



# HEFREN-TILLOTSON

## Engagement Letter & Best Interest Disclosures

This MASTERPLAN Engagement Letter is provided by Hefren-Tillotson, Inc. (“HT”), a Pennsylvania Corporation and Registered Investment Advisor and Broker Dealer, to the prospective client (“Client”) and sets the terms of the Client’s engagement of HT to provide financial planning services and investment advice. The Client has engaged HT, which agrees to provide Services as outlined in the Scope of the Engagement below. If the Client wishes to engage HT in Investment Advisory Services, an Investment Advisory Agreement shall be executed by HT and Client. Client should read documents referenced herein, which are available through the following link: <https://www.hefren.com/Information-Disclosures-and-Documents>.

### SCOPE OF ENGAGEMENT

The MASTERPLAN Financial Planning process consists of gathering relevant information pertaining to the Client’s financial situation; identifying the Client’s goals, priorities, concerns, time horizon, risk tolerance, and other preferences; performing analysis on behalf of the Client; preparing appropriate recommendations for Client; and conducting periodic meetings based upon an agreed upon schedule. Financial planning illustrations and projections may be updated as needed based upon changes in the Client’s situation, goals, priorities, or other reasons. Areas of analysis frequently provided include the following, based upon the Client’s unique financial situation:

Estate Planning	Retirement Planning	Insurance/Risk Management
Education Planning	Extended Care Analysis	Investment Analysis & Recommendations
Business Succession Planning	Income Planning/Pension Analysis	Tax Planning
Charitable Giving	Concentrated Position	Oil & Gas Royalties

The Client shall participate in the MASTERPLAN process by providing complete and accurate information as to all relevant data requested by HT. Client agrees to notify HT of any changes to their financial situation and circumstances. Client should consult with their tax and legal Advisors as to the implications of recommendations.

### Capacity of Hefren-Tillotson

HT is a dually Registered Investment Advisor and Broker-Dealer. In a broker-dealer capacity, HT furnishes non-discretionary advice typically consisting of commission-based products in order to be compensated for the services provided. Third-party payments, such as 12b-1 fees, are an important part of HT’s compensation acting in a Brokerage capacity. Acting as an Investment Advisor, HT utilizes discretionary or non-discretionary fee-based services which charges the Client a percentage of the assets under management. Additional fees and expenses will apply as outlined under Brokerage & Custody section below. In many cases, HT acts in both capacities with Client accounts consisting of commission and fee-based accounts.

Clients considering a rollover of assets from a retirement plan into an IRA at Hefren-Tillotson should compare the costs associated with the retirement plan with those incurred in an IRA. The costs will vary depending upon the type of

program chosen. A Rollover Analysis is completed by Hefren-Tillotson to compare the costs, services, and other considerations applicable in the decision.

There is typically not an extra charge for financial planning services, which are considered part of HT's commission and fee-based pricing. In situations where only financial planning services are requested, a separate MASTERPLAN Financial Review Client Agreement is required. An overview of fees associated with financial planning services are available in the firm's Part 2A of Form ADV.

## **Monitoring**

Acting as a broker-dealer, HT does not agree to monitor Client's accounts or update the financial plan on a specific and periodic basis for the purpose of making recommendations. HT may voluntarily review the Client's financial situation and holdings for the purpose of determining whether to provide a recommendation to Client. Acting as an Investment Advisor, monitoring is provided as part of HT's standard services.

## **Product Limitations**

In working with HT, investors should consider product limitations. Financial Advisors are limited to recommending primarily A and C class mutual fund purchases within Brokerage and Portfolio Review accounts. C-share mutual funds are limited to \$250,000 of investments. Above that level, A-shares will be used for new purchases. Some exceptions may apply for comparably-priced mutual fund share classes unique to specific fund family. After 8 years, C-share fund holdings are automatically converted to A-shares. Secondly, solicited no-load and Advisor-class (no-load with 12b-1 fees) mutual funds are not permitted in brokerage and Portfolio Review accounts. An exception to this limitation is made for short-term bond funds and money market funds, which tend to have lower yields and total return potential. Finally, within fee-based accounts, HT utilizes the American Funds F2 share class. The expense ratio for F2 shares is .12% higher than F3 shares, which is offset by the waiver of trading costs and IRA custodial fees.

## **Brokerage & Custody**

HT may recommend a custodian to Client. The custodian will hold assets in Client's account(s). In most cases, Hefren-Tillotson uses Pershing LLC as executing broker and clearing agent. Pershing is the largest clearing firm in the country and is a highly respected custodian through its affiliation with BNY Mellon. Client will incur additional account fees for trade processing, cash management services, asset movements, limited partnerships, account termination and other activities. Client should review HT's Client Account Fees and Expenses disclosure through the referenced link on page one.

## **Confidentiality**

HT will keep all information regarding Client's personal and financial affairs strictly confidential. Client may authorize HT to share with third parties, such as an accountant or legal Advisor, information necessary for them to provide advice. All financial companies need to share Client personal information to run their everyday business. Please refer to Hefren-Tillotson's Privacy Policy for more detail on how Client information is shared.

## **Term of the Letter & Amendments**

This Letter will continue in effect until either Client or HT provides notice of their intent to terminate the relationship. Please note, a change in the types of accounts utilized could alter the level of services, obligations of HT, compensation, or conflicts of interest

## **Risk Acknowledgement**

Client should recognize and acknowledge that risk of loss often must be assumed in order to achieve long-term investment objectives. Hefren-Tillotson does not offer any warranty that the strategies utilized will produce desired results or avoid loss. Hefren-Tillotson applies numerous risk management steps to mitigate risk and magnitude of losses. Steps taken to mitigate risk include asset allocation and diversification, in-depth due diligence, comprehensive financial planning, client education, portfolio monitoring, and client reviews. Hefren-Tillotson has identified the following primary risks that may be incurred in Client's account: risk of loss, credit risk, principal risk, income risk, interest rate risk, currency risk, inflation risk, market volatility, asset correlation risk, company management risk, security selection risk, geopolitical risk, derivatives risk, manager selection risk, liquidity risk, foreign securities risk, smaller company risk and risks associated with ETF's. More detailed explanation of these risks can be found in the firm's Form ADV Part 2A available through the referenced link on page one.

## **Arbitration/Mediation**

Any disputes between Client and HT will be settled in arbitration. By signing an arbitration agreement at the time of account opening, all parties are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration is very limited. The ability of the parties to obtain documents, witness statements, and other discovery is generally more limited in arbitration than in court proceedings. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry. The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. A binding arbitration clause in no way limits, affects or constitutes a waiver of Client's right under any law.

## **ERISA Fiduciary Acknowledgement**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

## **Disclosure Documents**

Client should read Form CRS, Form ADV Part 2A, the applicable Form ADV Part 2B, and a Privacy Statement together with this Letter. All of these documents can be found through the following link: [www.hefren.com/Information-Disclosures-and-Documents](http://www.hefren.com/Information-Disclosures-and-Documents)