



# HEFREN-TILLOTSON

## FORM CRS

June 15, 2020

### I. Introduction

Founded in 1948, Hefren-Tillotson, Inc. (“HT”, “we”, “us”) is registered with the U.S. Securities and Exchange Commission (“SEC”) as both a broker-dealer and an investment adviser and are a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). Brokerage and investment advisory services and fees differ, and it is important for you to understand the differences. Free and simple tools are available to research firms and financial professionals at [www.investor.gov/crs](http://www.investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers, and investing.

### II. Relationship & Services

#### What investment services and advice can you provide me?

We offer brokerage and investment advisory services to retail investors. Below we describe the primary types of accounts and services we offer. Some programs are discretionary which means HT or another designated manager has the authority to decide which securities to purchase and sell for you or in a wrap program, to decide which third party managers to retain as part of your investment program. In a discretionary account, the Client may impose reasonable restrictions where applicable. If you choose non-discretionary services, you make the ultimate decision regarding the purchase or sale of investments.

#### Hefren-Tillotson Review of Services

PROGRAM	DESCRIPTION	ASSET MINIMUMS	PRIMARY TYPES OF INVESTMENTS	SERVICES AND NATURE OF MONITORING
<b>Brokerage Services</b>				
Traditional Brokerage	Non-discretionary, commission-based account	None	Stocks, bonds, commission-based mutual funds, unit investment trusts, ETFs	Buying and selling securities on the investor’s behalf, making recommendations about investments, providing custody of assets; no monitoring of accounts or holdings
<b>Hybrid Services</b>				
Portfolio Review	Non-discretionary, traditional brokerage account with comprehensive financial planning and reporting	\$100,000 household assets	Stocks, bonds, commission-based mutual funds, unit investment trusts, ETFs	Traditional brokerage services plus initial and ongoing financial planning, quarterly investment reviews and market report, conference calls with HTs Investment Committee, account aggregation; no monitoring of accounts or holdings
<b>Investment Advisory Services</b>				
Asset Management Account	Non-discretionary, fee-based program suited for clients currently taking an active role in investment decisions and seeking investment flexibility	\$25,000 household assets	Stocks, bonds, institutional & no-load mutual funds, ETFs	Portfolio Review services plus management fees rather than commissions, access to institutional class funds, waiver of IRA, custodial and inactivity fees, optional cash management services with debit card and check writing; continuous account monitoring
MASTERPLAN Pathway Account	Limited discretion, fee-based account	\$25,000 household assets	Institutional & no-load mutual funds, ETFs	Asset Management services plus choice of 10 asset allocation models, menu of mutual funds, and ETFs; continuous account monitoring

PROGRAM	DESCRIPTION	ASSET MINIMUMS	PRIMARY TYPES OF INVESTMENTS	SERVICES AND NATURE OF MONITORING
Pathway Pro Account	Discretionary, fee-based program	\$100,000 household assets	Institutional & no-load mutual funds, ETFs, bonds	MASTERPLAN Pathway services plus customized asset allocation and investment selection determined by Financial Advisor, investment policy statement; continuous account monitoring
Advisory Account	Discretionary, fee-based program	\$100,000 household assets	Institutional & no-load mutual funds, ETFs, bonds	Pathway Pro services plus discretionary management by HT's Investment Committee, offering traditional, impact and tax managed portfolios; continuous account monitoring
Managed Account Program - Wrap	Discretionary, fee-based program offering access to separately managed accounts	\$100,000 household assets	Stocks, bonds	Advisory services plus third-party investment managers, choice of equity, fixed-income, or diversified portfolios; continuous account monitoring

Under traditional brokerage and portfolio review services, HT will not monitor accounts on a specified and periodic basis for the purpose of making buy, sell and hold recommendations. HT Financial Advisors may, from time to time, voluntarily review accounts and underlying investments for the purpose of determining whether to provide a recommendation to a client. For investment advisory services, monitoring is provided as part of HT's standard services.

