

VALIC Financial Advisors, Inc.

FIRM BROCHURE

Part 2A of Form ADV

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This brochure provides information about the qualifications and business practices of VALIC Financial Advisors, Inc. (“VFA”). If you have any questions about the contents of this brochure, please contact us at 866-544-4968. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

VFA is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about VFA is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The following material changes have been made to VALIC Financial Advisors, Inc.'s ("VFA" or the "Firm") Form ADV Part 2A since its last annual update on March 30, 2018:

In August 2018, VFA updated disclosure in Item 4 to correct its regulatory assets under management. The Firm now excludes non-discretionary brokerage assets from this calculation.

Item 5 was updated to include disclosure regarding compensation paid to the Firm and IARs and related conflicts of interest.

We will provide you with a summary of any material changes to this and subsequent Firm Brochures within 120 days of VFA's fiscal year end, which is December 31st. In addition, if there is a material change to the disclosures in this Firm Brochure, we will provide the necessary updates. You may obtain copies of the Firm Brochure by calling 866-544-4968 or accessing our website at <https://www.valic.com/prospectus-and-reports/vfa-form-adv-materials>.

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Item 4 - Advisory Business

VALIC Financial Advisors, Inc. ("Firm" or "VFA") is registered with the Securities and Exchange Commission ("SEC") as an investment adviser. As an investment adviser, VFA provides to its clients the investment the advisory products and services described in this Firm Brochure. The Firm is also registered with the SEC as a broker-dealer and is a member firm of the Financial Industry Regulatory Authority, Inc. ("FINRA"). As a broker-dealer, the Firm offers securities such as stocks and bonds, mutual funds, exchange-traded funds (ETFs), variable annuity and variable life insurance products, and municipal securities. Broker-dealer services are not covered by the Firm Brochure. The Firm is compensated through a mixture of fixed fees, commissions, or a percentage of assets under management.

VFA was incorporated in Texas in 1996 and is headquartered in Houston, Texas with additional branches throughout the United States. VFA is a wholly-owned subsidiary of The Variable Annuity Life Insurance Company ("VALIC"), an indirect wholly-owned subsidiary of AIG Life Holdings, Inc. and a wholly-owned subsidiary of American International Group, Inc. ("AIG").

The Firm carries out its investment advisory services through its investment adviser representatives ("IARs or IAR") located throughout the United States. All IARs are also engaged in the Firm's brokerage business and are registered with the Firm as registered representatives. Additionally, all IARs are employees of VALIC, the Firm's parent company.

VFA's investment advisory services described in this brochure are offered through its financial advisors who are also licensed IARs. VFA offers managed account advisory services to clients in return for a fee through the Guided Portfolio Services ("GPS") Program, the Guided Portfolio Advantage ("GPA") Program, and the Managed Investment Program ("MIP"). While these programs are summarized below, a more complete description of these wrap fee programs is included in the GPS Program and GPA Program Wrap Fee Program Brochure and the MIP Wrap Fee Program Brochure. These brochures may be obtained free-of-charge by contacting VFA at (866) 544-4968 or visiting our website at <https://www.valic.com/prospectus-and-reports/vfa-form-adv-materials>.

As of December 31, 2018, VFA managed \$17,629,653,538 on a discretionary basis.

(1) Managed Investment Program ("MIP")

MIP is an asset management program offered by the Firm. The Firm has contracted with Envestnet Asset Management, Inc., ("Envestnet"), a provider of wealth management software and services to financial advisors and institutions, to provide the operational and system support for the MIP program.

The Firm has selected investment managers, or "Strategists," to provide services in the MIP program and that are responsible for the design and management of the MIP portfolio models. The Strategists include Envestnet Portfolio Solutions, Inc. ("Envestnet PMC"), Russell Investment Management, LLC ("Russell Investments") and CLS Investments, LLC. Envestnet PMC is an indirect, wholly-owned subsidiary of Envestnet. The Strategists are responsible for the design and management of the asset allocation models for the MIP portfolios described below.

VFA, Envestnet and the Strategists are jointly responsible for the ongoing management of your MIP account. In connection with this arrangement, your IAR will provide assistance in determining your asset allocation and the selection of your MIP portfolio options. Your asset allocation will be based upon your responses within an investment profile questionnaire (the "Client Profile Questionnaire"), which includes factors such as risk tolerance, goals, investments objectives and time horizon. Your portfolio will be assigned an allocation ranging from Very Conservative to Very Aggressive with several allocations in between.

After completing the Client Profile Questionnaire, your IAR will help you complete an additional questionnaire designed to determine your investment focus, which may include traditional asset allocation, cost sensitivity, and socially and environmentally responsible investing, among others. Based on your responses in the second questionnaire, your IAR will recommend one or more MIP portfolios that best meet your needs based on the information you have provided. As your needs change or market conditions warrant, we have the flexibility to revisit your investor profile to determine whether you are appropriately invested. VFA and our IARs shall work with you to obtain the essential facts about you and your account, including your financial situation, objectives, time horizons, appropriateness of account and similar information in accordance with regulatory requirements.

The MIP Program offers fifteen (15) different portfolios. Regardless of which portfolio you select, you retain flexibility to modify your portfolio model selection when your needs change or market conditions warrant.

If you are interested in learning more about the MIP Program, a complete description of the programs, services, fees, payment structure and termination features are available in VFA's Form ADV Part 2A, Appendix 1 - MIP Wrap Fee Program Brochure, investment advisory agreement, and account opening documents. These documents are available upon request from your IAR or from VFA.

(2) GPS Program

VFA offers the GPS Program, which is an advice and asset management program offered to individuals in connection with their participation in certain employer-sponsored retirement plans. This advisory program is available to participants in retirement plan accounts where the plan service provider is either VALIC or VALIC Retirement Services Company (“VRSCO”), each an affiliate of VFA. Your retirement account may be invested in a VALIC Portfolio Director (“PD”) variable annuity or in a mutual fund program through which VRSCO provides recordkeeping, compliance and administrative services to the plan and plan participants.

