

## Understanding How We Are Compensated for Financial Services

At Edward Jones, our approach to financial services is different. By living and working in your community, our financial advisors can meet with you personally to discuss investment strategies to help you achieve your goals. It is important that you understand the potential benefits, risks, fees and costs of the services we provide.

When we do business with you, the firm and our financial advisors benefit from fees, commissions and other payments from you and our investment providers. These financial incentives may create a conflict between Edward Jones' interest, your financial advisor's interest, and your own. We believe that the best investor is a well-informed investor. This disclosure document gives you information about how we are compensated and potential conflicts of interest.

We encourage you to:

- Read all disclosure information and understand the fees, commissions, potential conflicts and costs for our services before you invest or borrow money
- Ask your financial advisor questions to help you understand the fees, commissions and costs you may pay
- Review your account statements and trade confirmations for the fees, commissions and costs that impact your account(s) with us

### How is Edward Jones compensated for financial services?

We earn our revenue from our clients, as well as from product providers and money managers ("third parties") who assist us in providing the investments and services that we offer you.

#### Our revenue from clients includes:

- Commissions you pay when you buy or sell equities and fixed-income investments (this applies when we act as agent or broker)
- Markups and markdowns when you buy or sell securities (this applies primarily to bonds, when we act as principal buying and selling from our own inventory)
- Sales loads (sales charges), commissions or concessions derived from the offering and sale of various managed investments such as mutual funds, unit investment trusts ("UITs"), insurance and annuities
- Transaction fees on the purchase or sale of certain equity and fixed-income products in brokerage accounts
- Fees based on the value of your assets in our advisory programs
- Interest on margin accounts
- Miscellaneous fees, including fees for IRAs, wire transfers, returned checks, transfer on death services, and money market fund low balances

#### Our revenue from third parties includes:

- Revenue sharing on the products you purchase and hold from mutual fund and insurance companies. For more information, see [edwardjones.com/revenuesharing](http://edwardjones.com/revenuesharing)
- Payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions, or renewal commissions, which are fully described in the applicable prospectus or offering document

- Payments from mutual fund companies when we provide shareholder accounting services on their behalf for our clients' holdings of the mutual funds' securities (for more information, see [edwardjones.com/mutualfunds](http://edwardjones.com/mutualfunds))
- Payments from insurance companies when we provide services for Inforce Contract Service Agreements (for more information, see [edwardjones.com/revenue sharing](http://edwardjones.com/revenue%20sharing))
- Revenue, including management and distribution and/or service fees (12b-1 fees) arising from our ownership of the investment adviser to the Edward Jones Money Market Fund (for more detailed information, ask your financial advisor for a prospectus)
- Payments from Elan Financial Services for the activation and use of an Edward Jones credit card
- Profits from our trading activities
- Underwriting discounts or concessions connected to new offerings of fixed-income or other investments
- Payments from UIT sponsors in the form of gross acquisition profits
- A portion of the fees paid by issuing companies to Broadridge Investor Communications Solutions, Inc., an unaffiliated third-party vendor with which we contract to distribute proxies, periodic reports and voting instruction information to our clients
- Payments from the Edward Jones Trust Company for the referral and ongoing support of accounts managed by the Edward Jones Trust Company
- Payments from third parties to offset expenses for financial advisor regional meetings
- Edward Jones SBL, LLC, a non-bank affiliate of Edward Jones, will receive interest on Reserve Line of Credit advances and pay compensation to Edward Jones.

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### How is your financial advisor compensated for financial services?

Your financial advisor provides information about investment strategies to help you achieve your goals. Depending on your account type, your financial advisor may provide investment recommendations. While some investments provide more compensation to your financial advisor than others, this should not influence the investment information or recommendations you may receive.

Your financial advisor generally receives between 36% and 40% of the revenue Edward Jones receives from asset-based fees, transactional revenue, ongoing 12b-1 fees, trail commissions, and revenue from premiums generated by activity in your accounts. Financial advisors with less tenure at the firm may have a payout level below the general range. Payout levels vary based on your financial advisor's years of experience, the location of the branch, the type and amount of the investment, and applicable discounts, if any.

