax, legal, or accounting advice.

## **FINANCIAL PLANNING SERVICES**

PFPS's financial planning services include two or more meetings with a Planner. Your Planner can be a traditional or a virtual IAR. Prior to plan development, you and your Planner will sign an agreement outlining the terms and fees for developing a plan that includes important client disclosures about PFPS and your Planner.

The planning process will enable you to become more aware of your own personal finances, your future needs, and how decisions can affect you and your future. The planning process will help you identify and prioritize your needs and will include appropriate recommendations to help you achieve your desired planning goals.

The initial meeting, or discovery interview, is an opportunity for you and your Planner to identify and/or clarify your values and objectives. The second meeting is to address where your values may not be compatible with past and current financial decisions. Your Planner will then suggest a timetable for plan implementation, if you so choose.

Together with your Planner, you will rank your goals by degree of importance and the time frames in which to achieve them. Although the focus will be the achievement of all goals and objectives, you should recognize that planning is part of a continuing life cycle that may dictate addressing more immediate or pressing needs at any given point in time. Given this fact, planning clients should conduct periodic plan reviews.

When you review your plan's progress, your Planner can be there to assist you. Your Planner will provide education about financial markets and product types, which will enable you to evaluate your financial options and strategies. Any necessary updates to the financial analysis and plan, or execution or implementation of the recommendations made in the plan, shall be at the sole discretion of the client.

The financial plan and recommendations your Planner provides are tailored to your specific financial situation, needs, goals and objectives. You and your Planner will agree to planning assumptions and your Planner may use computer software to create your plan and the recommendations. Your Planner will not recommend specific products, but will refer to general categories of products, such as mutual funds, Section 529 college savings plans, general securities, unit investment trusts, annuities, life, disability income, long-term care insurance, and other products, services and strategies relevant to your financial situation. Virtual IARs do not consider certain investment options such as unit investment trusts, disability income and long-term care insurance within the financial planning analysis they offer.

You should seek an outside professional in areas of special expertise (e.g., attorney, accountant, tax advisor, actuary, or third-party administrator) when formulating and/or implementing your plan. If asked, your Planner may provide you names of outside professionals as a courtesy to you; however, PFPS does not approve nor endorse any outside professionals. All services provided to you are the sole responsibility of the outside professional that you choose. These professionals are not typically affiliated with PFPS. Although PFPS and its Planners are not directly compensated for recommending outside professionals, these professionals may refer their clients to PFPS or the Planner at a later date.

Unless you've entered into an ongoing financial planning arrangement as described below, once the plan is delivered to you, our financial planning services to you end and you are free to implement your plan on your own, should you choose to do so. You may implement the plan using the investment, investment advisory and insurance products and services your Planner offers in his or her capacity as a Representative or IAR of Pruco Securities and/or as a licensed insurance agent of Prudential Insurance or its insurance company affiliates ("Prudential").

PFPS and your Planner are not and will not become fiduciaries as defined under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (“the Code”). Nor will they provide investment advice as defined under ERISA and the Code, and accompanying rules.

### **Active Client Participation**

The planning analysis you select will address your financial concerns based upon a review and evaluation of information you provide your Planner regarding your current personal and financial situation, risk tolerance, anticipated personal and financial needs and objectives. This information will be gathered through discussion with, and your responses to, a questionnaire your Planner will provide. We do not automatically consider other information you provide or make available to us, or our affiliates, in connection with other Prudential products and services. You are responsible for furnishing all information to your Planner that you would like PFPS to consider in formulating its recommendations. It is your responsibility to furnish your Planner with complete and current information regarding your personal and financial circumstances, as well as your personal financial goals and preferences.

The information you provide your Planner should be accurate because it will be the basis for your planning analysis and the recommendations your Planner provides. Neither PFPS nor your Planner independently verifies the information you provide.

### **Financial Planning Topics – Traditional IARs**

Dependent on your needs and concerns, traditional IARs may provide comprehensive financial planning services that generally include the following:

- Net worth and cash flow
- Retirement planning
- Funding for major purchases
- Estate planning
- Business planning
- Investment planning
- Education planning
- Risk management

Modular single-focused financial planning services are also available, except for Risk Management financial planning services.

The information provided below is intended to give you a general overview of each financial planning topic or service a Planner may provide. You and your Planner will agree on the exact service you’ll receive, including modular, comprehensive, hourly, and ongoing (renewal) and document the exact service in the PFPS Client Advisory Agreement (“Financial Planning Agreement”).

### **Net Worth and Cash Flow**

Your Planner will provide you a concise list of your current net worth consisting of your assets and liabilities. Your Planner will also help you understand and track your current cash flow consisting of your current income, spending and savings habits, as applicable. Both net worth and cash flow are used to demonstrate how your net worth may change over time and at life events, such as retirement. An analysis of your net worth and cash flow can serve as a starting point for your plan.

## **Investment Planning**

Investment planning helps you identify your risk tolerance towards investing and proposes a suggested asset class mix considering your tolerance for risk and the time frame to achieve goals. Included is an investment allocation analysis which provides a categorization of your current investments into specific asset classes. Based on your risk tolerance, investment objectives, and time available to achieve a goal, your Planner will provide you an analysis to help you develop a suggested asset allocation strategy which may vary from your current allocation.

## **Funding for Major Purposes**

When planning for accumulation goals, such as retirement, education or saving for a major purpose, your Planner will provide you an analysis that includes your progress toward achieving the goal, opportunities available to help you attain the goal within the specified time frame and types of products or services that may help you achieve the goal. Your planner may illustrate alternative scenarios to help you achieve your goals. You and your Planner will agree on certain assumptions that may include growth rate of identified goal assets, time frame until the goal event, time frame during the goal event and life expectancy.

## **Retirement Planning**

Retirement planning includes estimating your retirement needs during the years when you are no longer working or expect to work less. Your Planner will help you evaluate your current retirement resources accumulated, including estimated funding from government programs, and the amount you need to save currently to meet your needs during retirement. Your Planner will identify types of products that can help you achieve your retirement goals, such as qualified retirement savings plans. Your Planner may help with strategies to reduce taxes before and during retirement.

## **Education Planning**

Education planning analyzes the cost of your education goals and the savings needed to achieve these goals within the time frame you require. Your Planner may identify types of products to consider when saving for education goals, such as 529 college savings plans.

## **Estate Planning**

Based on your needs, estate planning may help you provide a legacy to loved ones and charitable organizations you value. Your Planner will provide an estimate of your estate taxes and strategies to help reduce your taxes, as applicable. Your Planner will work with you to plan for the orderly distribution of your estate. The analysis may include recommendations that include retitling of assets, use of trusts, gifting strategies and use of other professional services.

## **Risk Management**

Your Planner will provide you an analysis to educate you on risks associated with premature death, disability and/or a long-term-care event and can illustrate to you how such events can reduce the resources available to you and those you care about most. These analyses will help you determine if you are adequately insured, how much insurance you may need and the types of insurance products to consider in managing your risks.