There are two services under the GPS Program that may be available in your retirement plan. The two services are:

- **GPS Portfolio Advisor** is a web-based program that enables you to obtain retirement income forecasts, contribution rate and retirement age recommendations, asset allocation models and investment advice through Morningstar Investment Management LLC (“Morningstar”), an independent financial expert. Once you have submitted the necessary inputs to the GPS client profile, you will receive a one-time recommendation for the allocation of your account value among the fixed and variable investment options in your VALIC variable annuity or among the mutual funds in your mutual fund retirement program account. It is then your decision whether to implement the investment advice in whole, in part, or not at all. You also retain full responsibility for the ongoing monitoring and management of assets in accounts for which you are generating advice via this program, as VFA provides non-discretionary investment advice in this program.
- **GPS Portfolio Manager** is a program that combines the investment advice and recommendations through Morningstar described in the Portfolio Advisor program above with ongoing automated asset management services including automatic implementation of the investment advice, periodic portfolio rebalancing, automatically generated annual updates to advice and annual retirement income forecasts, portfolio monitoring and special investment advice statements. Additionally, you may also receive personalized service from VFA IARs in person or by telephone. In this program you will be granting VFA discretionary investment authority over the account.

Consistent with the Department of Labor Advisory Opinion 2001-09A, also known as the SunAmerica Opinion, Morningstar is the “independent financial expert” of the GPS Program, and provides the advice methodologies that are used to produce investment recommendations to, or implemented on behalf of, participants in the GPS Program.

While enrolling in the GPS Portfolio Manager Program, you will complete a GPS Client Profile (“GPS Client Profile”). The GPS Client Profile will help you to think about your retirement income goal and time horizon, as well as allow you to disclose information about the assets, benefits, and retirement savings contributions that you intend to use to fund your retirement. The GPS Program uses this information to develop an Investment Policy Statement (“IPS”), which will include a portfolio assignment and will determine how your account(s) will be invested. There are seven portfolio assignments, ranging from Very Conservative to Very Aggressive. The asset classes and specific investment vehicles used in these portfolios depend on the investment vehicles available in the plan’s lineup.

GPS Portfolio Manager applies asset allocations provided by Morningstar without modifications (although application may be constrained by limitations imposed by one or more plan investment options), to manage your investments exclusively in accordance with the retirement objectives you indicated on your GPS Client Profile. The investment advice and recommendations you receive will be based solely on the information disclosed to VFA in your GPS Client Profile, and on the balances/allocations of assets you may have in your VALIC plans(s)/accounts(s). The advice delivered by GPS will not consider any investment objectives, risk profiles/ preferences, or other information you may have provided or disclosed previously or in relation to other, separate products, securities, or services.

If you are interested in learning more about the GPS Program, a complete description of the program, services, fees, payment structure and termination features are available in VFA’s Form ADV Part 2A, Appendix 1 – Wrap Fee Program Brochure for GPS Program and GPA Program, investment advisory agreement, and account opening documents. These documents are available upon request from your IAR or from VFA.

(3) GPA Program

The Firm also offers the GPA Program, which is an asset management program offered exclusively to clients of VALIC who (1) purchased the VALIC Portfolio Director Advantage fixed and variable annuity contract (“PD Advantage”) or (2) purchase the VALIC Portfolio Director Freedom Advisor fixed and variable annuity contract (“PD Freedom Advisor”). The PD Advantage and PD Freedom Advisor contracts are issued by VALIC, our parent company.

On January 29, 2018, existing PD Advantage contract owners who had not enrolled in the GPA Program were no longer permitted to enroll in the Program. Existing PD Advantage contract owners enrolled in the GPA Program may continue to make subsequent deposits into the contract under certain circumstances, which deposits will be managed under the program. As of January 29, 2018, clients interested in enrolling in the GPA Program must purchase the PD Freedom Advisor contract.

Before enrolling in the GPA Program, you must first complete a GPA Client Profile and Risk Tolerance Questionnaire (“GPA Client Profile”). The GPA Client Profile will help you to determine your risk tolerance and time horizon. This will help to determine an Asset Allocation Policy and portfolio assignment, which determines how your account will be invested.

In its role as independent investment manager, Morningstar uses a tactical asset management program that develops a set of well diversified model portfolios beginning with strategic asset allocations that are typically reviewed annually, and updated if necessary. Then, as frequently as monthly, Morningstar analyzes the performance trends of all the asset classes included in their model portfolios and adjusts allocations to asset classes in order to take advantage of these trends. However, to keep the tactical asset allocation targets consistent with each model portfolio’s intended investment objectives, Morningstar does limit how much the tactical allocations are allowed to deviate from their corresponding strategic allocations. After establishing tactical asset allocation targets, Morningstar completes construction of the GPA model portfolios using a mix of investment options that allows them to hit their tactical asset allocation targets. When updates to the model portfolios are implemented, the investment allocations of accounts managed by GPA are reviewed and reallocated to the new targets as necessary.

If you are interested in learning more about the GPA Program, a complete description of the program, services, fees, payment structure and termination features are available in VFA’s Form ADV Part 2A, Appendix 1 – Wrap Fee Program Brochure for GPS Program and GPA Program, investment advisory agreement, and account opening documents. These documents are available upon request from your IAR or from VFA.