In working with HT, the firm does not have proprietary products. However, investors should consider that some products have eligibility and other limitations, which are outlined in the Engagement Letter and Best Interest Disclosures which can be found through this link: [www.hefren.com/Information-Disclosures-and-Documents](http://www.hefren.com/Information-Disclosures-and-Documents)

**For more information about our services, please go to:** Form ADV, Part 2A brochure (Items 4 and 7 of Part 2A or Items 4.A. and 5 of Part 2A Appendix 1). Our ADV can be found through the following link: [www.hefren.com/Information-Disclosures-and-Documents](http://www.hefren.com/Information-Disclosures-and-Documents)

### CONVERSATION STARTER: Ask a Hefren-Tillotson Financial Advisor ...

Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?

How will you choose investments to recommend to me?

What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

## III. Fees, Costs, Conflicts, and Standard of Conduct

### What fees will I pay?

Below, we outline the fees and expenses that are applicable to accounts at Hefren-Tillotson. Certain fees may not apply or may be discounted based on the type of account you have and/or the amount of assets in your HT account. Other fees are only charged when the associated services are requested or when special processing is required. You may use a combination of account types depending upon your portfolio structure, needs, and financial goals. Likewise, you have choices as to how you pay for services – commissions, advisory fees, or a combination of both.

The primary costs incurred in Brokerage and Portfolio Review accounts include commissions and trade processing charges involved in buying and selling holdings. Other costs will be incurred such as product-level expenses for mutual funds, exchange traded funds, annuities and other similar investments. Finally, these accounts will incur various account service and custodial fees. The primary costs incurred in Investment Advisory accounts are asset-based management fees and product-level expenses for mutual funds, separately managed account strategies, or other similar products. Additional costs will be incurred on equity and ETF transactions and select account services.

## Hefren-Tillotson Review of Fees and Costs

PROGRAM	PRIMARY FEES AND COSTS
<b>Brokerage Services</b>	
Traditional Brokerage	Commission & Trade Processing Charges + Product-Level Expenses + Account Service & Custodial Fees
<b>Hybrid Services</b>	
Portfolio Review	Annual service fee of 0.25% of assets + Commission & Transaction Charges + Product-Level Expenses + Account Service & Custodial Fees
<b>Investment Advisory Services</b>	
Accounts: Asset Management, MASTERPLAN Pathway, Pathway Pro, Advisory, Managed Account Program	Annual Advisory Fee of 1.00% on first \$1 million + 0.75% on next \$1million + 0.50% on next \$8 million + Fees are negotiable above \$10 million in assets + Product-level Expenses + \$6.00 transaction fee on equity and ETF transactions (except Managed Account Program) + Account Service Fees

**You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. For more information about our fees and expenses, please go to: *Form ADV, Part 2A brochure (Items 5.A., B., C., and D of Part 2A)* through the following link: [www.hefren.com/Information-Disclosures-and-Documents](http://www.hefren.com/Information-Disclosures-and-Documents)**

Within Brokerage and Portfolio Review Services, HT is compensated more as the number of transaction increase, due to commissions. Investors should also be aware of differential compensation within product categories and the receipt of third-party payments (12b-1 fees) on many investment products, which serves as an important form of compensation for the Financial Advisor. For Hybrid and Investment Advisory services, the more assets there are in your account, the more you will pay in fees and HT may therefore have an incentive to encourage you to increase the assets in your account. Also, because we are typically compensated more over time through a fee-based account, we may be incented to recommend that you use a fee-based account over a brokerage account. Asset-based fees in a wrap program will include most transaction costs and fees to the custodian that has custody of your assets, and therefore are higher than typical asset-based advisory fees. **The fees and costs outlined above do not include a detailed description of account fee or other expenses that may be incurred. Please see Client Account Fees & Expenses found through this link: [www.hefren.com/Information-Disclosures-and-Documents](http://www.hefren.com/Information-Disclosures-and-Documents)**

### CONVERSATION STARTER: Ask a Hefren-Tillotson Financial Advisor ...

Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

**What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

**When we provide you with a recommendation as your broker-dealer or act as your investment adviser,** we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interest. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. In the table below we provide some examples to help you understand what this means.

