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# VALIC Financial Advisors, Inc.

# GUIDE TO BROKERAGE SERVICES

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**This guide may be requested by contacting VFA at 866-544-4968 or it is also available free of charge on our website at www.corebridgefinancial.com/rs/client-relationship-summary/vfa-broker-dealer-brochure.**

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## Item 3 - Introduction

The VFA Guide to Brokerage Services ("Guide") provides important information about the products and services offered by VALIC Financial Advisors, Inc. ("VFA," "the Firm," "we," "our") through its financial professionals, so that you can choose the products and services that work best for you. This guide also provides important information about the standards of conduct, compensation received by the Firm and its financial professionals, conflicts of interest, 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 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 majority-owned subsidiary of American International Group, Inc. ("AIG"). VFA and VALIC, together with additional Corebridge Financial companies, are commonly referred to as and comprise Corebridge Financial (f/k/a AIG Retirement Services), our brand name.

## Item 4 - Services

VFA provides brokerage services to retail customers in a number of ways, depending on their individual circumstances and how they prefer to engage with us. VFA and its financial professionals primarily provide services to participants within employer-sponsored retirement plans, and to retail customers (collectively "Clients"). Outside of employer-sponsored plans, Client accounts can include individual accounts, joint accounts, trust accounts, IRAs, ROTH accounts, Solo 401(k), SEPP, SIMPLE, 529 plan accounts, UTMA, UGMA, and Health Reimbursement Arrangements ("HRAs"). We offer the following services:

- Broker-dealer services, such as recommendations of securities and insurance products, as well as recommendations of investment strategies (including the opening of different types of accounts), and trade execution; and
- Investment advisory services, consisting of one-time advice in the form of a financial or asset allocation plan, or of an advisory program providing ongoing management of your assets ("Advisory Services").

Please read further for more information about the firm's broker-dealer services and plan services. For more information about the VFA's Advisory Services, please see the Firm's Form ADV available at www.corebridgefinancial.com/rs/prospectus-and-reports/vfa-form-adv-materials.

### Broker-dealer Services

Broker-dealer services offered by VFA and its financial professionals include buying and selling securities and other products on a non-discretionary basis within a brokerage account. "Non-discretionary" means that 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. In exchange for our brokerage services, you pay a commission or other charge for each transaction[1]. You will be charged more (and we receive more revenue) when there are more trades in your account, and the firm therefore has an incentive to encourage you to trade often in a brokerage account. Other fees and expenses will apply to your brokerage account. For more information regarding VFA account fees, please visit www.corebridgefinancial.com/rs/client-relationship-summary/vfa-fee-schedules and/or review your brokerage account agreement.

Brokerage services also include 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 described above. A financial plan document will specify whether it is provided as a broker-dealer service or an advisory service.

Account Minimums. There is no minimum amount required to open or maintain a VFA brokerage account. However, product issuers may establish a minimum investment threshold. For example, variable annuities, 529 Plans, and mutual funds may impose minimum investment amounts. For information on applicable minimums, please consult the specific product's offering documents.

Monitoring Transactions. When VFA and its financial professionals make recommendations to you in a broker-dealer capacity, we evaluate your needs based on the information you provide to us and recommend products that are in your best interest. Once an initial recommendation is made, neither VFA nor its financial professionals monitor your investment nor offer monitoring as part of the firm's brokerage services. If you seek ongoing monitoring of your investments, please speak to your financial professional about investment advisory products and services. If your financial professional is not licensed to sell investment advisory products, he or she may refer you to another financial professional who is licensed to sell investment advisory products to you through VFA.

[1] Additional trail commissions or commissions for subsequent deposits will apply for certain products. Also, see Differences in compensation amount or structure in Item 8 in order to understand how these payments to financial professionals affect the compensation grid.