(4) Financial Planning

The Firm offers to its individual customers comprehensive financial planning services. Our financial planning services include a comprehensive analysis of your current and future financial situation and focuses on up to six areas, including:

- *Retirement planning:* Your IAR can help you determine the cost of the retirement you envision and make sure that you are saving enough to meet your retirement goals.
- *Investment management.* Your IAR can help address whether your current investment portfolio is allocated in accordance with your risk tolerance, time horizon and specific needs, and can help determine if your portfolio is properly diversified.
- *Insurance needs.* Your IAR can discuss various types of insurance, review your coverage and determine if your current insurance coverage is suitable for your needs.
- *Estate planning.* This section of the financial plan educates you on topics such as living trusts and introduces sophisticated estate planning strategies for you to consider with your legal counsel.
- *Education planning:* Your IAR can help you determine whether you’re setting aside enough money to help your child or grandchild attend the college of his or her choice. Your advisor will also discuss the various investment plans and products available to help fund education goals.
- *Cash flow and budgeting.* Your IAR will review your current financial position, including your current cash flow. We will review your net worth, cash flow, debt and investment accounts.

Your IAR will work with you to complete a client questionnaire, which requires information about your income, social security benefits, tax status, investment assets, other assets and savings, liabilities and current expenses, insurance policies, estate plans, tax information, risk tolerance and financial goals. Once you have met with your IAR and completed the client questionnaire, you will be presented with a written comprehensive financial plan that is designed to help you achieve your financial goals and objectives. You may then determine whether or not to implement the financial plan. If you decide to implement any of the recommendations in the financial plan, you should work closely with your attorney, tax advisor and accountant, and insurance agent.

Your IAR does not make recommendations concerning the purchase or sale of specific securities or insurance products when preparing a financial plan. If you request that your IAR assist you with the implementation of the financial plan, the IAR may assist with the purchase or sale of certain products since the IAR is also a registered representative with the Firm. However, the products that your representative may offer are limited to those approved by the Firm.

Typically, the Firm delivers the written report within 30 days following the completion of all elements of the client questionnaire. Following delivery of the report, the IAR will attempt to meet with you to discuss the contents of the financial plan. VFA’s financial planning services utilizes the financial planning software provided by VALIC’s Acumen group.

The financial strategies presented in the financial plan are intended only as a guide. **Any analysis of tax, financial, or accounting issues relating to your situation is for discussion purposes only and not intended to be tax or legal advice.**

Item 5 - Fees and Compensation

(For additional information, see Item 12, Brokerage Practices, in this brochure.)

(1) MIP Program

Program Fee: The Firm charges a Program Fee that covers the provision of initial and ongoing investment services and the execution of securities transactions. The Program Fee includes the fees and costs for services provided by your IAR, VFA, Envestnet, the Strategists, and National Financial Services LLC ("NFS"). The Program Fee includes the IAR Fee, which is the advisory fee paid to the Firm and your IAR, and the Platform Fee, which pays for other fixed and variable costs of your MIP portfolio including fees paid to Envestnet (administrative services), the Firm (overhead expenses and variable cost such as trading), Strategists and separate account managers (management fees), and NFS (custody fees). However, there are certain fees that are not covered by the Program Fee, which are more fully described in the MIP Wrap Fee Program Brochure.

The Firm begins to charge the Program Fee once it approves your account on Envestnet's system, which typically occurs shortly after you complete your enrollment in your MIP account and assets are received in your account to meet an initial minimum account balance. The Program Fee is a tiered fee that is calculated quarterly, in arrears, based on the average daily balance of your MIP account during the quarter and is deducted from your account shortly after the quarter-end. If your MIP account is managed for only a portion of a quarter, the Program Fee will be pro-rated accordingly based on the average daily balance during that portion of the quarter and the fee will be deducted before your account balance is distributed.

For a complete description of the Program Fee for each of the MIP portfolios and an explanation of its calculation, see the MIP Wrap Fee Program Brochure.

Compensation and Conflicts of Interest. Under the Firm's policies, a portion of the IAR Fee collected by the Firm is shared with your IAR for introducing and servicing your advisory accounts. For accounts established on or after January 29, 2018, the IAR Fee is a tiered fee based on your average daily balance in your MIP account during the quarter. The IAR Fee may be up to 0.95% per annum based on the value of assets in the account. For accounts established prior to January 29, 2018, the IAR Fee will vary between MIP accounts based on the Program Fee on your account and may be more or less than 0.95% per annum. If you have an existing MIP account that was established prior to January 29, 2018 and you seek to make an additional deposit or open a new MIP account, your IAR has a financial incentive to recommend that you deposit the new funds into your existing account rather than open a new account if the IAR Fee on the existing account is higher than the IAR Fee on a new account.

If the amount received by the IAR for your participation in MIP is more than what an IAR would receive if you participated in other advisory programs or services offered by the Firm (including broker-dealer services), your IAR has a financial incentive to recommend the MIP program over other advisory programs, and other products and services.

If the amount received by the IAR for your participation in MIP is more than what an IAR would receive if you participated in GPS Program or GPA Program, products or services of the Firm, your IAR has a financial incentive to recommend the MIP account over other two advisory programs, or other products or services.

As a registered representative of the Firm, your IAR is paid for the sale of products and services, including sales commissions for some products and ongoing fees for other products or services. For example, your IAR receives a portion of the IAR Fee you pay on your MIP account, which is an ongoing fee for the services provided under the program. Your IAR's compensation will vary based on the products and services provided to you. If your IAR is earning less compensation on a product or service in which you are currently invested or enrolled, your IAR has a financial incentive to recommend a product or service, including the MIP account, because of the compensation he/she would receive. We manage the potential for this conflict of interest by maintaining policies and procedures designed to ensure that advisors make recommendations that are in the best interest of the investor in the context of the products and services offered by the Firm. Additionally, the Firm maintains programs for the internal review of these policies and procedures via internal auditing procedures, other compliance related review and surveillance activities, and from time-to-time the Firm engages outside consultants to review, evaluate, and recommend changes to existing policies and procedures.