New financial advisors are eligible to receive a supplemental salary for up to four years. Supplemental salary is not tied to performance, commissions, fees or assets brought into the firm. All financial advisors receive a minimum guaranteed salary ("MGS") in an amount determined by federal and state law. To the extent supplemental salary is lower than MGS on a monthly basis, Edward Jones pays additional salary to ensure financial advisors receive full MGS. MGS does not fluctuate and is paid regardless of quality or quantity of work performed.

Please ask your financial advisor to explain any asset-based fees, commissions, sales charges, markups/markdowns, 12b-1 fees, additional costs, and internal costs and expenses that may apply to any investments you consider.

#### **Asset-based Fees (investment advisory services) -**

When you participate in our Advisory Solutions or Guided Solutions programs, you pay asset-based fees - the Program Fee and Portfolio Strategy Fee (if applicable) to Edward Jones instead of commissions. The fee(s) are based on the market value of all assets held in your account and are assessed monthly, in arrears, based on the annual tiered fee rate schedules. If you invest in SMAs, you will pay a monthly fee to Edward Jones for the services provided by the SMA managers in your account. Edward Jones will then pay that fee directly to the SMA managers. A portion of your fees are also paid to your financial advisor. The payout level to your financial advisor will depend on the average daily total asset value of advisory assets, taking into account any discounts or fee reductions. For information about our advisory services, please see [edwardjones.com/advisorybrochures](http://edwardjones.com/advisorybrochures).

When you participate in Retirement Plan Services, you pay a Retirement Plan Services Fee to Edward Jones. The Retirement Plan Services Fee is based on the plan's included assets in the program. If the plan's included assets grow and reach certain thresholds, you are eligible for a reduction of the Retirement Plan Services Fee.

Edward Jones will not automatically increase the Retirement Plan Services Fee if included assets decrease. For this fee, Edward Jones will serve as an investment advice fiduciary at the plan level, and provide educational services at both the plan and participant levels, if applicable. Your financial advisor receives a portion of the Retirement Plan Services Fee. The payout level will vary based on years

of experience and the state in which the branch is located.

**Account-based Fees** - If applicable, accounts are subject to certain additional fees and costs for services, including cash management fees, annual account fees (for Select Retirement Accounts), transfer and wire fees, estate service fees, account termination fees and margin interest. The applicable schedule of fees for your account will outline the service and frequency of any charges. To learn more about additional account service fees and costs, talk to your financial advisor or review your applicable account Schedule of Fees at [edwardjones.com/accountfees](http://edwardjones.com/accountfees).

#### **Transactional Costs for Investments (brokerage accounts) -**

If you have a brokerage account, you pay a commission each time you buy or sell certain investments. The commissions are detailed below in the "Our Brokerage Services" section. You also pay a commission or pay a markup or markdown when you buy or sell a bond or certificate of deposit ("CD"). You pay a sales charge (sometimes referred to as a sales load) when you purchase a mutual fund, a fund in a 529 plan, a fixed-income UIT or a variable annuity. Edward Jones pays your financial advisor a portion of these charges and payments.

For mutual funds, each mutual fund sets its own sales charge for the cost of purchasing shares in the fund, which could result in your financial advisor potentially receiving a different amount of compensation depending on the fund you purchase. In order to reduce these potential compensation differences for your financial advisor and reduce incentives to recommend one fund over another, we pay your financial advisor the same percentage amount of your purchase regardless of the actual sales charge to purchase the specific mutual fund. Your financial advisor receives one set percentage for equity and balanced funds and a different percentage for fixed-income funds. If you qualify for an applicable breakpoint, this will reduce the percentage of the purchase your financial advisor receives; however, this percentage will not differ across different mutual fund families within the same breakpoint level.