## **Ongoing (Renewal) Financial Planning Services**

Ongoing financial planning services are provided by traditional IARs over a five-year renewable cycle. For the first year, unless a Comprehensive Plan has been provided within the last 2 years with no material changes, you will receive an applicable Comprehensive Financial Plan.

After the first anniversary of the initial Financial Planning Agreement, the agreement will automatically renew for purposes of updating your financial plan, in whole or in part. The areas to be covered in any renewal may or may not be the same as the areas covered in your initial financial plan and will be agreed upon at or around the anniversary renewal. In connection with renewals, your Planner will analyze current data you provide, prepare an updated written summary reflecting your current financial circumstances and, where appropriate, recommend strategies for your consideration. For each subsequent anniversary renewal, you will receive a confirmation letter describing the financial planning services received.

### **Best Interest Process and Financial Planning**

When a Planner recommends a strategy or a type of product to you in the plan, the Planner must have a reasonable basis for believing that the recommendation is in your best interest as required by the Investment Advisers Act of 1940, as amended (the “Advisers Act”). This means that PFPS and its Planners must act pursuant to a duty of loyalty and care when formulating and delivering the recommendations in your financial plan. Importantly, the Advisers Act does not require us to eliminate all conflicts of interest, but rather requires us to obtain your informed consent to each conflict which, consciously or unconsciously, prevents us or your Planner from giving you disinterested advice.

PFPS seeks to match its recommendations in your plan to your needs based on your investment profile. You discuss with a Planner your personal and financial situation, goals and objectives, risk tolerance, and anticipated personal and financial needs. It is your responsibility to furnish the Planner with complete and current information about your personal and financial circumstances, as well as your personal financial goals. The information should be as accurate as possible because it is the basis for the financial planning analysis in the plan and the foundation for the Ongoing Financial Planning services. The Planner will create a plan for you and determine the attributes/features/benefits (i.e., guaranteed income, tax deferred growth, death benefit guarantees, etc.) that are important to you in meeting your needs. The Planner determines a plan that is in your best interest, after full and fair disclosure of how and when our advice is motivated by conflicting interests. However, you have final authority about your plan, and you may follow or ignore any proposed allocation, recommendation or advice from your Planner.

Unless you select the Ongoing Financial Planning Option, your Financial Planning Agreement terminates and our duties to you cease after we deliver the plan to you (or we refund fees if no plan is delivered). The Ongoing Financial Planning option allows you to receive financial planning services on an annual basis without signing a new Financial Planning Agreement each year, and will continue to renew until your Agreement has been terminated. Your Planner ceases to act pursuant to a duty of loyalty and care under the Advisers Act when your Agreement terminates, unless you invest in a Program. PFPS does not select or recommend broker-dealers for client transactions as part of its financial planning business. Plan recommendations are not product-specific, and you may implement your plan through any financial services provider. However, if you implement the plan or advice through your Planner in his or her capacity as a broker-dealer representative or insurance agent, you are limited to conducting securities transactions through Pruco Securities, NFS, and certain product sponsors that have executed selling agreements with Pruco Securities. Your Planner cannot use another broker-dealer to conduct securities transactions without our prior written authorization, which we generally do not provide.

### **Financial Planning Topics – Virtual IARs**

Dependent on your needs and concerns, virtual IARs may provide comprehensive financial planning services that generally include the following:

- Net worth and cash flow
- Retirement planning
- Risk management (Life Insurance Analysis)
- Investment planning (Asset Allocation Analysis)
- Estate planning



The information provided below is intended to give you a general overview of each financial planning topic or service that Planners who are virtual IARs may provide. You and your Planner will agree on the comprehensive plan and document the exact service in the Financial Planning Agreement.

### **Net Worth and Cash Flow**

Your Planner will provide you a concise list of your current net worth consisting of your assets and liabilities. Your Planner will also help you understand and track your current cash flow consisting of your current income, spending and savings habits, as applicable. Both net worth and cash flow are used to demonstrate how your net worth may change over time and at life events, such as retirement. An analysis of your net worth and cash flow can serve as a starting point for your plan.

### **Investment Planning (Asset Allocation Analysis)**

Investment planning helps you identify your risk tolerance towards investing and proposes a suggested asset class mix considering your tolerance for risk and the time frame to achieve goals. Included is an investment allocation analysis which provides a categorization of your current investments into specific asset classes. Based on your risk tolerance, investment objectives, and time available to achieve a goal, your Planner will provide you an analysis to help you develop a suggested asset allocation strategy which may vary from your current allocation.

### **Retirement Planning**

Retirement planning includes estimating your retirement needs during the years when you are no longer working or expect to work less. Your Planner will help you evaluate your current retirement resources accumulated, including estimated funding from government programs, and the amount you need to save currently to meet your needs during retirement. Your Planner will identify types of products that can help you achieve your retirement goals, such as qualified retirement savings plans. Your Planner may help with strategies to reduce taxes before and during retirement.

### **Estate Planning**

Based on your needs, estate planning may help you provide a legacy to loved ones and charitable organizations you value. Your Planner will provide an estimate of your estate taxes and strategies to help reduce your taxes, as applicable. Your Planner will work with you to plan for the orderly distribution of your estate. The analysis may include recommendations that include retitling of assets, use of trusts, gifting strategies and use of other professional services.

### **Risk Management (Life Insurance Analysis)**

Your Planner will provide you an analysis to educate you on risks associated with premature death and can illustrate to you how this can reduce the resources available to you and those you care about most. This analysis will help you determine if you are adequately insured, how much life insurance you may need and the types of life insurance products to consider in managing your risks.

### **Available Accounts and Relationship Types**

When you choose to implement the brokerage or insurance recommendations through your PFPS Planner and you choose to purchase products and services through Pruco Securities and work with a PFPS Planner, you have the option of investing through a transaction-based account, such as a brokerage account, a fee-based investment advisory program, or a fee-based advisory annuity. It is important to understand the services you can expect to receive and the costs for each of these different types of accounts and relationships with Pruco Securities and your PFPS Planner. These services and related costs are described below and in Pruco Securities' Form CRS, and the disclosures applicable to each product or service, and Pruco's Form ADV Part 2A Brochures, which are available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and Pruco Securities' website at [www.prudential.com](http://www.prudential.com). These

documents summarize some of the key differences between our advisory services and our brokerage services, including fees, costs, conflicts, and standards of conduct. Please read carefully the Pruco Securities Form CRS and the disclosures applicable to each product or service you purchase.

### **Transaction-Based Account, Such As a Brokerage Account**

With this type of account, you pay commissions and other charges (such as sales loads on mutual funds) at the time of each transaction, such as the purchase of a mutual fund, stock or other investment product. When acting as your broker, your financial professional can make recommendations and provide guidance to you in selecting investment products and services and his or her primary compensation comes from these commissions and charges. Your Planner may also provide investment education and research services, which are incidental to the brokerage services Pruco Securities provides. This type of account may be more appropriate than a fee-based investment advisory account if you do not want ongoing investment advice on assets held in your account, or ongoing management of your account, and instead want only periodic or on-demand advice and recommendations specific to the purchase and sale of investment products. You could pay lower costs in this type of account if you expect to trade on an infrequent or occasional basis.