## Plan Services

Plan services offered by VFA and its financial professionals include administrative and educational 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. We provide plan services in conjunction with other services provided by our affiliates VALIC, VALIC Retirement Services Company ("VRSCO"), and/or VALIC Trust Company, Inc., either on a proprietary plan recordkeeping platform, or on a third-party's product or recordkeeping platform. As part of these plan 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 relating to their plans. Plan participants also can become VFA Clients and receive recommendations, inside or outside of the plan.

## Item 5 - Standard of Conduct

You should be aware of key differences between broker-dealer and investment adviser standards of conduct. For example, investment advisers are subject to a fiduciary duty and generally obligated to provide ongoing advice and monitoring, while broker-dealers are subject to no such duty under federal securities laws. Instead, broker-dealers must act in your best interest at the time a recommendation is made under the SEC's Regulation Best Interest ("Reg BI"), and are not required to monitor your account or transactions on an ongoing basis unless they have agreed to do so.

Capacity: When our financial professionals provide recommendations to you for your brokerage account, they are acting in the capacity as a broker-dealer with regard to the recommendation and are subject to Reg BI. Conversely, when they make recommendations for your advisory account, they are acting in the capacity of an investment adviser and are not subject to Reg BI.

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 retirement plans and IRAs (for example, the Employee Income Retirement Security Act of 1974 (ERISA) and the Internal Revenue Code), and state securities and insurance laws. Whether these standards apply will depend on the particular facts and circumstances. **Please ask your financial professional if you have any questions regarding these standards or the capacity in which your financial professional is acting.**

## Item 6 - Brokerage Recommendations

VFA financial professionals may recommend specific brokerage account types (e.g., brokerage, a 529 Plan, or other account types, as well as recommendations to rollover or transfer assets from one account to another), the purchase, sale, or retention of securities, and/or recommendations of certain investment strategies. Some securities and other products that we offer, such as mutual funds, HRAs, 529 Plans and variable annuities, and variable life insurance may be held in accounts/contracts at the product sponsor/issuer rather than in a VFA brokerage account.

VFA financial professionals will use a variety of factors in assessing what products or services are in your best interest such as your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance. It is your responsibility to furnish your financial professional with complete and current information regarding your personal and financial situation. Your financial professional will review the features and benefits of available products including performance, costs, and risks among other factors to determine that they are recommending a product in your best interest.

## Item 7 - Products Available For Brokerage Accounts

This section is intended to provide you with a general description of the various products that can recommended by our financial professionals for brokerage accounts. Before making any investment, you should evaluate whether the product is appropriate for your needs and financial situation, and your ability to take on risks.

As a reminder, while we will take appropriate care in developing and making recommendations to you, securities and investment products involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any offering documents for any security we recommend for a discussion of risks associated with the product.

## A. Mutual Funds

A mutual fund is a product that pools assets from many investors and invests the money in stocks, bonds, and other securities or assets in some combination. The holdings of the mutual fund are its "portfolio." Each share of the mutual fund represents an investor's proportionate ownership of the fund's portfolio holdings and the income those holdings may generate.

There is a wide variety of mutual funds, covering a range of strategies and risks, including stock, fixed income, balanced, multi-asset, and index funds. All mutual funds carry risk. Your investment will fluctuate in value. You can lose some or all of your money.

Before you invest, be sure to read the mutual fund's prospectus to learn about the product you're considering. The prospectus contains important information regarding the product's investment objectives, strategies, risks, charges, expenses and other matters significant to your investment choice. By clearly understanding the investment you're considering, you'll be better prepared to make a sound investment decision.

Fees & Costs: You should be aware that all mutual funds have internal costs that lower your investment returns. Many mutual fund families make a variety of share classes available. Different share classes of the same fund represent the same underlying investments, but are subject to different fees, including fees that support the sale and distribution of such share classes (including on-going fees, front-end sales charges, and deferred sales charges). Different share classes are also subject to different eligibility criteria (such as minimum investment amount or account type).

The following is a summary of share classes and fees associated with mutual fund purchases in a VFA brokerage account.

