

VALIC Financial Advisors, Inc.

BROKER-DEALER BROCHURE

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**This wrap fee program 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 of an investment adviser does not imply a certain level of skill or training. Additional information about VFA also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Our brochure may be requested by contacting VFA at 866-544-4968 or it is also available free of charge on our website at [www.valic.com](http://www.valic.com).

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### **Item 3 - Introduction**

#### **Introduction**

This brochure provides important information about VALIC Financial Advisors, Inc. (“VFA,” “the Firm,” “we,” “our”), the broker-dealer and other services VFA offers through its financial professionals, and the standard of conduct that applies when providing these services. This brochure also provides important information about conflicts of interests associated with recommendations we may make, sponsorship activities, and other disclosures that you may find important to consider in deciding whether to do business with us.

VFA is registered with the Securities and Exchange Commission (“SEC”) as both a broker-dealer and an investment adviser and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). VFA is a wholly-owned subsidiary of The Variable Annuity Life Insurance Company (“VALIC”), which is an indirect wholly-owned subsidiary of American International Group, Inc. (“AIG”). VFA and VALIC, together with additional AIG companies, are commonly referred to as and comprise AIG Retirement Services, our brand name. VFA financial professionals are employees of VALIC.

### **Item 4 - SERVICES**

VFA and its financial professionals offer various services, including:

- Services for employer-sponsored retirement plans (“plans”) and health reimbursement arrangements (“HRAs”), such as plan enrollment, education about plans, and assistance with plan-related activities (“plan services”);
- Broker-dealer services, such as recommendations for securities and insurance products, as well as recommendations of investment strategies (including the opening of different types of accounts); and
- Investment advisory services, consisting of one-time advice in the form of a financial plan, or of an advisory program pursuant to investment advisory agreements, or soliciting for a third party advice program (“advisory services”).

Please read further for more information about these services.

**Plan services.** Plan services offered by VFA and its financial professionals include assistance with plan enrollment and contributions, distributions, loans, beneficiary designations, required distributions, and other plan-related activities. For some employers, plan services can include assistance with HRAs. As part of these services, VFA financial professionals may provide educational information to plan participants about their plans, including available investment alternatives, and assist plan participants with plan-related matters such as navigating plan and account procedures, answering general and specific plan account questions, and helping with the completion of administrative forms for their plans. We provide plan services in conjunction with other services provided by our affiliates VALIC, VALIC Retirement Services Company (“VRSCO”), and/or AIG Federal Savings Bank, either on a proprietary plan recordkeeping platform, or on a third party’s product or recordkeeping platform.

**Broker-dealer services.** Broker-dealer services offered by VFA and its financial professionals include buying and selling securities and other products on behalf of clients on a non-discretionary basis. That means clients must make the decision to buy or sell any investment, open an account, or take other action, because we will have no discretionary authority to do so.

Broker-dealer services may include recommendations of mutual funds, variable insurance policies, and variable annuities, as well as other types of insurance products. Broker-dealer services generally will not include recommendations regarding common stocks, bonds, and exchange traded products, though VFA generally will accommodate clients who wish to include unsolicited securities in a brokerage account at VFA. Broker-dealer services may include account recommendations (e.g., brokerage, advisory, 529 Plan, or other account recommendations, as well as recommendations to rollover or transfer assets from one account to another), explicit hold recommendations, and recommendations of other investment strategies. Some securities and other products that we offer, such as mutual funds and variable annuities, are held in accounts at the product sponsor rather than in a VFA brokerage account.

Broker-dealer services also may include educational services as well as the preparation of financial plans in connection with or in relation to securities transaction recommendations for which VFA and its financial professionals receive transaction-based compensation. As a broker-dealer, we also may buy and sell securities and other products on behalf of clients who have received recommendations for such products from a person other than VFA financial professionals.