Outside of an employer-sponsored retirement plan, your IAR may offer either the MIP Program or the GPA Program. The GPA Program is only offered with the purchase of the PD Freedom Advisor variable annuity contract, which is issued by VALIC, the Firm's parent company. In the aggregate, the GPA Program generates higher revenues for VFA and VALIC than does the MIP Program. Although VFA and the IAR receive similar if not the same compensation whether you enroll in either program, the Firm and its affiliates benefit from your participation in the GPA Program because of the higher revenues received by the Firm and its affiliates.

Other Charges & Transaction Costs. Your investment in an MIP account is subject to certain other fees and charges imposed by third parties. In addition, mutual funds charge advisory, administrative and other fees and expenses, which shareholders bear on a pro rata basis. Mutual funds offer a variety of share classes, which differ according to the imposition of sales loads, and distribution costs commonly referred to as 12b-1 fees, and sub-transfer agency and shareholder services fees. Within the MIP program, mutual fund recommendations will be limited to classes of shares that are not subject to a front-end sales load or that qualify for a waiver of the load. If a fund purchased within your MIP account pays to VFA a 12b-1 fee or sub-transfer agency or shareholder service fee, VFA will rebate those fees to your MIP account.

For MIP portfolios that include ETFs, please note that shares of an ETF trade on an exchange, and therefore, the value of such shares may differ from the value of the ETF's underlying investments. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Moreover, there are costs associated with purchasing and selling an ETF, called a "bid-ask" spread (the difference between what a buyer is willing to pay (bid) for an ETF and the seller's offering (ask) price). These transaction costs (which do not apply to the purchase and sale of mutual funds) will adversely affect the performance of the MIP portfolios models that invest primarily in ETFs.

For more information about the fees associated with the MIP Program, see the MIP Wrap Fee Program Brochure, which is available upon request from your IAR or from VFA.

(2) GPS Program

While you are enrolled in the GPS Program, you pay the advisory fees for the management of your account(s) and other fees and expenses of the product or platform in which you are invested.

Advisory Fees: Participants in the GPS Portfolio Advisor Program pay an annual fee of up to \$25. The fee is charged to your account following enrollment in the program and entitles you to use the service for one year. You may not obtain a refund or partial refund of this pre-paid fee. Following the one-year period, you will not automatically be re-enrolled in the GPS Portfolio Advisor Program and must actively re-enroll in the program if you would like to continue its services. The Firm may agree with your plan sponsor to waive this fee in certain circumstances.

Participants in the GPS Portfolio Manager Program pay an advisory fee based on the account value at the quarter-end. If a participant has multiple accounts enrolled in the GPS Portfolio Manager Program, the quarter-end account values for all enrolled accounts are combined for determining the advisory fee. The Firm typically enters into a GPS plan services agreement with your employer that provides that the Firm may offer the GPS Program services to you and other plan participants. The advisory fee is typically a tiered fee that is up to 0.60% of the account value at quarter-end, which may be negotiated with the plan sponsor. This fee is not negotiable with plan participants. For a complete description of the advisory fee for the GPS Program and an explanation of its calculation, see the GPS/GPA Wrap Fee Program Brochure.

Other Fees and Expenses. The VALIC PD variable annuity contract in which your retirement plan invests includes various, fees and expenses including, but not limited to, separate account charges, account maintenance fees, surrender charges and the fees and expenses of the underlying mutual funds available in the contract. Certain of the underlying funds available in the PD variable annuity contract pay to VALIC 12b-1 fees. VALIC uses those fees to directly reduce the separate account charges applicable to the corresponding fund options in the contract. Please review the VALIC PD variable annuity prospectus and the mutual fund prospectuses for details regarding their respective fees and expenses. If your plan invests directly in mutual funds, your plan sponsor or its designated representative (and not VFA or VALIC) selects the mutual funds and share class, and you bear the fees and expenses of the mutual funds available in the program and plan-related fees and expenses, such as recordkeeping fees. Please review the mutual funds' prospectuses for information about the fees and expenses of the mutual funds available within your plan and contact your retirement plan provider for information about recordkeeping/administrative services fees you pay as part of your retirement plan account.

Compensation to VFA and IARs. VFA receives the advisory fee as compensation for your participation in the GPS Portfolio Manager Program. VFA pays a portion of this advisory fee to your IAR. If you enroll in the GPS Portfolio Advisor Program, VFA receives the annual fee and the IAR does not receive any compensation.

If you are enrolled in the GPS Program within a VALIC PD variable annuity contract, your VFA IAR typically will receive other compensation for services provided to you in connection with your plan account(s), including commissions on deposits into your annuity contract, which are paid by VALIC. If you are enrolled in the GPS Program within your employer's mutual fund program, your IAR will receive compensation for providing services in connection with your plan account, which will include a combination of salary/fixed payments, bonus/enrollment payments and/or other compensation. This compensation is in addition to any advisory fees your IAR receives for your participation in the GPS Portfolio Manager Program. The advisory and other compensation that your IAR receives creates a financial incentive for her/him to recommend your enrollment in the GPS Portfolio Manager Program.

For more information about the fees associated with the GPS Program, see the GPS/GPA Wrap Fee Program Brochure, which is available upon request from your IAR or from VFA.

(3) GPA Program

While you are enrolled in the GPA Program, you pay the advisory fees for the management of your account(s) and other fees and expenses of the product or platform in which you are invested.

Advisory Fees: Clients in the GPA Program pay an advisory fee based on the account value of their PD Advantage or PD Freedom Advisor account at the calendar quarter-end. The GPA Program advisory fee rate may not be negotiated. The rate applicable to your account is included in your Advisory Agreement. For the services rendered in connection with the PD Advantage contract, you pay an annual advisory fee rate of up to 1.00% of assets under management in the contract. For services rendered in connection with the PD Freedom Advisor contract, you pay an annual advisory fee rate of up to 1.12%.