- **Class A Shares – Front-End Sales Charge** Class A Shares generally include a front-end sales charge (or load) that is included in the purchase price of the shares and is determined by the amount you invest. These loads generally range from 0% to 5.75% and are disclosed in the prospectus. The more you invest, the lower your purchase cost may be as a percentage of your investment. Many mutual fund families offer volume discounts known as "breakpoints," based on the amount of investment. Information regarding a mutual fund's breakpoints may be found in the prospectus. Class A shares usually have lower ongoing fees, such as annual marketing or distribution fees than Class C shares offered by the fund and therefore may be the less costly method to purchase mutual funds for long-term investors. In addition, certain investors may be entitled to a sales charge waiver based, for example, on the investor's account type.
- **Class C Shares – Contingent Deferred Sales Charge** Contingent deferred sales charges are sales charges that are applied when mutual fund shares are redeemed within a specified number of years (varies by prospectus). These charges generally range up to 1% for C shares. Contingent deferred sales charges can be reduced or eliminated based on how long the shares are held and as described in the prospectus. Class C shares include up to a 1% upfront commission and are subject to higher ongoing fees and expenses. Certain mutual funds allow for the conversion of C shares into lower cost A shares after a certain number of years, while other mutual funds do not. Refer to the prospectus of the relevant fund for this information or ask your financial professional.

It is important to read the prospectus and work with your financial professional to learn how a particular fund establishes eligibility for mutual fund sales charge reductions and waivers. A mutual fund's breakpoint schedule and waiver eligibility rules can be found in the fund's prospectus or Statement of Additional Information (SAI). If you believe you are eligible for a front-end sales charge waiver, please notify your financial professional.

A portion of the up-front commission as well as the ongoing trails (described above) is paid to your financial professional[2].

Before you invest, be sure to read the fund's prospectus. The prospectus contains important information regarding the product's investment objectives, strategies, risks, charges, expenses and other matters significant to your investment choice. By clearly understanding the investment you're considering, you'll be better prepared to make a sound investment decision. Mutual funds also charge investment management, shareholder servicing, fund accounting, and administration fees, all of which reduce investment performance. More information about these fees and expenses can be found in the fund's prospectus.

Material Limitations: The mutual funds available through VFA are limited and will change from time to time. The VFA mutual fund family list was developed after a qualitative review of mutual funds available and offered on the existing VFA platform. VFA seeks to include mutual funds and investment managers that provide a wide range of core and specialty investment categories to meet investor needs and engages a third-party service to assist in its selection process. VFA also considered investment managers familiar to participants invested in the Firm's group retirement plans. The resulting mutual fund family list represents a universe of industry leading investment managers that provide a wide range of investment products. Financial professionals can use the mutual fund family list to construct diversified portfolios that align with a spectrum of investor objectives and risk tolerance levels.

[2]The portion of any upfront load paid to your financial professional is capped at 4.25%. VFA retains any compensation above the 4.25% cap

**B. Variable Universal Life ("VUL") Insurance Policies**

VFA offers variable life insurance policies that include a range of underlying investment options held by the insurer in subaccounts. The value of a variable life policy at any given time depends on the performance of the options chosen within the subaccounts.

Fees & Costs: The expenses you pay for variable life insurance policies are described in the policy and, if applicable, prospectus. Common charges include state premium taxes, upfront sales loads to cover acquisition costs, surrender charges to recoup amortized expenses, cost of insurance charges, monthly administrative charges for policy maintenance, recordkeeping and accounting, and mortality and expense risk charges to offset unexpected mortality. Additionally, periodic fees such as loan interest charges, underlying fund investment management charges, transfer charges and optional rider charges may apply where applicable. All of these costs will lower your investment return. VFA receives an upfront commission rate of 90% of the first-year premium. A portion of the commission and trails received by VFA is paid to the financial professional (if applicable). [3]

You will also pay for expenses associated with the investment options within the policy. Before you invest, be sure to read the product's offering documents. The offering documents contain important information regarding the product's investment objectives, strategies, risks, charges, expenses, and other matters significant to your investment choice. By clearly understanding the investment you're considering, you'll be better prepared to make a sound investment decision.