We offer annuity and insurance products issued by VALIC and other insurance company affiliates of VALIC and VFA. We may offer one or more third-party products when we are not able to meet a customer’s needs with an affiliated product. In addition, if you are a plan participant, the product or investment platform generally will be one that is (i) made available to the plan by VALIC or VRSCO, and (ii)

selected or authorized by your plan sponsor. When we recommend retail mutual fund purchases outside of a plan, these products come from a selection of a limited number of mutual fund families — some of which are distributed by an affiliated mutual fund company, AIG Funds.

In providing brokerage services, VFA and its financial professionals do not commit to monitoring your investments in your brokerage account at any time. For any financial plan provided as part of our broker-dealer services, any securities or other product recommendations that may be included in the financial plan are provided on a one-time basis. The financial plan will identify the capacity in which it is provided.

**Advisory services.** Advisory services offered by VFA and its financial professionals generally are provided pursuant to an investment advisory agreement that defines the agreed-upon scope of our relationship with clients and the specific services we have agreed to provide. Advisory services generally are provided on a non-discretionary basis, which means clients must make the decision to implement any recommendation to buy or sell any investment, or take other action regarding the assets held in their advisory accounts.

Advisory services available include:

- One-time investment advice included in a financial plan;
- Ongoing, non-discretionary investment advice regarding client assets held in a VFA advisory account; and
- Ongoing, non-discretionary investment advice as part of a “wrap fee” program. In one of our wrap fee programs, we provide advisory services on a discretionary basis.

Before we can provide either a wrap fee program or the traditional nondiscretionary advice program, we will enter into an investment advisory agreement with you and provide you with the appropriate investment advisory brochure (“ADV”), which will provide still further detail regarding the investment advisory services.

**If you are not sure of the type of services you want or are receiving, please ask your VFA financial professional for assistance.**

#### **Item 5 - STANDARD OF CONDUCT**

VFA and its financial professionals are subject to different standards of conduct depending on the services being provided.

**Best interest standard for broker-dealers.** In most cases, VFA and its financial professionals will be serving in the capacity of a broker-dealer and will be subject to the “best interest standard” imposed by the SEC’s Regulation Best Interest. The best interest standard requires VFA and its financial professionals to place your interests ahead of their own when recommending securities transactions or investment strategies (including account recommendations), to exercise reasonable diligence, care, and skill to ensure that a recommendation is in your best interest, and to disclose and take steps to address conflicts of interest, among other things. We serve in the capacity of a broker-dealer when recommending the purchase or sale of securities, or recommending investment strategies (including recommending different types of accounts), for which we receive transaction-based compensation.

**Fiduciary standard for investment advisers.** When providing advisory services, VFA and its financial professionals are subject to a fiduciary standard under the federal securities laws governing investment advisers. This standard does not apply to VFA and its financial professionals when solely providing broker-dealer services. We provide advisory services only pursuant to investment advisory agreements, which may be with plan sponsors, plan participants, individuals, and other clients, depending on the circumstances. If we do not have an investment advisory agreement with you, or your plan sponsor if you are a plan participant, then we are not serving as an investment adviser for you.

**Additional standards.** When making securities and other recommendations, or providing plan services, VFA and its financial professionals may be subject to fiduciary or other standards imposed by other laws or requirements, such as:

- Federal laws applicable to certain plans, such as the Employee Income Retirement Security Act of 1974 (ERISA);
- State securities and insurance laws; and
- Third party standards, such as those of the Chartered Financial Planning (“CFP”) Board.

**If you are not sure of the capacity in which VFA or its financial professionals are acting, or the applicable standard of conduct, please ask your VFA financial professional.**

## **Item 6 - CONFLICTS OF INTEREST**

Generally, conflicts of interest can occur when there is a financial incentive that favors one recommendation over another, such as when greater compensation can be received for recommending a particular security or type of security or investment strategy, such as account recommendations, explicit hold recommendations, and recommendations to rollover or transfer assets.