Other Fees and Expenses. As a contract owner in either PD Advantage or PD Freedom Advisor contracts, you bear the fees and expenses of the annuity contract, including, but not limited to, separate account charges, account maintenance fees, surrender charges, if applicable, and the fees and expenses of the underlying mutual funds available in the contract. Please review your variable annuity product prospectus for details regarding its fees/expenses. For a complete description of the advisory fee for the GPA Program and an explanation of its calculation, see GPS/GPA Wrap Fee Program Brochure.

Compensation to your IAR. IARs are compensated from the advisory fees paid on assets in the GPA Program in your PD Advantage or PD Freedom Advisor contracts, up to 0.95% annually based on the value of assets in the account.

The advisory fees charged by VFA may be similar to or higher than the fees charged by other investment advisers. The compensation received may or may not be more than what would be received if you paid us separately for investment advice, brokerage and other services. If the amount would be more than what an IAR would receive if you participated in other programs we offer or paid separately for investment advice, brokerage and other services, the IAR will have a financial incentive to recommend this program over other programs or services.

(4) Financial Planning

The Firm may charge up to \$1,500 for completing a comprehensive financial plan. The fee is determined based on the type of financial plan and the complexity of the client's circumstances and is negotiable. The fee is flat amount and is agreed to prior to entering into a financial planning agreement. The fee must be paid prior to the delivery of the written report.

The advisory agreement may be terminated without penalty at any time prior to the delivery of the written report. Once the written report has been provided to the client, the fee must be paid but there are no continuing obligations under the agreement. Following the delivery of the written report, your IAR, who is also a registered representative of the Firm, may recommend the purchase or sale of securities, insurance products or advisory services. If you purchase a product or enroll in a service based on those recommendations, your IAR will receive compensation in the form of a commission or ongoing fee.

Item 6 - Performance-Based Fees and Side-by-Side Management

Neither VFA nor its IARs accept performance-based fees. Performance-based fees are fees that are based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7 - Types of Clients

VFA and its IARs provide advisory services to individuals, including high net worth individuals, and participants in employer-sponsored retirement plans. VFA may also provide advisory services to trusts, corporations, or other business entities depending on the advisory program. While VFA provides advisory services to participants in employer-sponsored retirement plans, it does not provide advisory services to the plan sponsors of such retirement plans.

Depending on which wrap fee program a client selects, VFA may require a minimum dollar value of assets as a condition of maintaining an investment advisory account. VFA at its sole discretion may waive the required minimum dollar assets to maintain an account.

The clients that may participate in VFA advisory programs and the minimum account size requirements for opening an account are as follows:

- **Managed Investment Program.** This service is available to individuals, trusts, corporations and other business entities. The minimum account balance for the MIP portfolios range from \$5,000 to \$250,000 depending on the portfolio. **The Firm reserves the right to lower the minimum required amount on a case-by-case basis, as well as the right to terminate an account if the assets in an account fall below the applicable minimums.** See the Firm's MIP Wrap Fee Program Brochure for additional information regarding minimum account balances.
- **GPS Program.** This service is currently only available to individual participants in a retirement plan account with VALIC or VRSCO. There is no minimum account balance to participate in the program.

- **GPA Program.** This service is available to individuals, trusts, corporations and other business entities. To enroll in this program, you must purchase a PD Freedom Advisor contract. Existing PD Advantage contract owners who have previously enrolled in the GPA Program may make subsequent deposits into the contract, which will be managed under the program. The GPA Program does not have a minimum account balance though the PD Freedom Advisor contract has a minimum initial premium payment of \$25,000.

The Firm's financial planning services are limited to individuals.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Methods of analysis and investment strategies used by VFA and material risks are described below.

In the GPS Program and the GPA Program, Morningstar provides investment advice and asset allocation for retirement plan and variable annuity accounts. Accounts enrolled in the GPS Program will be managed exclusively in accordance with the retirement objectives indicated on your GPS Client Profile. Within your GPS advisory account, your assets will be allocated among the mutual funds or fixed interest options within a variable annuity or within a combination of mutual funds and a group fixed annuity, which annuities and funds were selected by your employer/retirement plan sponsor. Within the GPA advisory account, your assets will be allocated among the mutual funds or fixed interest options within an individual variable annuity that you have purchased. Within your retirement plan, Morningstar may select investment options or mutual funds from a range of asset classes, including but not limited to domestic equities, international/foreign equities, fixed income, and others.

In the MIP Program, the Strategists or, in certain portfolios, a separate account manager will provide investment advice and asset allocation for the portfolio models. Each MIP portfolio has different investments strategies and objectives. Most Your IAR will work with you to determine which portfolio best meets your financial needs.

Risks Investing in ETFs and Mutual Funds

Unique Risks of Investing in ETFs. An ETF is a security that trades on an exchange during market hours and typically seeks to track an index, commodity, or a basket of assets like an index fund. However, some ETFs are actively managed and do not seek to track a certain index or basket of assets. ETFs may trade at a premium or discount to their Net Asset Value ("NAV") and may also be affected by market fluctuations of their underlying investment holdings. They may also have unique risks depending on their structure and underlying investments.

Risks of Investing in Equity Funds. Stock markets are volatile and can decline significantly and quickly over short or even long periods in response to adverse issuer, political, regulatory, market, or economic developments. In a diversified stock fund the overall systematic (market risk) poses the greatest potential for losses in your account(s). In addition, stock investments may be subject to risk related to market capitalization as well as company-specific risk.

Risk of Investing in International/Foreign Funds. Foreign stock investing involves risks not typically associated with U.S. domestic investments, and the risks may be further amplified in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry.

Risks of Investing in Fixed Income Funds. In general, fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) The ability of an issuer of a bond to repay principal prior to a security's maturity can cause greater price volatility if interest rates change, and, if a bond is prepaid, a bond fund may have to invest the proceeds in securities with lower yields. Fixed income securities also carry inflation risk, credit risk (the risk of changes in the financial condition of an issuer) and default risk (the risk that the issuer may fail to pay its debts) for both issuers and counterparties. Unlike investing in individual bonds, typically bond funds do not have a set maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. In addition, investments in certain bond structures may be less liquid than other investments, and, therefore may be more difficult to trade effectively.