For additional information on Pruco Securities' services and transaction-based account offerings, please see Pruco Securities' Form CRS and the disclosures applicable to each product or service, which are available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and Pruco Securities' website at [www.prudential.com](http://www.prudential.com), or by contacting Pruco Securities at (800) 201-6690.

### **Fee-Based Investment Advisory Program**

A fee-based investment advisory program, sometimes called a "managed account," may be more appropriate than a transaction-based account, such as a brokerage account, if you want ongoing investment advice and management of your account. This type of account may result in lower trading costs for you, particularly if the program you select does not assess transaction costs separately. Pruco Securities acts as a sponsor and broker-dealer in connection with some of the investment advisory programs and services it offers and offers a number of different investment advisory programs and managed accounts.

With this type of account, you will usually pay an ongoing investment advisory fee based on the value of the assets held in your account in exchange for ongoing investment advice and management of your account. The asset-based fee is the primary source of compensation for the ongoing investment advice provided by your Planner acting as an IAR. You generally will not be charged commissions for each purchase or sale of an investment, although you may be charged a transaction charge for executing certain transactions and trades within your account, and you may incur other fees and costs associated with your account.

If your Planner is a traditional IAR, he or she earns a portion of the advisory fee you pay for his or her services in this type of account. Fees for the Programs are charged as an "all-inclusive" bundled fee based on the value of the assets in your account. This bundled fee usually includes a portfolio management fee, brokerage and transaction costs, and investment advice and is sometimes referred to as a "wrap fee." However, this bundled fee usually will not include costs associated with transactions that are executed at broker-dealers other than Pruco Securities. If your Planner is a virtual IAR, he or she is paid a salary and discretionary bonus. Fees vary depending on which Pruco Securities programs and services you use. Please see your client service agreement and other account-opening documentation for additional information.

Pruco Securities' advisory fees generally are negotiable. Some Programs charge separately for asset management services, ongoing investment advice, and transactions. Fees and other charges are described in more detail in the applicable Program's client service agreement and Form ADV, Part 2A.

For additional information on Pruco Securities' investment advisory programs and services, please see the Pruco Securities Form CRS and Form ADV Part 2A Brochures, which are available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and Pruco Securities' website at [www.prudential.com](http://www.prudential.com), or by contacting Pruco Securities at (800) 201-6690.

## **ITEM 5 – FEES AND COMPENSATION**

Financial planning fees are charged according to various factors, including, but not limited to, the size and complexity of your financial circumstances, your income and net worth, and whether you work with a traditional or a virtual IAR. The fee also may depend on, among other things, whether the fee is for a new contract or the renewal of a prior contract. All financial planning fees are based on the specific financial planning services provided to you and the complexity of your financial situation and goals. Because financial planning fees are negotiable, fees vary among Planners and clients and some Planners charge higher fees than other Planners for similar services. We may on occasion offer full or partial discounts on financial planning services to clients who work with traditional IARs. PFPS also offers full or partial discounts to our affiliates, employees, officers, directors, independent contractors, or agents, or their qualified family members. The virtual IAR team will waive the financial planning fees for clients with assets under management (AUM) of \$250,000 or more.

PFPS policy is that Planners deliver your completed plan to you within three months, but no longer than six months, from the date you sign the Financial Planning Agreement, unless you have elected ongoing financial planning services.

### **Financial Planning Fees**

Our standard fee is \$250 for plans provided by a virtual IAR; the fee is waived for clients with AUM of \$250,000 or more. Fees for plans provided by a traditional IAR vary based on factors including, but not limited to, your Planner's level of expertise and experience, the type of analysis performed and/or the complexity of your financial situation and needs, but generally do not exceed \$15,000.

### **Consultation Fees**

We sometimes charge an hourly or a flat consulting fee. Unless ongoing, hourly fees typically do not exceed \$450 per hour but may be higher depending on the complexity of the situation. Our standard and hourly fees vary based on factors, including but not limited to your Planner's level of expertise and experience, the type of analysis performed and/or the complexity of your financial situation and needs. This fee cannot be paid as a retainer fee for future services to be determined. The fee will be determined and billed when the client signs the contract. Virtual IARs do not provide consulting services nor charge consulting fees.

### **Seminar Fees**

We may charge fees for educational seminars and workshops provided to businesses. Virtual IARs do not provide these services and accordingly, do not charge such fees.

### **Compensation of IARs**

Traditional IARs receive a portion of the planning fees you pay. If you implement your plan through your Planner and he or she is a traditional IAR, he or she will also earn compensation including commissions, renewal commissions, and "trail" commissions on insurance and securities products. He or she will also receive compensation for selling insurance, securities or other investment products to you, including asset-based sales charges or service fees from the sale of mutual funds. If you implement some or all of the plan recommendations with your traditional IAR in an advisory or brokerage account, he or she has an incentive to sell you investment and insurance products to earn more fees. Planners who are virtual IARs will earn a salary, bonuses, health, retirement, and other benefits, and do not earn commissions, asset-based sales charges, a portion of your advisory fee, or similar compensation. You can implement your plan on your own, through your Planner or through another insurance or financial services professional. Commissions from the sale of insurance and investment products are the primary compensation received by Pruco Securities and Planners who are traditional IARs.

In addition, Pruco Securities may reimburse a Planner that is a traditional IAR for his or her business expenses, based on the level of sales of approved products. These reimbursements are considered additional compensation. These Planners may also be entitled to attend conferences for selling a certain amount of approved products;

attending these conferences is considered compensation.

For more information about conflicts of interest, refer to the Conflicts of Interest section of Item 10.

Certain unaffiliated insurance companies, mutual fund companies or their affiliates (collectively “Service Providers”) from time to time pay for some or all of the costs PFPS incurs to host sales and/or training conferences because Pruco Securities offers their products for sale. Service Providers sometimes tie the amount of payment or their willingness to pay for such costs to the amount of their investments and products that Pruco Securities representatives sell.

Representatives from Service Providers generally network with and train Pruco Securities personnel and its sales force, which includes your Planner in his or her capacity either as a financial planner, IAR, Representative and/or insurance agent, at these conferences. Service Providers also invite Pruco Securities personnel and its sales force, which may include your Planner in his or her applicable capacity, to attend training that they sponsor. Service Providers sometimes help to cover some or all of their travel, lodging and/or meal expenses. Service Providers sometimes also help pay for marketing expenses incurred by the Pruco Securities sales force, including your Planner in his or her applicable capacity. Although Pruco Securities personnel and sales force, including your Planner, do not directly receive any of the money Service Providers pay to help sponsor these conferences, Pruco Securities sales force, including your Planner in his or her applicable capacity, are more likely to recommend products sponsored by Prudential Insurance and Service Providers to you because of the education and the exposures they receive on such products and, if applicable, their affiliation with Prudential, and because they can qualify or ask for expense reimbursement and/or attend conferences and training from Prudential Insurance and/or Service Providers. Whether or not such activities constitute compensation to the Planner depends on the Planner’s affiliation with Pruco Securities. To mitigate any risk of any inappropriate conduct or securities law violations, Pruco Securities monitors these arrangements.