### ***HOW WE ADDRESS THESE CONFLICTS***

We maintain policies and procedures designed to identify conflicts of interest and to ensure that VFA financial professionals make recommendations that are in your best interest in the context of the products and services offered by the Firm and your specific investment needs and objectives. As a part of these procedures, all product sale recommendations, including those involving a transfer, rollover, or Code section 1035 exchange, are reviewed by our Supervision department, the members of which do not receive any variable product-based compensation. Additionally, the Firm maintains robust programs for the 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.

The following are some specific conflicts that VFA has identified and that are addressed in VFA's ongoing sales, compliance, supervision, and related procedures.

#### ***Differences in compensation amount or structure:***

- Compensation grid: VFA compensates its financial professionals for much, but not all, of their activity through the use of a compensation grid. Under this grid, a financial professional with higher levels of product and service recommendations and sales can receive higher compensation from the next recommendation and sale that they make. (Your fees are not affected by the changes in compensation resulting from the different levels of the grid.) VFA uses a 52-week rolling grid, which is intended to reduce or eliminate many of the potential adverse incentives that such a grid can create by reducing the impact of any single recommendation and sale. Since not all activity is applied to the grid, this distinction can also create an incentive for the financial professional to make a recommendation and sale that is applied to the grid.
- Products or services that pay higher, or continuing compensation: VFA financial professionals can receive different amounts and types of compensation based on the product or service recommended. This can include:
  - Different types of compensation, including:
    - Salaries, bonuses, service-related compensation, solicitor compensation, compensation for referrals, and other types of in-plan compensation;
    - Commissions for in-plan or out-of-plan annuities, and out-of-plan mutual funds, which can include both initial and subsequent (or, trail) commissions; and
    - Asset-based compensation for investment advisory programs and/or to support ongoing servicing.
  - Higher compensation for one product than another product.
  - Reduced compensation based upon specific factors, such as fee breakpoints (including householding, where applicable), interest rate guarantees under the contract, and certain internal transactions.

Differences in compensation chargebacks if the account is surrendered early.

To see how we address these conflicts please see ***How We Address These Conflicts***.

#### ***Additional direct and indirect compensation***

- Incentive to establish a new account or service: Establishing a new account, including an account for a new client, often results in greater compensation to the financial professional than if the client instead added amounts to an existing account, especially if the financial professional receives little or no compensation from the existing account. Rollovers out of plans and into IRAs, and product replacements, are two common examples of this, as is the establishment of an advisory service or account.
- Conferences and additional compensation:
  - VFA maintains a program under which certain financial professionals are eligible to attend an annual education conference based on their achievement of certain levels of aggregate compensation from the sale of securities, insurance products, and advisory fees received from advisory accounts.

- Certain of the Firm's top earning financial professionals are designated as President's or Platinum President's Cabinet members and receive additional financial and non-financial benefits.
- Qualification for the Advisor Leadership Conference or the President's or Platinum President's Cabinet is based on total compensation as described above and is not based on any specific product or category of products. However, because eligibility for the conference and the President's or Platinum President's Cabinet is based on the financial professional's total compensation, financial professionals benefit more when clients purchase products or transfer assets to services or products that earn higher levels of compensation for the financial professional.

To see how we address these conflicts please see **How We Address These Conflicts**.