Risks of Investing in Municipal Bond Funds. Investing in the municipal bond market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of individual municipal securities. Municipal bond funds normally seek to earn income and pay dividends that are expected to be exempt from federal income tax. If you are a resident in the state of issuance of the bonds held by the fund, interest dividends may also be exempt from state and local income taxes. Income exempt from regular federal income tax (including distributions from tax-exempt, municipal, and money market funds) may be subject to state, local, or federal alternative minimum tax. Certain municipal bond funds normally seek to invest only in municipal securities generating income exempt from both federal income taxes and the federal alternative minimum tax; however, outcomes cannot be guaranteed, and the funds may sometimes generate income subject to these taxes.

Item 9 - Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to our clients or our prospective client's evaluation of our investment advisory business or the integrity of our management. The following are disciplinary events relating to our firm and/or our management personnel:

On November 28, 2016, without admitting or denying the Financial Industry Regulatory Authority ("FINRA") findings, the Firm submitted a letter of acceptance waiver or consent for the purpose of settling alleged NASD and FINRA rule violations that it failed to: (1) have a reasonable system or process/procedures designed to address, analyze or review the conflicts of interest in its compensation program or to ensure that balanced disclosures was provided to the investors regarding such compensation program, (2) to maintain adequate systems and procedures to supervise the sale of variable annuities to retail brokerage customers, (3) maintain supervisory procedures and training materials that provide registered representatives and principals guidance or suitability considerations for sales of different variable annuity share classes, including L-share variable annuities, (4) enforce supervisory procedures requiring that certain emails flagged by its email surveillance system be reviewed by designated Firm supervisors, (5) establish a reasonable system and procedures to supervise its complaint reporting responsibilities, and (6) failed to issue account notices at account opening and then on 36-month intervals for certain brokerage customers. The Firm was censured and fined \$1,750,000.

Item 10 - Other Financial Industry Activities and Affiliations

VFA is a wholly-owned subsidiary of VALIC, which is a Texas-domiciled insurance company and an SEC-registered investment adviser. VALIC is primarily engaged in the offering and issuance of fixed and variable annuity contracts and combinations thereof and is licensed to issue annuities in 50 states and the District of Columbia. VALIC is an indirect, wholly-owned subsidiary of AIG.

In addition to being registered with the SEC as an investment adviser, VFA is registered with the SEC, FINRA and state securities commissions as a broker/dealer, and as an insurance agency. In this capacity, VFA is involved in the sale of various types of securities, including, but not limited to, stocks, bonds, variable investment products and mutual funds. VFA, as well as our financial advisors, receive separate compensation for securities transactions effected through the Firm

- AIG Capital Services, Inc. ("AIGCS") is an indirect, wholly-owned subsidiary of AIG and an affiliate of the Firm. In its capacity as a registered broker-dealer, AIGCS acts as principal underwriter for the offer, sales and distribution of the variable annuity contracts issued by VALIC and its affiliates and as distributor of registered investment companies advised by VALIC and SunAmerica Asset Management LLC ("SAAMCo").
- SAAMCo is an indirect, wholly-owned subsidiary of AIG and an affiliate of the Firm. SAAMCo is the investment adviser for AIG mutual funds and the AIG mutual funds available within the Managed Investor Account: AIG Funds Portfolio. It also serves as an administrator and investment sub-adviser to certain registered investment companies advised by VALIC.
- AIG Federal Savings Bank, an affiliate of the Firm, acts as custodian/trustee for employer-sponsored retirement plans for which the Firm provides enrollment, education and offers the GPS advisory program.
- VALIC Retirement Services Company ("VRSCO") is a wholly-owned subsidiary of VALIC and an SEC-registered transfer agent for registered investment companies advised by VALIC and SAAMCo. VRSCO is also a record keeper and service provider to certain retirement plans for which the Firm provides enrollment, education and advisory services.
- VALIC Company I/VALIC Company II (the "VALIC Funds") are registered investment companies advised by VALIC and, with respect to certain funds, sub-advised by SAAMCo. The VALIC Funds are offered as underlying investment options within VALIC-issued variable annuity contracts and as mutual funds in employer-sponsored retirement plans for which VFA offers the GPS Program and GPA Programs, as applicable. For these funds, SAAMCo is the administrator and, for certain funds, an investment sub-adviser, AIGCS is the distributor, and VRSCO is the transfer agent. Additionally, with respect to the VALIC Company II funds, VALIC provides shareholder services to shareholders invested in the funds.
- The AIG Funds are registered investment companies advised by SAAMCo and comprise all or substantially all of the funds held within the MIA AIG Funds Portfolio. The AIG Funds within this Portfolio model generally will include series within the SunAmerica Equity Funds, SunAmerica Income Funds, SunAmerica Specialty Series, SunAmerica Senior Floating Rate Fund, and SunAmerica Series, Inc. AIGCS is the distributor of the AIG Funds.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

VFA has adopted a Code of Ethics ("Code"). VFA will provide a copy of its Code" to clients and prospective clients upon request by contacting us at (866) 544-4968.

VFA, as investment adviser, has a fiduciary duty to act solely for the benefit of advisory clients. The Code requires honest and ethical conduct by all our supervised persons, compliance with applicable laws and governmental rules and regulations, the prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code, and accountability for adherence to the Code. The Code is designed to protect the organization and its clients from damage that could arise from a situation involving a real or apparent conflict of interest. While it is not possible to identify all possible situations in which conflicts might arise, this Code is designed to set forth our policy regarding the conduct of our supervised persons in those situations in which conflicts are most likely to develop.

Supervised persons are expected to adhere to the Code and they are also expected to follow procedures for reporting of any violations of VFA's Code.