Please contact PFPS at the address or telephone number shown on Page 1 of this Brochure for a current list of Service Providers that have such arrangements with PFPS.

### **Compensation of Virtual IARs**

Virtual IARs are compensated by a salary plus discretionary bonus, while traditional IARs are compensated by the traditional system of commissions and fees applicable to insurance agents, broker-dealer representatives, and IARs.

Your virtual IAR Planner is an employee of Prudential and does not receive a portion of the planning fees you pay. Planners who are employees earn a salary, bonuses, health, retirement, and other benefits. When the Planner is not acting in her or his planner capacity as further described in Item 10, the Planner will continue to earn a salary and bonus for selling insurance, securities or other investment products to you. He or she does not receive commissions, asset-based sales fees, or a portion of the advisory fee you pay. If you implement some or all of the plan recommendations with your Planner, your Planner has an incentive to encourage you to open an account and add more money to your account, because virtual IARs earn a discretionary bonus based on meeting individual business and leadership objectives measured as asset growth, number of new accounts opened, and qualitative leadership attributes. As of January 2023, virtual IAR discretionary bonus calculations no longer consider the number of financial planning discussions performed with clients.

You can implement your plan on your own, through your Planner or through another insurance or financial services professional. Commissions from the sale of insurance and investment products are the primary compensation received by Pruco Securities. Other investment products are only available through a traditional IAR.

### **Payments to Managers and Internal Consultants**

Managers of the IARs and Virtual IARs described above are compensated based on qualitative metrics, such as their leadership abilities (which include hiring, training, monitoring and oversight), as well as quantitative metrics, such as the performance (financial or otherwise) and productivity of the financial professionals they supervise. This Compensation arrangement creates a conflict of interest by incentivizing managers to encourage those they manage to act on their

financial interest in maximizing Compensation, either directly (in the form of salary or commissions, bonus, prizes, rebates, etc.) or indirectly (as an agent or employee of Prudential). We address this conflict by disclosing it to you and by supervising the managers.

Although your IAR has a fiduciary duty to act in your best interest, we pay internal consultants to educate and encourage your IAR to recommend Proprietary Funds and PGIM Investments (over other Funds and, in PSP, other Model Providers) and to recommend a Program or financial planning services (over brokerage or insurance products). The consultant can increase his or her bonus to up to three times the baseline amount, which is a sizable portion of his or her total Compensation, by increasing sales of financial planning services and net inflows into PSP, PruUMA, and PruChoice. Your contributions to, and withdrawals from, PruUMA, PSP, or PruChoice count towards this calculation of net “inflows.” This presents a conflict, because our interest in encouraging your IAR to recommend PSP, PruUMA and PruChoice, which are more profitable to us and our affiliates than other investment products and services conflicts with your interest in receiving disinterested advice. In addition, to the extent the types of products recommended in your financial plan are more expensive than the other product or service you might have chosen, your returns will be reduced by those higher fees and expenses. The consultants can earn more credit towards their bonus when the net inflows are recommended by IARs who are new to PFPS or by IARs whose clients have not historically invested in the Programs, which creates an incentive for consultants to emphasize PruUMA, PSP, and PruChoice to these IARs in particular. Because the consultants earn credit towards their bonus by increasing sales of financial planning services, they have an incentive to encourage IARs to increase the number of financial plans delivered to clients.

## **TERMINATION OF SERVICES**

You can terminate your financial planning, consultation, or seminar contract without penalty. If you terminate the contract before the plan, consultation, or seminar has been completed, any fees for work already completed will be due and any prepaid unearned fees will be refunded.

For financial planning services, if you are dissatisfied with the focus or specificity of the financial plan, PFPS will, if you request in writing within ten days of delivery of the financial plan, and at no additional cost to you, make appropriate changes to your financial plan or, in PFPS’s sole discretion, refund part or all of your financial planning fee.

For consultation services, if you are dissatisfied with the focus or specificity of the consultation, PFPS will, if you request in writing within ten days of the consultation, and at no additional cost to you, provide a single follow-up consultation or, in PFPS’s sole discretion, refund part or all of your consultation fee.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

PFPS does not charge any performance-based fees. Refer to Item 5 – Fees and Compensation for more information regarding how PFPS gets paid for financial planning services.

## **ITEM 7 – TYPES OF CLIENTS**

PFPS provides financial planning services to individuals, families, businesses and associations throughout the United States.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

In addition to your Planner’s training, skill and experience, your Planner will have access to various computer software programs to perform detailed financial analysis. The flexibility of these programs enables Planners to provide financial planning analysis to clients with a wide range of income, net worth, financial goals and financial concerns. These programs enable your Planner to discuss your individual financial situation, financial goals and financial concerns at a level of detail comfortable for you. With the use of these tools and models, your Planner can demonstrate the impact of taxes, inflation, and rates of return assumptions on various financial alternatives. The

effects of using different assumptions and the use of financial alternatives are discussed with you during plan development. PMC, a division of Envestnet Asset Management, Inc. (“Envestnet”), provides PFPS with yearly capital market assumptions (expected return, standard deviation and correlations). Envestnet is a registered investment adviser and is not affiliated with PFPS. PFPS uses these capital market assumptions provided by PMC in computer software programs used by Planners to develop plans.

Recommended investment types and insurance strategies are generally long term in nature, use accepted industry principles and theories (e.g., asset allocation), and are in response to the information you provided about your financial situation, needs, goals and preferences. Your plan may include projections provided to illustrate future results, although it is important to realize that actual results will likely vary from those illustrated. Any such projections are hypothetical in nature, are for illustrative purposes only, do not reflect actual investment results, and are not guarantees of future investment outcomes. These projections will vary over time and each time your plan is updated. The methodologies and algorithms used in this process may also be adjusted from time to time and affect the results obtained. Any such projections do not include the fees associated with the products illustrated (e.g., mutual funds, insurance products, etc.) and these fees would reduce the investment returns. You should refer to the products’ disclosure documents or offering materials for information regarding their fees.

### **Client Responsibilities**

Your financial plan is based on the information you provide to PFPS and your Planner. Your Planner and PFPS will only be responsible for updating and correcting the information you provided for the financial plan (e.g., to reflect changes in your life, financial situation, goals, and market or economic conditions) if you engage them to provide a new financial plan or engage them to update the information you provided previously in order to update or correct an existing financial plan before it is finalized. As a result, your financial plan may become outdated or inaccurate as these factors change over time. PFPS is not responsible for the accuracy of the assumptions and calculations made in financial planning software by third parties. Enhancements and changes to financial planning software may be made in the future without notice to you.

It is your responsibility to determine if, and how, the recommendations contained in PFPS’s financial plan should be implemented or otherwise followed. You should carefully consider all relevant factors in making these decisions, and you are encouraged to consult with outside professional advisers, including for tax, accounting and legal advice.