**Distribution and/or Service Fees (12b-1 Fees)** - Mutual fund companies pay Edward Jones ongoing service fees. The service fees are composed of 12b-1 fees or annualized distribution fees that you pay to the mutual fund company. Mutual fund companies pay 12b-1 fees to their managers or distributors for allocation to brokerage firms, in part for assistance in marketing and distributing their shares or products. These fees generally range between 0.25% and 1.00%. The specific amount of the 12b-1 fee Edward Jones receives varies depending upon the mutual fund company, type of mutual fund, and amount of mutual fund purchased. We pay a portion of these fees to your financial advisor. The 12b-1 fee reduces the amount you earn from your mutual fund. For more detailed information, ask your Edward Jones financial advisor for a prospectus. If we receive these fees for shares you hold in an investment advisory program account, we will credit the amount received to your account through Fee Offset. For information about Fee Offset, please see [edwardjones.com/advisorybrochures](http://edwardjones.com/advisorybrochures).

**Trail Commissions** - Insurance companies that issue variable annuities typically pay Edward Jones ongoing trail commissions. The trail commissions are composed of fees and charges imposed under the variable annuity contract, the separate accounts and other sources. We pay a portion of these fees to your financial advisor.

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**Insurance Commissions and Renewal Commissions** - Your financial advisor receives a percentage of the commissions and any renewal commissions the insurance company pays to Edward Jones. More detailed information can be found in the insurance policy or by speaking with your financial advisor.

**New Asset Compensation** - Most new financial advisors to the firm are eligible for new asset accumulation bonuses for up to five years. Asset accumulation bonuses are based upon the amount of new assets brought to the firm during a specific period of time.

**Internal Incentive Programs** - We may offer internal incentive programs that may provide financial advisors and/or branch office administrators with an opportunity to earn additional compensation. These programs exist during a specified duration and are voluntary. These programs are never based on the sale of specific securities or specific types of securities within a limited period of time.

**Branch P&L and Profitability Bonus** - Revenues and expenses of Edward Jones are assigned to each branch's Profit and Loss Statement (branch "P&L"). Your financial advisor's branch P&L is positively impacted by compensation received from client activities, including commissions, sales charges, 12b-1 fees, account fees, fees from investment advisory accounts, margin loans, reserve line of credit advances, and other account service fees. Your financial advisor also benefits from credits to the branch P&L, without directly receiving any portion of such revenue the firm receives, for certain things including assets under care in the branch, other fees received by the firm, margin loans, reserve line of credit advances, and variable third-party compensation that is not paid to your financial advisor. Increased branch P&L positively impacts your financial advisor's performance and qualifications to receive additional variable compensation. If Edward Jones has reached a certain level of profitability and the branch is profitable on their branch P&L, your financial advisor may receive a branch profitability bonus.

**Credit Cards** - Your financial advisor and branch office administrator receive a portion of the compensation Edward Jones receives from Elan Financial Services for the activation and initial use of the Edward Jones credit card.

**Margin Fees and Reserve Lines of Credit Charges** - Your financial advisor does not receive direct compensation from the interest you pay on your margin loan balance or your reserve line of credit balance, but it does positively impact the branch's P&L (described above). If you need cash, we have an incentive to recommend a margin loan or reserve line of credit balance instead of selling investments. Additionally, your financial advisor has an incentive to recommend that you maintain a margin loan or reserve line of credit advance balance and to grow the balance, instead of using available cash or new investments to pay down the loan.

**Trust Fees** - Your financial advisor receives a portion of the compensation Edward Jones receives from the Edward Jones Trust Company for the referral and ongoing support of accounts managed by the Edward Jones Trust Company. The payout level may vary based on your financial advisor's years of experience and the location of the branch.

**Profit Sharing** - We have long believed in sharing the profits of the firm with our associates. All eligible associates, including financial advisors, receive

contributions to an employer-sponsored retirement plan based on their total compensation, which includes commissions, fees, salary and bonuses. All contributions are immediately 100% vested.