To the extent permitted by applicable law and the investment objectives, policies and restrictions, if any, applicable to client accounts, your IAR may recommend that an investment be made in one or several registered investment companies for which an affiliate acts as investment adviser or sub-adviser. In certain instances, in accordance with applicable law, we will waive its fee with respect to the portion of client assets so invested.

For access persons, VFA requires that securities transactions be disclosed and/or reported. Access persons are any of VFA's Supervised Persons who have access to non-public information regarding any investment advisory client's purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund or any person who is involved in making securities recommendations to investment advisory clients, or who has access to such recommendations that are nonpublic.

In our capacity as a broker-dealer, we provide to our clients a variety of products and services for which we are compensated. To the extent that an advisory client chooses to utilize our services as a broker-dealer, VFA and our registered representatives may earn compensation in the form of brokerage commissions in addition to advisory fees. Our associated persons may recommend to you the purchase or sale of investment products in which we or a related entity may have some financial interest, including, but not limited to, the receipt of compensation.

Item 12 - Brokerage Practices

Research and Other Soft Dollar Benefits. VFA does not receive research or other products or services, commonly referred to as "soft dollar benefits" from broker-dealers or other third parties in connection with client securities transactions.

Brokerage for Client Referrals. VFA does not have a program of selecting or recommending broker/dealers based on the receipt of client referrals.

Directed Brokerage. VFA does not engage in this practice.

Item 13 - Review of Accounts

(1) MIP Program

Review of Accounts. The Firm engages in ongoing monitoring of the program and the IARs, including review and approval of all program account transactions, audits of the IARs' records and monitoring based upon reports on accounts. The Firm, through the Investment Group, periodically meets with Envestnet to review the MIP portfolio models' investment performance, Strategists and other matters related to MIP. For most MIP portfolios, Envestnet and the Strategist will monitor your account on an ongoing basis and will rebalance your account periodically. The Firm relies on Envestnet and the Strategist (and in certain cases, the separate account manager) to ensure the tools and analyses are operating properly and that the analyses continue to meet the criteria specified by the Firm and your responses in the Client Profile Questionnaire.

Written Reports. Clients receive quarterly written reports from Envestnet that itemize the activity in your Account during the preceding quarter, the current asset allocation, and the market value of the Account. The report will also provide market commentary, a breakdown of investments, and an account summary that includes the beginning balance, end-of-quarter balance, and year-to-date values. Additionally, NFS will mail you trade confirmations and quarterly account statements for your Account. You will also receive all statements and forms required to be provided to you for tax reporting purposes.

(2) GPS Program

Review of Accounts. With respect to the GPS Portfolio Manager Program, at the end of each calendar quarter, the investor profile information used to generate your retirement income forecasts and investment advice and to perform asset management, is sent to you for review. Further, in the quarter prior to the annual update to your Portfolio Manager retirement income forecast and investment advice, VFA will contact you to determine if updates to your GPS Client Profile information are required.

When advice is generated for the account(s) you have managed under the Portfolio Manager program, the account(s) will be reviewed to determine whether transactions are required to allocate your assets per the target allocations of the model portfolio to which your account is being managed. Similarly, the accounts you have managed under the Portfolio Manager program will be reviewed once per quarter and rebalanced as necessary to bring the allocations back in line with the target allocations of the model portfolio.

Written Reports. Clients in the GPS Portfolio Advisor Program do not receive written reports. This program offers web-based advice enabling an individual to make investment decisions.

Clients in the GPS Portfolio Manager Program will receive a regular VALIC quarterly statement that shows transactions for the prior quarter, fees imposed during that prior quarter, and current asset allocation. These clients will also receive a Quarterly Advice Statement (“QAS”) and IPS that are described below.

The QAS is a reminder of your most recent retirement income forecast, recommendations, and the investment advice to which your assets are being managed. It is also a reminder of the GPS Client Profile information and your VALIC account balance information that were used as inputs to generate your most recent advice, and it shows the fees for the calendar quarter just ended. You will usually get the QAS during the month following the calendar quarter end. You will receive a QAS for each plan that you have managed under GPS Portfolio Manager as of the calendar quarter that just ended.

The IPS reflects the retirement income forecast, recommendations and investment advice provided by the Firm. Any time your advice is regenerated – whether as part of the automatic annual regeneration, or as requested by you – a new IPS will be generated to reflect the retirement income forecast, recommendations, and investment advice to which your assets will be managed. The IPS also shows the GPS Client Profile information and your VALIC account balances that were used as inputs for generating this advice.

(3) GPA Program

Review of Accounts: As frequently as monthly, Morningstar analyzes the performance trends of all the asset classes included in their model portfolios. When updates to the model portfolios are implemented, the investment allocations within the GPA Program are reviewed and reallocated to the new targets as necessary.

Written Reports: Clients in the GPA Program receive a quarterly VALIC account statement that shows details about their VALIC variable annuity account(s), including transactions for the prior quarter, fees imposed during that prior quarter, and current asset allocation. The VALIC quarterly statement will also show you which model portfolio those assets were being managed to at that time. You will periodically receive confirmation statements from VALIC that reflect the transactions during the period and the model portfolio asset allocation targets associated with your GPA Program account(s).

(4) Financial Planning.

Review of Accounts: The financial planning agreement ends with the delivery of the written financial plan.

Written Reports: Financial planning clients receive the written financial plan. Following the delivery of the plan, no additional reports are provided unless to revise the plan within a specified time period following delivery.

Item 14 - Client Referrals and Other Compensation

VFA maintains a program under which its representatives may be eligible to attend certain educational conferences based on his/her total sales. From time to time, VFA implements programs under which VFA's representatives are eligible to win awards for certain sales efforts such as, but not limited to, the establishment of new accounts or additional assets under management. These programs will not change the fees the client pays for advisory services.