### **Planning Techniques**

In many cases, PFPS’s planning techniques use “deterministic projections” to model financial results using financial planning software licensed from a third-party vendor. This means that PFPS assumes a fixed rate of return for certain asset classes across time periods, even though securities markets rise and fall over time. Any projections provided to you are hypothetical in nature, are for illustrative purposes only, do not reflect actual investment results, and are not guarantees of future investment outcomes. In addition, during the creation of the plan, PFPS may use Monte Carlo analysis to learn how market uncertainty could affect the outcome of your plan. Monte Carlo simulations are mathematical methods used to estimate the likelihood of a particular outcome based on simulation of market performance, combining both historical market behavior and estimates of expected future behavior. PFPS’s analysis includes both deterministic projections that assume static market rates and the Monte Carlo approach, in which markets are assumed to change. PFPS conducts simulations to determine the probability that your account will experience a certain minimum level of performance. PFPS performs Monte Carlo analysis at the asset class level and assumes broad diversification within each asset class. Accordingly, the simulations run using the financial planning software are not designed to predict the future performance of any particular security or investment product. We provide financial planning services to you based on the information you provide and on certain assumptions — such as rates of return and life expectancies. In reality, many of these variables will not be static or predictable with any degree of certainty — market fluctuation will affect overall asset performance, and uncertain life expectancy may cause you to outlive your resources or fail to accumulate necessary resources.

Taking into consideration your financial situation, financial goals and personal risk attitudes, your Planner will provide you a final analysis that will include action steps you should consider to help you attain your financial objectives.

## **Implementing Your Plan and Risk of Loss**

You are not required to implement any or all of the recommendations in your plan and unless entering into an ongoing financial planning arrangement as described above, the responsibilities of your Planner and PFPS are complete when you receive and accept your plan. It is PFPS's opinion, however, that purchasing appropriate products and services to help meet your financial objectives is an important part of the planning process.

The product or combination of products you use to implement your plan should be carefully selected to match your stated investment profile, needs, goals, and objective(s). When you purchase a product, you should carefully review all product disclosure documents, including any prospectuses. When you implement your plan, it is important to realize that investing in securities involves risk of loss that you should be prepared to bear.

Neither PFPS nor a Planner can guarantee the results of any recommendations in your plan even if you follow all of your plan's recommendations. You can still fail to achieve your goals even if you obtain a plan and fully implement the plan in accordance with its recommendations. You can follow or ignore any of your Planner's proposed allocations, recommendations or advice.

## **Risks Associated with Your Plan**

The analyses in your plan are based on the information you provide and, in certain cases, on static assumptions — e.g., fixed return rates, fixed life expectancies, fixed rates of income or cash flow, etc. Despite certain assumptions and analytical adjustments PFPS makes, using static or fixed assumptions fails to reflect the inherent uncertainty of future events, including market performance. In reality, these variables will not be static — market fluctuation will affect overall asset performance, and uncertain life expectancy may cause you to outlive your resources or fail to accumulate necessary resources. In addition, PFPS will use one or more methods of analysis and various projections when preparing your plan. The probability of success also varies based on differing assumptions, changing circumstances and market information. The methodologies and algorithms used in the process may be adjusted from time to time. Results may reflect one point in time only and are only one factor you should consider as you determine how to best plan for your future. PFPS does not guarantee that the goals or objectives outlined in your plan will be met. In particular, any projections made in conjunction with the plan are hypothetical in nature, are for illustrative purposes only, do not reflect actual investment results, and are not guarantees of future investment outcomes. Such projections vary over time and each time your plan is updated. As noted above, PFPS does not attempt to model the individual return characteristics of every security or investment you own, and, as a result, the modeling process is subject to significant variability based on the differences in performance between the securities you own and the capital market assumptions used in the modeling process. To the extent that the characteristics of your assets vary significantly from those of the broadly diversified asset class assumptions used, your actual performance may deviate significantly from the projections in your plan.

As part of the plan, PFPS may suggest that you consider certain account types or account structures that are designed to help you reach your goals, including tax-deferred or tax-free retirement, insurance, and educational savings accounts. There is no guarantee that these account structures will be successful. In addition, the legal and tax treatment of these types of accounts may change in the future, leading to unexpected consequences and PFPS is under no obligation to update you about potential changes in the tax law or the tax treatment of any account.

## **Risks Related to Technology and Cyber Security**

PFPS and our clients depend heavily on telecommunication, information technology and other operational systems, whether ours or those of others. These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our or their control. Although we have implemented risk management and security measures, our information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of our data and your information. Technology failures or cyber security breaches, whether deliberate or unintentional, could delay or disrupt our ability to do business and service our clients, harm our reputation, result in a violation of applicable privacy and other laws, subject us to regulatory inquiries or proceedings and other claims, lead to financial loss to our clients or otherwise adversely affect our

business.

### **Plan Implementation Specific to Individual Retirement Accounts (IRAs) and Retirement Plan Assets**

Your Planner may provide recommendations for your Individual Retirement Accounts (IRAs) or for any retirement plan assets that you have the right to self-direct; however, financial planning services will not include recommendations or advice as to specific brands of investment products or any specific securities, insurance policies, annuities or other investments and does not constitute “investment advice” as defined under ERISA, or the Code. Your Planner also will not make specific recommendations regarding contributions, distributions or rollovers from or to any retirement assets you have. You have the responsibility to determine the contribution, distribution and investment choices for your IRA and for any retirement plan assets that you have the right to self-direct. You should understand that you have sole discretionary authority and control over the purchasing or selling of securities or other property for your IRA or other retirement plan assets and that you alone will decide whether, in whole or in part, to implement the proposals contained in the plan and in what manner to do so.

### **ITEM 9 – DISCIPLINARY INFORMATION**

The following chart provides a brief summary of regulatory matters regarding the activities of Pruco Securities that may be material to your evaluation of our advisory business and the integrity of our management. Additional information about regulatory matters relating to Pruco Securities and PFPS’s advisory affiliates may be found in PFPS’s Form ADV-Part 1, which may be viewed online at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or as a hard copy upon your request.

<b>Resolution Date</b>	<b>Regulator</b>	<b>Description of Allegation and Resolution</b>
December 23, 2020	SEC	<p>On December 23, 2020, we entered into a settlement with the SEC resulting in the SEC issuing an administrative order (the “Order”). Pruco consented to the entry of the Order, which found that PFPS violated Sections 206(2) and 206(4), and Rule 206(4)-7 thereunder, of the Advisers Act in connection with the Programs, in which clients pay an all-inclusive fee for asset management and trade execution. The Order found that, beginning in January 2014, PFPS at various times breached its fiduciary duty to its clients by: (a) failing to conduct stated monitoring of client accounts to determine whether the wrap fee programs continued to be suitable for clients; (b) charging certain fees on some clients contrary to its disclosures; (c) recommending that clients purchase and hold certain mutual funds and mutual fund share classes that paid Pruco fees pursuant to Rule 12b-1 of under the Investment Company Act of 1940; (d) failing to disclose that Pruco received revenue sharing payments on client investments pursuant to an agreement with NFS, which also allowed Pruco to avoid paying certain transaction fees for its clients’ purchases of mutual funds; (e) recommending bank sweep vehicles for which NFS paid Pruco revenue sharing; and (f) violating its duty to seek best execution for certain transactions by selecting or recommending mutual fund and money market fund share classes when share classes of the same funds were available to the clients that presented a more favorable value or better performance.</p> <p>Solely for the purpose of settling this proceeding, we consented to the Order, without admitting or denying the findings set forth in the Order. The Order censured PFPS and directed PFPS to cease-and-desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act, and Rule 206(4)-7 thereunder.</p>