We primarily recommend insurance products issued by other insurance companies that are not affiliates of VALIC and VFA.

Material Limitations: VFA works through an affiliate to identify the limited VUL products it offers. VFA only offers products that meet its affiliate's criteria. Only VULs from issuers that make on-going payments for distribution to our affiliate, are included in the VULs we offer.

**C. Variable Annuities**

Variable annuities accumulate funds or distribute income based on the performance of the underlying investment options chosen by the contract owner. Some of the features variable annuities may provide include guaranteed lifetime income, standard or enhanced guaranteed minimum death benefits, and/or tax deferral. A variable annuity offers a range of investment options. The investment options for a variable annuity are typically investment subaccounts of funds that invest in stocks, bonds, money market instruments or some combination of the three. The value of your variable annuity will depend on the performance of the investment options you choose.

Fees & Costs: Variable annuity product fees are collected by the insurance carrier. Common charges, which are deducted on a daily basis, include an administrative expense charge for allocating premiums and administering the contract's accumulation value; net portfolio operating expenses, which are subject to change and can be found in the prospectus, other categories of fees, including an annual maintenance fee, premium, tax charges, transfer charges, surrender charges, and optional rider charges. You will also pay for expenses associated with the investment options within the annuity contract. These fees and the purposes for which they are imposed are described in the prospectus for each product. All of these expenses will reduce your investment return.

VFA receives upfront commissions ranging from 2% to 7%, depending on the contract and contract version; some contracts also pay an ongoing trail. A portion of the commission and trails received by VFA is applied to the compensation grid (see Item 8 – Differences in Compensation Amount or Structure) and paid to the financial professional. Before you invest, be sure to read the product's prospectus. The prospectus contains important information regarding the product's investment objectives, strategies, risks, charges, expenses, and other matters significant to your investment choice. By clearly understanding the investment you're considering, you'll be better prepared to make a sound investment decision.

Material Limitations: We primarily recommend annuity products issued by VALIC and other insurance company affiliates of VALIC and VFA. However, VFA will recommend third-party products from our product shelf if there are no proprietary products that meet your stated needs and objectives, and it is in your best interest. For retirement plans that offer VALIC variable annuities, the plan sponsor and/or fiduciary, and not VFA, selects the investment options made available to participants.

[3] VFA gets paid based on the premium you pay for this product for years 1-10

## D. Fixed Income Securities

- **Brokered Certificates of Deposit ("Brokered CDs"):** A Brokered CD is a certificate of deposit issued by a bank that an investor purchases through a brokerage firm or financial professional rather than directly from a bank. VFA offers its customers the opportunity to choose from among a list of Brokered CD inventories. The Brokered CDs is an unsecured debt obligation of the issuing bank, and the safety of the investment is dependent on the credit and financial strength of the issuing bank. Brokered CDs offered by VFA are issued by FDIC-insured banks and have the benefit of FDIC insurance coverage up to applicable limits. FDIC coverage limits are based on the total holdings by the investor with the issuing bank and not just based on the Brokered CDs purchased through VFA. The issuing banks determine the terms of the Brokered CD (including maturity and stated interest rate/yield) and the amount of the sales credit paid to VFA (which sales credit is deducted from the interest rate/yield paid to the investors). You will receive and should carefully read the disclosure statement prepared by the issuing bank.

- **U.S. Treasuries ("US Treasuries"):** are issued by the U.S. Department of the Treasury on behalf of the federal government and are backed by the full faith and credit of the U.S. government. Types of US Treasury debt include Treasury Bills (short-term securities maturing in a few days to 52 weeks); U.S. Treasury Notes (longer-term securities maturing between 1 and 10 years); U.S Treasury Bonds (long-term securities that typically mature in 30 years and pay interest every 6 moths).