BROKERAGE & HYBRID SERVICES	CONFLICTS OF INTEREST
Transaction-based Revenue	Within Brokerage and Portfolio Review accounts, Financial Advisors typically recommend commission-based products to be compensated for the services provided. Commission-based revenues incentivize us to encourage more frequent trading in these accounts to increase compensation.
Fee-based Account Recommendations	HT is typically compensated more over time through a fee-based account even though there is a higher level of service and ongoing management delivered. As a result, HT is incentivized to recommend clients utilize a Portfolio Review or Investment Advisory account over a brokerage account.

BROKERAGE & HYBRID SERVICES	CONFLICTS OF INTEREST
Third-party payments	Because of our relationship with our clearing firm (Pershing LLC) HT receives compensation through mutual fund service fees on most funds held in Brokerage and Portfolio Review accounts. The receipt of this revenue incentivizes HT to use Pershing as a custodian over other custodians.
Markups on fixed-income transactions	Within Brokerage and Portfolio Review accounts, HT receives compensation from markups on fixed income transactions. Because the markup is higher for longer-dated securities, we are incentivized to recommend fixed-income securities with longer maturities.
Markup on Account Services	Within the Brokerage and Portfolio Review accounts, HT receives compensation through the markup of account service and trade processing charges above the costs associated with these charges, which incentivizes us to encourage more frequent transactions.
Differentiated Compensation within Product Categories	Products within mutual fund, unit investment trusts, variable annuities and insurance products have differentiated commission schedules. HT is incentivized to use products with higher commission rates than other available products within the same category.
Principal Transactions	HT acts as a principal on fixed income transactions for Traditional Brokerage and Portfolio Review accounts, selling and purchasing bonds from its own inventory. HT has an incentive to buy and sell bonds from its inventory.

For more information about our conflicts of interest and how we address them, please go to: *Form ADV, Part 2A Brochure, Item 5 and Regulation Best Interest Disclosures* through the following link: [www.hefren.com/Information-Disclosures-and-Documents](http://www.hefren.com/Information-Disclosures-and-Documents)

#### CONVERSATION STARTER: Ask a Hefren-Tillotson Financial Advisor ...

How might your conflicts of interest affect me, and how will you address them?

### How do your financial professionals make money?

Financial Advisors are compensated on a percentage of commission or fee-based revenue which constitutes the majority of HT's revenue. Compensation received by HT Financial Advisors therefore rises as the amount of client assets they service grows, and when commissions grow. Advisors may become eligible for ownership in Masterplan Inc. based upon tenure, production, contribution to the firm and its culture, and other factors.

## IV. Disciplinary History

### Do you or your financial professionals have legal or disciplinary history?

Yes, we have legal and disciplinary events. Visit [www.investor.gov/crs](http://www.investor.gov/crs) for a free and simple search tool to research HT and our Financial Advisors. For more information about Hefren-Tillotson, visit IAPD through the following link: [www.adviserinfo.sec.gov/Firm/53](http://www.adviserinfo.sec.gov/Firm/53). For additional information about our Financial Advisors, visit BrokerCheck through the following link: <https://brokercheck.finra.org>.

#### CONVERSATION STARTER: Ask a Hefren-Tillotson Financial Advisor ...

As a financial professional, do you have any disciplinary history? For what type of conduct?

## V. Additional Information

For up-to-date information or to request a current copy of Form CRS, contact us at 888- 405-0990, or Form CRS@hefren.com. You may also visit our website at [www.hefren.com/Information-Disclosures-and-Documents](http://www.hefren.com/Information-Disclosures-and-Documents).

#### CONVERSATION STARTER: Ask a Hefren-Tillotson Financial Advisor ...

Who is my primary contact person? Is he or she a representative of an investment adviser or a broker dealer? Who can I talk to if I have concerns about how this person is treating me?