<b>Resolution Date</b>	<b>Regulator</b>	<b>Description of Allegation and Resolution</b>
December 23, 2020	SEC	Additionally, the Order required us to pay disgorgement of \$12,690,585 and prejudgment interest of \$3,061,786, which were paid on November 16, 2020, and a civil penalty in the amount of \$2,500,000, which was paid on January 4, 2021. We also agreed to review and update as necessary all relevant disclosure documents concerning the practices at issue in the Order, to evaluate whether existing clients should be moved, and to move existing clients as necessary, to lower-cost or lower-revenue sharing-paying share classes, and to comply with certain other related undertakings as well.
April 20, 2017	Illinois Securities Department	On April 20, 2017, Pruco entered into a Stipulation and Consent Order with the Illinois Securities Department. The Department alleged that Pruco failed to reasonably supervise and enforce its supervisory systems in connection with certain sales of variable annuities in Illinois from 2013-2016 and failed to supervise in connection with responding to the Department's regulatory requests. Pruco agreed to a fine of \$750,000, plus costs (\$150,000) and restitution (approximately \$345,000) to impacted customers.
May 2, 2013	New Jersey Bureau of Securities	Involved an operational error related to its COMMAND brokerage desk's delayed processing and pricing of certain mutual fund transactions received via mail or facsimile from late 2003 through June 2011. Upon discovery of the error, Pruco Securities promptly took corrective action and subsequently consented to a disciplinary action involving a \$40,000 civil penalty, \$20,000 in costs and \$40,000 payment to the state's Investor Education Program. Pruco Securities also must pay restitution in an amount up to \$125,000 to impacted NJ residents.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In addition to PFPS's registration as an investment adviser, PFPS (Pruco Securities) is a registered broker-dealer and many of its management persons as well as PFPS Planners (IARs) are Representatives who sell stocks, bonds, ETFs, mutual funds, annuities, insurance products, options, and other investment products and services. Pruco Securities is not a registered Futures Commission Merchant ("FCM"), Commodity Pool Operator ("CPO") or Commodity Trading Advisor ("CTA"), and none of its management persons are registered as (or an associated person of) a FCM, CPO, and CTA.

PFPS is part of a large, interconnected financial services organization in which relationships among affiliates continuously evolve, and the proportion of time spent on each of its activities cannot be readily determined. The incentives, conflicts of interest, and potential conflicts of interest resulting from these relationships and from certain other activities of these affiliates (e.g., on behalf of their clients or customers) are described throughout this Brochure. PFPS has identified relationships material to its advisory businesses with certain Prudential Financial companies, described below.

### Material Affiliations

PFPS is part of a large, interconnected financial services organization in which relationships among affiliates continuously evolve. PFPS has identified relationships material to its financial planning business with certain Prudential Financial companies, described below. The incentives, conflicts of interest, and potential conflicts of interest resulting from these relationships and from certain other activities of these affiliates (e.g., on behalf of their clients or customers) are described throughout this Brochure.

- **The Prudential Insurance Company of America** ("Prudential Insurance") - as the parent company of Pruco Securities, Prudential Insurance provides Pruco Securities (and therefore PFPS) with services of officers, the use of telecommunications, office space, systems and equipment, programmer and analyst services and mail operation services, among others. PFPS IARs who are employees and home-office personnel are employed by Prudential Insurance, which provides them with salaries, expense support and other benefits. Prudential Insurance also reimburses certain IARs that make cash payments to third-party solicitors for advisory client referrals intended to support sales of VA/VUL products (as defined below). For PFPS IARs who are not employees such reimbursements are considered compensation. Please see "Solicitation Arrangements" for information about the material conflicts of interest associated with paying for advisory client referrals.
- **PGIM Investments LLC** ("PGIM Investments") - an SEC-registered investment adviser that serves as the investment manager of certain Proprietary Funds available through the Programs and provides the PGIM Models. SIRG, a team of investment professionals at PGIM Investments, provides quantitative and qualitative research to PFPS.
- **Jennison Associates LLC** ("Jennison") - an SEC-registered investment adviser that serves as sub-adviser to certain Proprietary Funds available through the Programs.
- **PGIM, Inc.** ("PGIM") - an SEC-registered investment adviser with several distinct advisory business units, two of which serve as sub-advisers to certain Proprietary Funds available through the Programs:
  - PGIM Fixed Income, which also includes (and shares its compensation with) PGIM Limited, an SEC-registered investment adviser; and
  - PGIM Real Estate, which, in providing its subadvisory services, utilizes the services of (and provides compensation to) PGIM Real Estate (UK) Limited, an SEC-registered investment adviser.

- **PGIM Quantitative Solutions, LLC.** - an SEC-registered investment adviser that serves as a sub-adviser to certain Proprietary Funds and provides asset allocation services to certain Proprietary Funds. PGIM Quantitative Solutions, LLC. also provides asset allocation services to PGIM Investments with respect to certain models used in PSP.
- **Prudential Investment Management Services (“PIMS”)** - an SEC-registered broker-dealer that acts as the principal underwriter and distributor for some Proprietary Funds. As the distributor of the Proprietary Funds managed by PGIM Investments, PIMS receives 12b-1 fees from such Proprietary Funds, and, in turn, pays trailing 12b-1 fees and commissions to Pruco Securities, as a selling dealer (in this context, on the same terms as to other affiliated and unaffiliated selling dealers), on an omnibus basis through their clearing broker NFS. PIMS also remits 12b-1 fees to Pruco Securities for any direct sales of such Proprietary Funds sold through their transfer agent, Prudential Mutual Fund Services (“PMFS”). In its capacity as clearing broker for retirement platform mutual fund sales, PIMS also receives trailing 12b-1 fees from certain third-party mutual funds with holdings in defined contribution plans, IRAs, and self-directed brokerage accounts introduced to NFS. PIMS also receives compensation from, and pays compensation to, NFS pursuant to a clearing agreement.
- **Prudential Insurers** each of Pruco Life Insurance Company (“PLAZ”), Pruco Life Insurance Company of NJ (“PLNJ”), and Prudential Annuities Life Assurance Corporation (“PALAC,” and, collectively with PLAZ and PLNJ, the “Prudential Insurers”) is a life insurance company that offers variable annuities (“VA”) and/or variable life insurance (“VUL”) products, including products which can be used in implementing PFPS financial planning recommendations and in MIS. Pruco Securities acts as the principal underwriter and distributor of VUL products offered by Prudential Insurers. Pruco Securities receives financial support from Prudential Insurers for certain training and education events intended to support sales of the Prudential Insurers’ VA/VUL products.