- **Agency Securities ("US Agency Securities"):** are issued by various types of direct U.S. government agencies or divisions such as the Government National Mortgage Association ("GNMA"), or by "government sponsored enterprises" ("GSEs"), such as Federal National Mortgage Association ("FNMA") and Federal Home Loan Mortgage Corporation ("FHLMC"), that are privately owned but were chartered by the U.S. government to perform certain public purposes. U.S. Agency Securities are not issued by, or obligations of, the U.S. Department of Treasury. GNMA obligations are backed by the full faith and credit of the U.S. government, but in the case of GSEs the level of backing, if any, by the credit of the U.S. government varies based on the issuer and the program under which the securities are issued. **Many GSEs provide detailed disclosure documents relating to their securities and investors should carefully review the disclosure documents before investing.**

- **Corporate Debt Securities ("Corporate Bonds"):** A Corporate Bond is an investment in debt issued by a company to help it fund its capital or liquidity needs. In most cases, corporate bonds are unsecured and repayment depends entirely on the payment ability of the company, which in turn depends on the future revenues and related economic conditions and contingencies of the issuing company. The issuing company establishes the terms of the bond, including its maturity, whether the bond will bear interest (and, if so the applicable interest rate) and whether and at what price the issuer and/or the investor will have rights of redemption prior to maturity. If an investor purchases a corporate bond when it is initially issued, the investor typically will receive, and should carefully review, the prospectus or other offering document prepared by the issuer. In the case of bonds issued by a publicly-traded U.S. company that are purchased on the secondary market, financial and other information concerning the issuer may be obtained at wwww.sec.gov/edgar/searchedgar/companysearch.

- **Municipal Debt Securities ("Muni Bonds"):** Muni Bonds are debt securities issued by states, cities, counties, and other governmental entities to finance capital projects or to fund day-to-day obligations. The two most prevalent types of municipal bonds are general obligation bonds, often called GO bonds, where the issuer pledges to repay investors from its sources of public funding (including, where applicable, taxes and appropriations), and revenue bonds which are backed by the revenue that a specific project is expected to generate (such as public highway tolls) or other identified source of revenue (such as collections from a particular tax). The issuer establishes the terms of the bond, including its maturity, whether the bond will bear interest (and, if so the applicable interest rate) and whether and at what price the issuer and/or the investor will have rights of redemption prior to maturity.

**Fixed Income Securities Fees & Costs:** Mark-ups and markdowns are a percentage of the price to us. In most cases, mark-ups and mark-downs are up to a maximum of 2%. Mark-up or Mark-down as quoted on a transaction by-transaction basis and will vary based on type of security, applicable maturity or other factors. The amount of the applicable mark-up or markdown, including information applicable to U.S. Treasury Bill and Note transactions, in many instances, is disclosed in the transaction confirmation provided to the customer.

**Note Regarding Mark-Ups and Mark-Downs:** When VFA buys a security from, or sells a security to you, in a principal capacity (including in a "riskless principal" capacity), VFA buys or sells the security directly from you, rather than acting as your agent to buy or sell the security from a third party (sometimes called "dealer transactions"), if we sell a security at a price higher than what we paid for it, we will earn a markup and if, instead, we buy a security from you at a price lower than what we sell it for, we will earn a markdown. When we act as riskless principal, we purchase a security from the issuer or the issuer's distributor on a principal basis for the sole purpose of filling an order that we have received from our customer.

### E. Securities Available for Purchase on an Unsolicited Basis

Financial professionals will not recommend the purchase of common stocks and exchange traded products ("ETPs"), though VFA generally will accommodate Clients who wish to include these securities in a brokerage account at VFA. However, in order to make and fund other investment choices, it is possible that a VFA financial professional will recommend that a Client sell common stocks and ETPs. You will pay us a transaction fee for each purchase or sale of these securities. Your financial professional is not compensated for the purchase or sale of individual stocks or ETPs, although the Firm does receive such compensation. Information about the costs to affect these unsolicited transactions are available at www.corebridgefinancial.com/rs/client-relationship-summary/vfa-fee-schedules.