**Compensation to VFA and/or affiliates including for plan services, proprietary investments, and annuity product.**

- When providing services to employer-sponsored retirement plans or HRAs, VFA can offer affiliated products and recordkeeping platforms from VALIC, VRSCO, or another affiliate, and, in most cases, as specifically selected by the plan sponsor.
- When providing services to retail accounts, VFA offers affiliated annuity contracts, as well as both affiliated and unaffiliated mutual funds.
- In the case of retail mutual fund accounts, VFA caps the compensation paid to the representative in order to help mitigate any resulting conflict of interest. In those cases, VFA retains the remainder. Additionally, in certain cases, VFA and/or one or more of its affiliates will receive voluntary payments from fund sponsors and service providers that choose to participate in, and that are designed to defray the costs associated with, Firm-sponsored or VALIC-sponsored conferences, seminars, training or other educational events where such funds or other related services are discussed and that are attended by our employees or employees of our affiliates and/or plan sponsors and plan consultants.
- Other compensation from available products: Certain mutual funds pay revenue sharing and shareholder servicing fees. Some of these are effectively offset against the cost of the annuity contract (e.g., Portfolio Director) or of the plan fees (mutual fund platform). However, if they are retained by VFA, this represents additional compensation to the firm and can create a conflict of interest.
- VFA employs wholesalers who help financial professionals to understand the products they offer and sell to you. These wholesalers receive separate compensation on these products. These fees are not paid by VFA to the wholesalers or by you the client.

To see how we address these conflicts please see **How We Address These Conflicts**.

**Additional factors/limitations:**

- Available products: VFA financial professionals offer a specific set of products available to be recommended (generally referred to as its "product shelf"), generally annuities and mutual funds. The products are generally available through specific types of arrangements, including employer-sponsored plans, IRAs, after-tax accounts, and 529 Plans. In the case of plans and HRAs, typically, the employer will select the product/platform to be made available in the plan.
- Licensing: The range of products available to be recommended by a VFA financial professional can depend on that individual's licenses. For example, a financial professional who is not an Investment Advisory Representative ("IAR") cannot recommend an advisory program or product.

To see how we address these conflicts please see **How We Address These Conflicts**.

**Item 7 - SPONSORSHIP ACTIVITIES**

The Firm, from time to time, enters into agreements with, and pays compensation to, organizations that provide various services to plan sponsors. These organizations may sponsor and invite the Firm to participate in educational conferences and seminars for retirement plan participants who, through their retirement plan, have access to the Firm's advisory programs. Such organizations may in some instances endorse the Firm's advisory services including financial planning and Guided Portfolio Services ("GPS") or products, in mailings to participants or on their respective websites. These organizations may also otherwise provide the Firm with marketing opportunities. Any client referrals and endorsements from these organizations are in their discretion and are not a requirement of these sponsorship arrangements.

VALIC maintains ongoing relationships with various organizations and associations, including trade associations, unions, and other industry groups, to which VALIC makes sponsorship payments for marketing and advertising opportunities. These marketing and advertising opportunities may take the form of participation in leadership and recognition events, educational conferences, speaking opportunities, booth space and signage at membership conferences and similar events, and membership dinners. Such payments are typically flat fees (either one-time or recurring) and are not based on transactions or sales.

VALIC also has ongoing relationships with plan sponsors. As part of these ongoing relationships, VALIC may sponsor events and seminars for plan participants that provide education for plan participants, as well as marketing and advertising opportunities for VALIC. Such sponsorships may include providing occasional meals, entertainment, or nominal gifts to the extent permitted by FINRA rules.

These sponsorships may be considered endorsements of VALIC products, may result in additional annuity sales to plan participants, and may provide an incentive to these organizations, associations, and plan sponsors to promote the Firm's products and services.

*To see how we address these conflicts please see **How We Address These Conflicts**.*

### **Item 8 - OTHER DISCLOSURES**

Other disclosures that you may find important are included in other documents that we provide, including the following:

- Our Client Relationship Summary ("Form CRS"), which contains certain SEC-required information about us and our services;
- Our Form ADV Brochure ("Brochure"), which contains SEC-required information about our investment advisory services;
- Our Broker-Dealer Account Agreement that governs your brokerage relationship with us;
- The Investment Advisory Agreement that governs your investment advisory relationship with us;
- Prospectuses, other offering documents, and related materials provided in connection with purchases of securities and other investments; and
- Trade confirmations you will receive in connection with purchases and sales of securities.

Additionally, free and simple tools are available to research firms and financial professionals at [www.Investor.gov/CRS](http://www.Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

Please click on the available links above or call (866) 544-4968 to obtain a copy of the materials available to you.