Pruco Securities also receives compensation, in its broker-dealer capacity, for selling Prudential Insurers’ VA/VUL products. Pruco Securities’ compensation for each VA/VUL sale consists of commissions and, for select variable annuities, revenue share. The amount of such revenue share is linked to the revenue that the Prudential Insurer receives from insurance-dedicated funds underlying its annuities and their sponsors (including firms associated with the Proprietary Funds and non-Proprietary Funds available through the wrap fee programs and firms associated with the Affiliated Funds and Unaffiliated Funds available through MIS).

- **Prudential Annuities Distributors (“PAD”)** - an SEC-registered broker-dealer that acts as the principal underwriter and distributor of VA products offered by Prudential Insurers, including VA products which can be used in implementing PFPS financial planning recommendations.
- **AST Investment Services, Inc. (“ASTIS”)** - an SEC-registered investment adviser that serves as co-manager, with PGIM Investments, of Proprietary Funds that are available as underlying investment options in certain Prudential Insurers’ annuities. Such proprietary annuities can be used in implementing PFPS financial planning recommendations.

Conflicts of interest are created by financial incentives and/or compensation arrangements between PFPS and its affiliates. These conflicts of interest and the steps PFPS takes to address them are described and discussed above in Item 5: Fees and Compensation.

### **Conflicts of Interest**

Traditional IARs acting as financial planners receive a portion of the planning fees you pay, and virtual IARs are incentivized as employees, which affects the overall compensation and other benefits they receive from PFPS and/or its affiliates. As a result, IARs who offer financial planning services have an incentive to recommend that you purchase these services in addition to opening a brokerage account.

If your IAR is also licensed as a registered representative of Pruco Securities (i.e., a registered representative of a broker-dealer), then, acting in that capacity, he or she may also implement your financial plan and earn compensation. The form of compensation will vary based on how your IAR is affiliated with us. Your IAR may be affiliated with us in one of three ways: as a traditional IAR who is either a statutory agent who receives certain benefits such as health insurance through Prudential or an independent contractor who does not receive benefits from Prudential, or as a virtual IAR, who is an employee. A traditional IAR is not an employee and does not receive a salary from us. Virtual IARs are employees and earn a salary, bonus, retirement benefits and other benefits. Traditional IARs who are statutory agents can receive compensation in the form of retirement benefits or commissions, renewal commissions, “trail” commissions on insurance and securities products, and other benefits. Traditional IARs who are independent contractors can receive compensation in the form of commissions, renewal commissions, “trail” commissions on insurance and securities products. The amount of compensation varies based on the type of product or services purchased as well as the amount invested.

You can implement your plan on your own, through your traditional IAR acting in his or her capacity as a registered representative of Pruco Securities, or through another insurance or financial services professional. Pruco Securities and a traditional IAR’s primary compensation comes from the sale of insurance and investment products, not from financial planning fees. In developing your financial plan, your traditional IAR has a financial incentive to recommend products and services that generate the most compensation for him or her and to encourage you to implement the plan through your him or her rather than another professional. Your traditional IAR also has an incentive to recommend that you buy or sell, rather than maintain, your current holdings in order to generate more transaction-based compensation, which increases your costs and reduces returns.

Traditional IARs earn credit (“Credit”) towards additional “incentive” compensation based on their success: (1) gathering and retaining assets in investment advisory programs; and (2) selling (not retaining) other products that PFPS approves. No Credit is given for sales of unapproved products, and there is substantial overlap between “approved” and “proprietary” products.” This does not apply to virtual IARs.

When compensation is based on maintaining assets in an investment advisory program and increasing sales of approved products (including financial planning services), your traditional IAR has an incentive to meet those thresholds and production levels. For example, Pruco Securities covers the cost of attending sales conferences for traditional IARs with the greatest Credit and offsets or reimburses other business expenses, such as licensing fees and stationery for IARs that exceed certain sales thresholds. These offsets and reimbursements are considered compensation. In addition, Pruco Securities provides traditional IARs that have the most Credit with bonuses, and direct expense reimbursement to offset expenses incurred while writing and servicing approved products. Traditional IARs do not receive bonuses and expense reimbursement is considered additional compensation to them. When we incentivize your traditional IAR to increase sales and maintain investment in the Programs, this presents a conflict because transacting more frequently, and paying fees to participate in an investment advisory program, reduces your investment returns.

When you implement your financial plan, your Planner, PFPS and its affiliates have a greater financial interest in the sale of Prudential proprietary products than in non-proprietary products and services. A Planner is more likely to sell to you an affiliated product when the percentage of affiliated products is higher in a given category of products. When your Planner is an employee of Prudential, your Planner has an indirect incentive to sell you an affiliated product over an unaffiliated product in order to maximize compensation to us and our affiliates. Your Planner’s compensation (i.e., generated revenue) does differ, and is greater, when recommending or selling approved Prudential product, over an approved unaffiliated product, in the same product category for certain product categories (such as life insurance) but not others (such as variable annuities).

If you choose to implement the plan through your Planner, he or she, in his or her capacity as an IAR or as a Representative and/or a licensed insurance agent of Prudential (“Agent”) will recommend to you investment, investment advisory and/or insurance products that are manufactured or issued by Prudential and Prudential’s affiliated companies (“Prudential Products”) and will also recommend certain non-Prudential products and services available for purchase through Pruco Securities or its affiliates (we refer to IAR, virtual IAR, Representative and Agent collectively as “Prudential Representative”). However, you are free to implement your plan through another insurance or financial services professional.

It is important to understand that providing investment advisory services (such as the financial planning services described in this brochure and advisory programs described in another brochure) and selling investment and insurance products are governed by different laws and separate contracts with you. Our contractual relationship and legal duties to you will differ dependent upon the actual services provided to you and the capacity in which we act.

When Pruco Securities and its Representatives sell investment products to you during plan implementation (including variable insurance products), Pruco Securities is acting in its capacity as a securities broker-dealer. When Pruco Securities and Prudential Representatives make a recommendation involving retirement assets, they must have a reasonable basis for believing that the recommendation is in your best interest. The best interest requirement applies to all retirement recommendations that a Prudential Representative makes in connection with retirement assets, including recommendations to purchase, sell, exchange, or hold any retirement investment.

If you purchase any products or services from the Prudential Representative, he or she and Pruco Securities and/or its affiliates will earn compensation in connection with your purchase. The type and amount of compensation will depend on the type of product or service purchased and whether you work with a traditional IAR or virtual IAR. Prudential's affiliates have a greater financial interest in the sale of Prudential Products than that of non-Prudential products and services. If you become a Pruco Securities brokerage customer or advisory client, Pruco Securities will disclose its material conflicts of interest, including third party payments and information regarding proprietary products, and a description of its procedures to mitigate such conflicts. Prudential Representatives must comply with Pruco's policies and procedures designed to mitigate material conflicts of interest that could cause them to make recommendations that are not in your best interest. Pruco Securities, as a securities broker-dealer, does not make investment decisions for you, nor does it manage accounts.