With respect to the GPA Program and MIP Program, a portion of the advisory or program fees you to the Firm are paid to your IAR. Generally, the portion of the fees paid to your IAR increases throughout the year as their aggregate compensation from the sale of insurance/securities products and receipt of advisory fees reaches certain thresholds. Additionally, the compensation that your IAR receives from substantially all compensation sources, including MIP fees, count towards your IAR's qualification for non-cash awards, trips and other non-cash benefits offered by the Firm. With respect to the GPS Program, your IAR receives a fixed percentage of the advisory fee that you pay to the Firm.

Additionally, your IAR is eligible to attend VALIC-sponsored or Firm-sponsored conferences based on their achievement of certain levels of compensation from the sale of securities, insurance products, and advisory fees received from advisory accounts, including MIP accounts. Qualification for such conferences and events are not based on the sale of any specific product or category of products but is instead based on aggregate levels of compensation or other non-product specific criteria. Certain of the Firm's top-earning IARs are designated as President's or Platinum President's Cabinet members and receive additional compensation and benefits. Qualification to the President's Cabinet is based on total compensation and is not based on any specific product or category of products. In addition, the Firm may implement programs under which IARs may be eligible to win non-cash awards for certain sales efforts such as, but not limited to, the establishment of new accounts or additional assets under management. Similar to other sales-based programs, such non-cash awards are not based on the sale of any specific product or category of products. These programs will not change the fees that you pay for advisory services.

The Firm does not engage solicitors or pay related or non-related persons for referring potential advisory clients.

Item 15 - Custody

(1) Managed Investment Program

The Firm has "custody" of client assets as defined in Advisers Act Rule 206(4)-2 because it is authorized to deduct advisory fees from a client's account. Transactions within your MIP account will be executed through your account with VFA. All transactions in MIP are cleared through NFS. NFS also provides custodial services for assets in advisory accounts. VFA itself will not take custody of your advisory account assets. However, VFA does have authority pursuant to the advisory agreement between the Firm and the client to deduct advisory fees from your account. All dividends and other distributions from your account assets will be managed in accordance with the instructions you provide on the New Account Form.

Investnet will furnish you a quarterly written report that itemizes the activity in your program account during the preceding quarter, the current asset allocation, and the market value of the account, which will also reflect the deduction of the Program Fee. The report will also provide market commentary; a breakdown of investments within each asset class; and an account summary that includes the beginning balance, end-of-quarter balance, and year-to-date values. Investment account assets will be valued based on the net asset values of the mutual funds and the market value or net asset value, as appropriate, of other investments in which your account assets are invested. NFS will mail you trade confirmations and quarterly account statements for your program account investments. You will also receive all statements and forms required to be provided to you for tax reporting purposes.

VFA urges you to carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on reporting dates.

(2) GPS and GPA Programs

The Firm has "custody" of client assets as defined in Advisers Act Rule 206(4)-2 because (1) it is authorized to deduct advisory fees from a client's account; and (2) related persons maintain custody of client assets within a variable annuity contract or employer-sponsored retirement plan. The Firm's parent company, VALIC, maintains custody of client assets invested in variable annuity contracts that it issues, and AIG Federal Savings Bank is the custodian for client assets in employer-sponsored mutual fund retirement plans, for which VRSCO is the plan recordkeeper. Specifically, the Firm undergoes an annual surprise custody exam by an independent public accountant and receives an annual internal control report from the related person's independent public accountant. The related person sends quarterly account statements to clients.

GPS and GPA transactions within your Portfolio Director account(s) will be executed through your variable annuity account(s) with VALIC. VALIC will mail you trade confirmations and quarterly account statements that itemizes the activity in your variable annuity account during the preceding quarter, the current asset allocation, and the market value of the account. GPS transactions within your employer-sponsored retirement plan account invested in mutual funds will be executed through your account for which VRSCO is the plan record keeper. AIGFSB is the custodian for these accounts. You will receive a quarterly account statement that itemizes the activity in your program account during the preceding quarter, the current asset allocation, and the market value of the account.

VFA urges you to carefully review these statements and to contact us if you have any questions or concerns.

Item 16 - Investment Discretion

VFA, when given discretion by the client, may buy or sell securities based on the client's preferences, risk tolerances, goals and, if applicable, previously purchased investments transferred to the account.

With the GPS Portfolio Manager account, a client may change his/her portfolio assignment. Upon review of your IPS, if you are uncomfortable with the GPS portfolio assignment, you may submit a form to the Firm that will limit your portfolio assignment to one, or a range, of the model portfolios (a subset from within "Very Conservative" to "Very Aggressive"). You can obtain this form from your IAR or by contacting the Asset Management Center at (800) 448-2542.

The following is a description of the procedures we follow before we assume this authority:

- Managed Investment Program - you must provide a signed Statement of Investment Selection, which incorporates the investment advisory agreement, before we can begin any discretionary trading in your account.
- GPS-Portfolio Manager Program - you must provide a signed investment advisory agreement before we can begin any discretionary trading in your account.
- GPA- you must provide a signed investment advisory agreement before we can begin any discretionary trading in your account.

Item 17 - Voting Client Securities

We do not receive proxies for securities held in your accounts. It is our policy that we do not vote, nor give any advice how to vote proxies for securities held in your accounts. Typically, proxy materials for securities held in your accounts will be sent to you by our custodian or the issuer's proxy mailing service. With respect to the MIP Selected Manager Investor Account portfolio, certain separate account managers will vote proxies on your behalf. In the Integrated MIA Portfolio you do not vote proxies but the investment manager, Envestnet, controls the voting of proxies on your behalf. You may obtain a copy of VFA's proxy voting policies and procedures upon request by contacting us at (866) 544-4968. Clients may also contact VFA with questions about a particular solicitation at this same telephone number.

Item 18 - Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about VFA's financial condition. VFA has no financial condition that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy petition.