### F. Non-Securities Insurance Products

The Firm's Registered Representatives, through our affiliated insurance agency, American General Insurance Agency, may also recommend certain non-securities products such as fixed annuities and life insurance. Fees and costs associated with these products are as follows:

- Immediate and deferred fixed annuities, and fixed indexed annuities, with upfront commission rates ranging from 0.5% to 5% depending on specific type; some contracts also pay an on-going trail. A portion of the commission as well as the ongoing trail is paid to the financial professional.
- Term and whole life insurance, and universal life ("UL") insurance, with associated upfront commission rates in an amount ranging from 28% to 105% of 1st year premium depending on specific type[4] , as well as commissions on renewals and commissions payable for excess insurance premiums. A portion of the commission and trails received by VFA is paid to the financial professional (if applicable).

For more information regarding non-securities insurance products, please carefully review your policy documentation.

## Item 8 - Conflicts of Interest

Generally, conflicts of interest 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, 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 variable annuities, VUL, and those involving a transfer, rollover, or tax-free transfers between "like-kind" annuity and insurance products, are reviewed by our Supervision department, the members of which do not receive any variable product-based compensation. Additionally, VFA 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 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.

[4]Term life compensation is 28% to 105% of 1st year premium with renewals, whole life compensation is 80% to 85% of 1st year premiums (including any excess premium payments) with renewals, UL compensation is 90-75% of 1st year premiums (including any excess premium payments) with renewals.

**Recommendations of Proprietary Products**

A variety of VFA's affiliates offer proprietary products that financial professionals can recommend to you. Although the level of compensation your financial professional receives will depend on the specific products or services you purchase (as discussed in more detail above), your financial professional does not receive greater compensation for the sale of a proprietary as opposed to a third-party product. Corebridge Financial as a whole, however, will receive greater compensation when you purchase proprietary products, as VFA affiliates collect a variety of fees from such proprietary products. These include fees for investment management, shareholder servicing, fund accounting, administration, and distribution. This creates an incentive for VFA as an organization, to encourage our financial professionals to recommend proprietary products. Also, as explained above, VFA offers the sale of annuities, including proprietary products and has an additional incentive to do so. Proprietary funds managed by a VFA affiliate are only included in the package of investment options offered to plan sponsors for inclusion in their retirement plans and in VFA affiliate proprietary variable annuities.

Examples of proprietary products and services include:

- When providing services to employer-sponsored retirement plans or HRAs, VFA can offer services associated with recordkeeping platforms from VALIC and VRSCO, and annuities and mutual funds sponsored and/or managed by affiliates, which are then selected by the plan sponsor.
- When providing services to retail accounts, VFA recommends proprietary mutual funds and annuities.
- In certain types of products, such as variable annuities, your financial professional may, in addition to recommending the product itself, also recommend the allocation to different investment portfolios within the product. In many variable annuities, VFA affiliates offer or manage at least some of the underlying investment options, which further increases compensation to VFA affiliates.

<u>Wholesaler Support:</u> VFA engages wholesalers, employed by VALIC, who help financial professionals understand the products they offer and sell to you. These wholesalers receive separate compensation on the sale of these products. This compensation is not paid by the Client, but rather by the product issuer which are primarily affiliates of VFA. These affiliated wholesalers are generally more accessible to our financial professionals than are wholesalers of third-party products, which may result in more frequent recommendations of proprietary products than third-party products.

**Differences in compensation amount or structure**

VFA compensates its financial professionals for much, but not all, of their activity through the use of a compensation grid. Under this grid, financial professionals whose overall sales activities exceed certain thresholds are entitled to receive increasing amounts of compensation. In other words, financial professionals increase their compensation when they generate more revenue for VFA (but not for VFA's affiliates). Additionally, your fees do not increase as a result of any changes in compensation resulting from the different levels of the grid. Since not all activity is applied to the grid, this distinction creates an incentive for the financial professional to make a recommendation and sale that is applied to the grid, effectively disincentivizing transactions in securities that are <u>not</u> applied to the grid.