In some instances, your traditional IAR received a bonus or loan from Prudential when joining Pruco Securities and will be credited with repayment of some or all of the amount if he/she satisfies overall total sales goals (including products and services offered by PFPS and Pruco Securities) and/or remains associated with Pruco Securities over time. When a bonus or credit toward repayment of a loan is conditioned on continued association with us, your IAR has an incentive to remain in good standing with us, which includes meeting minimum production standards, until any bonus payment is made or until any repayment obligation terminates. In addition, when loan repayment is credited on the basis of an IAR's generated revenue (as described above), your IAR has an incentive to meet those thresholds and production levels. This does not apply to virtual IARs.

Refer to Item 5 – Fees and Compensation for additional information regarding potential conflicts of interest. If you have any questions about the capacity in which a Prudential Representative is acting, any compensation he or she may receive or any issues relating to conflicts of interest, please ask your Prudential Representative or his or her supervisor.

When PFPS and its IARs offer advisory programs to you during plan implementation, PFPS and its IARs are acting as a registered investment adviser and IAR, respectively. When PFPS acts as your investment adviser, PFPS will enter into a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our fiduciary obligations to you as an advisory client. The only advisory product or service, apart from financial planning, that virtual IARs offer is PSP. If your virtual IAR recommends, or if you request, a different advisory service (e.g., PruChoice or PruUMA) or a brokerage or insurance product the virtual IAR does not offer, you will be referred to a traditional IAR for those services.

When offering insurance products and services, Pruco Securities' insurance company affiliates and its Agents are responsible for compliance with state insurance laws. You will enter into contracts specific to the insurance product or service that you have selected with the applicable insurance company affiliate.

When implementing a financial plan, Pruco Securities Registered Representatives (each a "Registered Representative") are able to recommend affiliated products and a more limited number of unaffiliated products in each of the broad categories. In some categories, such as variable life insurance policies, the approved list contains few (if any) unaffiliated products. A Registered Representative is more likely to sell to you an affiliated product when the percentage of affiliated products is higher in a given category. Your Registered Representative may have

an indirect incentive to sell you an affiliated product over an unaffiliated product in order to maximize compensation to us and our affiliates. Your Registered Representative's compensation (i.e., generated revenue) does differ, and is greater, when recommending or selling the approved Prudential product, over the approved unaffiliated product, in the same product category for certain product categories (such as life insurance) but not others (such as variable annuities).

### **Making an Informed Decision**

PFPS wants you to make an informed decision when you purchase products or receive services from PFPS or Pruco Securities and Prudential Representatives. Therefore, PFPS discloses material arrangements and any actual or potential conflicts of interest that clients may find informative when making their decision. In addition to providing disclosures to you, PFPS (including Pruco Securities), on an ongoing basis, communicates, trains and/or supervises Prudential Representatives on its policies and procedures regarding conflicts of interest.

When a Prudential Representative recommends a product or program to you, PFPS reviews whether the recommendation is appropriate against any financial information you provided, such as risk tolerance, time horizon and investment objective.

You should always carefully and independently review all product or program features and risks, along with any applicable disclosures before making any investment decisions.

### **ITEM 11 – CODE OF ETHICS**

PFPS maintains a code of ethics as required by SEC rules. Our code of ethics requires advisory personnel and IARs to conduct business in an honest and forthright manner in accordance with high ethical standards. In addition, they must put client interests ahead of their own and disclose actual and potential meaningful conflicts of interest.

The code of ethics also incorporates the Prudential Financial U.S. Information Barrier Standards, which are intended, among other things, to deter and prevent insider trading, and the Personal Securities Trading Standards, which restrict and require reporting and monitoring of employees' personal securities trading. All PFPS advisory personnel and IARs have a duty to know, understand and comply with the code of ethics and are required to report any violation of the code of ethics promptly to PFPS's Chief Compliance Officer.

PFPS will provide a copy of our code of ethics to clients or prospective clients upon request and without charge.

### **ITEM 12 – BROKERAGE PRACTICES**

PFPS does not select or recommend broker-dealers for client transactions as part of its planning business. As discussed in Item 4 – Advisory Business, financial plans do not recommend specific products or services.

### **ITEM 13 – REVIEW OF ACCOUNTS**

PFPS reviews plans delivered to clients. Unless establishing an ongoing planning arrangement, once a client accepts the plan, the planning engagement ends and the Financial Planning Agreement terminates. You should periodically review your planning analysis to determine if you are on track to meet your goals and objectives. You should be aware that if you experienced any change in your financial situation since the plan has been drafted, or if any of the facts or assumptions that you provided to your Planner to create the plan are no longer accurate, these changes or inaccuracies may have a material effect on the recommendations in your plan. Therefore, you should speak with your Planner, at least annually, to discuss if an updated plan should be created. Your Planner can help you review and update your plan, assuming you had not elected the Ongoing Financial Planning Services, for an additional fee.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

PFPS pays affiliated and unaffiliated solicitors a referral fee for client introductions. The referral fee may result in you paying a higher plan fee. IARs who qualify and are approved can act as PFPS solicitors and may refer you to a Planner. PFPS will pay the PFPS solicitor who refers you for financial planning services. Payment for the referral will be based on a split of the plan fee agreed to in advance by your Planner and the PFPS solicitor. In these cases, the PFPS solicitor has an incentive to refer you to a Planner because of the payment the solicitor will receive, rather than based exclusively on your needs. Additionally, the Planner may be less inclined to charge you a lower fee for providing financial planning services. A Representative may refer you to a Planner but will not be paid for the referral. However, the Planner may refer other clients to that Representative in the future.

At your request, your IAR or Planner may suggest lawyers, tax experts, accountants, and retirement plan administrators as a courtesy to you. These outside professionals typically are not affiliated with us, and you must establish separate relationships with them. Any pre-screening or monitoring of services or qualifications is your responsibility alone. Your IAR or Planner is not directly paid for recommending outside professionals, but the professionals will often later refer clients to your IAR or Planner. Informal referral arrangements give rise to conflicts of interest because the referring party has an incentive to make the referral based on his or her interest in receiving cross-referrals rather than to give you disinterested advice.

If you implement the plan recommendations through your Planner in his or her brokerage capacity, the PFPS solicitor will also receive a portion of the commissions the solicitor is licensed to receive. Your Planner and the solicitor will agree on the split in advance.

Refer to Item 4 – Advisory Business, for information regarding referrals to outside professionals in areas of special expertise.

## **ITEM 15 – CUSTODY**

PFPS and the Planners do not take possession of client funds or securities.

## **ITEM 16 – INVESTMENT DISCRETION**

In connection with providing financial planning services, neither PFPS nor Planners exercise investment discretion on behalf of clients.

## **ITEM 17 – VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, PFPS does not have any authority to and does not vote proxies on behalf of advisory clients.

## **ITEM 18 – FINANCIAL INFORMATION**

Registered investment advisers are required to provide clients with certain financial information or disclosure about their financial condition under certain circumstances. As of the date of this Brochure, PFPS is not required to provide any such financial information.