**Client Transition Programs** - Financial advisors have the opportunity to participate in one of our client transition programs. Involvement in these programs affects or eliminates compensation to the participating financial advisor; however, any fees or charges to the client are not impacted.

**Travel Awards Program** - Financial advisors are eligible to participate in the Edward Jones Travel Awards Program, which includes domestic and international travel, or a cash award in lieu of a trip. Eligibility for a Travel Award Program is based primarily upon the amount of new and existing assets under care for a financial advisor. Certain product providers, such as preferred providers, may participate in these travel programs. These incentives create a conflict of interest between your financial advisor's interest and your own when providing advice to you.

**Training and Marketing Incentives** - Third-party providers such as mutual fund wholesalers, annuity wholesalers, UIT wholesalers, retirement plan distributors, investment managers and insurance distributors may reimburse and/or pay certain expenses on behalf of financial advisors and the firm, including expenses related to training, marketing, and educational efforts. Training of our financial advisors can occur at branch offices, seminars, meetings or other events. The training focuses on, among other things, the third-party provider's products, suitability, product literature and product support. This could lead our financial advisors to focus on these third-party providers' products versus other third-party products that are not represented at these meetings, seminars and/or conferences. We want you to understand that this creates a potential conflict of interest for Edward Jones and our financial advisors to the extent that this may cause them to prefer those Product Partners that have greater access, marketing opportunities and educational opportunities.

**Non-cash Incentives** - Third-party providers may also give financial advisors gifts up to a total value of \$100 per provider per year, consistent with industry regulations.

Third parties may occasionally provide financial advisors with meals and entertainment of reasonable value.

Additionally, third parties may provide the firm and our financial advisors with access to certain research tools or software that is developed or subscribed to by third parties. We want you to understand that this creates a potential conflict of interest to the extent that this may cause the firm or our financial advisors to prefer those Product Partners that provide these non-cash incentives.

**Awards and Recognition** - We strive to recognize the success of our financial advisors and branch office administrators with awards and recognition, which are a type of non-cash incentive. The following are examples of some of these awards and recognitions:

- **Annual Drucker Council** - This conference recognizes the top teams of financial advisors and branch office administrators based on production and client satisfaction as measured by independent surveys.
- **Annual Managing Partner's Conference** - Each year, the top 400 financial advisors are recognized based on their previous year's production and contribution to the firm.

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- **Annual Financial Advisor Leaders Conference** – Each year, a conference is held that recognizes and offers additional training to financial advisors with prior year's production within a specified range that places them among the leaders of the firm.
  - **BOA Managing Partner's Conference** – The BOA Managing Partner's Conference is the firm's annual recognition event for branch office administrators, celebrating those ranked highest by our clients on the Client Experience Index (CEI) survey.
  - **Annual Regional Meetings** – We hold annual meetings that include an awards banquet to recognize financial advisors' career successes. Plaques and mementos recognize the completion of special training, holding a volunteer position such as trainer or mentor, or reaching a special accomplishment or level of production.
  - **Annual Women's Conference** – The Women's Conference recognizes the firm's top female financial advisors and gives them an opportunity to interact with firm leadership, share and learn from one another. The top 250 female financial advisors by production are invited to attend.
- Partnership** – Certain financial advisors have been given the opportunity to buy limited and/or general partnership interests in The Jones Financial Companies, L.L.L.P., the parent company of Edward Jones.
- **Partnership Opportunity** – The Jones Financial Companies, L.L.L.P., which is the owner of Edward Jones, is not a publicly traded company. It is a limited partnership owned by its partners, who include financial advisors, branch office administrators and headquarters associates. Financial advisors may be given the opportunity to become limited and/or general partners in The Jones Financial Companies, L.L.L.P., and in that capacity to share in the earnings of Edward Jones and its affiliates. Partners' earnings vary based on the firm's profitability. The amount a partner earns depends on which category of capital the partner owns and how much he or she has invested. All revenue that contributes to Edward Jones' profitability has a positive impact on the amount of income each partner receives.