The amount of compensation your financial professional receives will vary depending on the products or services you receive, and the amount you invest. This creates incentives to recommend some products over others, and generally to recommend that you invest greater amounts of your assets. For example, your financial professional will typically receive a greater commission on the sale of a variable annuity than on the sale of a mutual fund, which creates an incentive for your financial professional to recommend a variable annuity to you over a mutual fund.

Different types of products may also have different commission schedules, resulting in different commission rates payable to your financial professional over time. Payment schedules create a conflict because a financial professional recommending one product over another could receive higher initial commissions in the current year or higher earnings and trailing commissions or combination thereof depending on the product.

Examples of specific factors that may affect your financial professional's compensation include:

- Salaries, bonuses, service-related compensation, solicitor compensation, compensation for referrals, types of in-plan compensation.
- Commissions for in-plan or out-of-plan annuities, and out-of-plan mutual funds, including both initial and trail commissions.

- Asset-based compensation for investment advisory programs and/or to support ongoing servicing.
- Differences in compensation chargebacks if the annuity is surrendered early.
- 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.

Certain factors may also reduce compensation paid to financial professionals. As described above, many mutual fund families offer volume discounts known as “breakpoints,” which reduce the fees you pay to invest. Your financial professional’s commission will be lower if you take advantage of such breakpoints, and so your financial professional has a financial incentive to recommend that you spread your investment across multiple mutual funds families, even though spreading your assets in this way will result in your paying greater sales loads, which will lower investment performance. Information on available breakpoints for a mutual fund is available in its prospectus.

Financial professionals generally earn more commissions on investments in new variable annuities or VUL products than they would on additional investments to your existing annuities or VULs. This creates a conflict of interest because you will pay less fees when investing additional money through your current annuities or VULs than you would purchasing a new one.

Financial professionals also have an incentive to recommend that Clients surrender legacy annuity products with higher guaranteed minimum interest rates (“GMIR”) for new products with lower GMIR. This creates a conflict of interest because a higher guaranteed minimum interest rate increases the minimum interest paid to you on your annuity. However, your financial professional receives greater compensation for selling annuity products with lower guaranteed minimum interest rates.

In addition to being paid a commission when he or she sells products and services to you, your financial professional is eligible, based on sales activity, to receive bonuses, expense reimbursement, and recognition awards and to attend conferences. 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 from 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.

These bonuses and recognitions are not tied to the recommendation or sale of specific securities or specific types of securities and some states may prohibit or restrict your financial professional from receiving all or some of these benefits.

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

### Ongoing fees, Share class selection, Revenue sharing

### Retail Accounts

VFA has an incentive to limit its mutual fund share classes to those that pay VFA and its financial professionals commissions and ongoing fees, even though cheaper share classes of the mutual funds may be available. You should understand that a higher cost share class of a mutual fund will result in lower investment performance compared to a lower cost share class of the same fund.

Certain of the fees associated with different share classes, such as sales loads and ongoing marketing fees, are paid to VFA and shared with your financial professional. This creates an incentive for your financial professional to recommend to you a share class that results in higher payments to him or her, even if a cheaper share class is available to you. VFA seeks to address this conflict by capping the compensation paid to the financial professional at the point of sale.

VFA caps the compensation applied and paid to the financial professional’s compensation grid and paid for the sale of retail mutual funds in order to help mitigate the incentive to recommend one product over another. In those cases, VFA retains the remainder of any compensation over and above the cap. This creates a Firm conflict of interest. Moreover, different funds pay different amounts of revenue sharing and servicing fees, which provides an incentive for the Firm to recommend to retail Clients funds that generate higher payments than other funds on the platform.

### Conference Payments

Additionally, in certain cases, VFA and/or one or more of its affiliates will receive payments from fund sponsors, annuity providers including affiliate(s), 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 and/or plan sponsors and plan consultants.

### In-plan Accounts

Certain mutual funds (and sometimes their investment advisers) pay fees such as ongoing marketing fees, revenue sharing and shareholder servicing and sub-accounting fees. For most in-plan platforms, these payments effectively are offset against the cost of the annuity contract (e.g., Portfolio Director) or of the plan fees (mutual fund platform) or are credited to the plan or back to participant accounts. Where applicable, we address these conflicts by retaining all such payments at the Firm level to be distributed and credited as mentioned above and such payments are not shared with the financial professionals who are making the actual recommendations.

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

### Loads and Ongoing Fees

Loads and certain ongoing fees (e.g., sub accounting fees) paid to VFA vary from product to product. This differential compensation creates a conflict of interest because VFA has an incentive to promote and recommend products that generate more revenue for the Firm. VFA seeks to address this conflict by capping the compensation paid to the financial professional at the point of sale.

### Support Payments

VFA will receive marketing support, meeting support and/or wholesaling support payments ("Support Payments") from affiliated and third-party issuers/sponsors of variable annuity products and mutual funds in consideration of certain services provided by VFA, including, without limitation, access to VFA financial professionals. These payments will be made periodically and are based on the amount of VFA Client assets invested with the issuer/sponsor. Additionally, issuers/sponsors will make periodic payments based on new sales of the issuer's products in exchange for VFA providing certain wholesaling support services to VFA's financial professionals. These wholesaling services include, without limitation, product training, case consultation and product illustrations. The Support Payments received by VFA are paid by the issuer/sponsor and are not part of the fees paid by Clients who invest in the product. Your financial professional may be more knowledgeable and more likely to recommend to you products whose issuers/sponsors pay VFA Support Payments. While these payments provide an incentive for VFA to recommend certain products over others, we address this conflict by ensuring that financial professionals do not receive any portion of the Support Payments.

### Selection of NFS as Clearing and Custody Broker

For your brokerage account with VFA, VFA acts as the introducing broker and National Financial Services LLC ("NFS") acts as the clearing firm and custodian for your account. Although VFA is not affiliated with NFS, the firm receives certain benefits from its relationship with NFS. These benefits include receipt of revenue sharing payments from NFS, and receipt of a portion of fees paid for ancillary services incurred by Client actions and all net profits on trade errors.

VFA receives regular revenue sharing payments from NFS that derives from certain types of account transactions, positions, and assets in Client accounts held at NFS. The receipt of such compensation from NFS creates a conflict of interest for VFA because VFA has an economic incentive to use NFS as its clearing firm for trade execution and custody over other firms that do not or would not share such revenue with VFA, even if such other firms are otherwise more beneficial to customers.

VFA also receives an annual payment from NFS, in the form of a credit, for transferring Client accounts and/or Clients' cash and securities to the NFS platform, subject to certain terms and conditions. This credit is applicable to rollovers, distributions, and other Client contributions; it is exclusive of any increases or decreases in the value of securities or assets after conversion to the NFS platform. VFA is incentivized to transfer Clients' accounts and/or assets to the NFS platform as a result of the credit paid by NFS to the Firm, resulting in a conflict of interest for the Firm.

### Licensing

The range of products available to be recommended by a VFA financial professional depends on that individual's licenses. For example, some VFA financial professionals may be unable to recommend insurance products, individual securities or provide Advisory Services. Your financial professional may refer you to (or partner with) another financial professional to make available products that are in your best interest but that he or she is not able to offer.

**Item 9 - Sponsorship Activities**

The Firm and its affiliates from time to time enter into agreements with, and pay compensation to, various organizations and associations, including trade associations, unions, and other industry groups, that provide various services to plan sponsors and/or plan participants. These organizations may sponsor and invite the Firm and/or its affiliates to participate in, educational conferences and seminars for retirement plan participants. In some instances, these organizations may endorse and/or promote the Firm and/or its affiliates' products and/or services, and otherwise provide the Firm and/or its affiliates with marketing opportunities. Compensation paid by VFA or its affiliates to these organizations for marketing and advertising opportunities provide an incentive for the organizations to promote the Firm's and/or its affiliates' services and products and may result in the sale of additional annuity sales and advisory programs to plan participants.

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

**Item 10 - 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, 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, 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.