

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

Thank you for establishing an account or investment advisory relationship with a Kestra Financial, Inc. (“Kestra Financial”) company. Kestra Financial is the parent company of Kestra Investment Services, LLC, Kestra Advisory Services, LLC, Kestra Private Wealth Services LLC (formerly Washington Wealth Management, LLC) and Kestra Institutional Services, LLC (formerly NFP RIA Services, LLC). The information provided below applies to these Kestra Financial companies. Your financial advisor has associated with a Kestra Financial company as his/her broker-dealer and/or investment adviser, to provide you investment products and services. These privacy policies apply to clients who obtain or apply for a financial product or service, or have done so in the past, with any of the Kestra Financial companies referenced above. They do not apply to any outside business activity your financial advisor may engage in separate from our companies.

Please take a moment to read the following information regarding our privacy policies, which apply to all client relationships, including individual, corporate, and retirement plan clients. We also have provided disclosure information regarding select provider relationships, the public disclosure program of the Financial Industry Regulatory Authority (FINRA) and consolidated financial account reports. If you are a client who receives advisory services from one of our companies, information about material changes to Form ADV 2A of the applicable company, and how to obtain a current copy of this disclosure document, is also provided. Regulations require that we send this information to you on an annual basis. The following information is for the current year 2019.

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

<b>FACTS</b>	<b>WHAT WE DO WITH YOUR PERSONAL INFORMATION</b>
<b>WHY?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all information sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand our privacy policies.
<b>WHAT?</b>	The types of information we collect and share depend on the product or service we provide to you. This information can include: <ul style="list-style-type: none"> <li>▪ Name, address, Social Security number</li> <li>▪ Net worth, income, assets, account transactions and balances and medical information (for insurance products)</li> </ul>
<b>HOW?</b>	We need to share personal information to provide services to you and run our everyday business. In the section below, we list the reasons we may share your information with third parties and whether you can limit this sharing.

<b>Reasons we can share your personal information:</b>	<b>Do we share?</b>	<b>Can you limit sharing?</b>
<b>For our everyday business purposes</b> Such as to process and service transactions and account(s), respond to regulatory authorities, court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes</b> To offer our products and services to you	No	We do not share
<b>For joint marketing with other financial companies</b>	No	We do not share
<b>For our affiliates' everyday business purposes</b> Information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes</b> Information about your creditworthiness	No	We do not share
<b>For our affiliates to market to you</b>	No	We do not share
<b>For our non-affiliates to market to you</b>	No	We do not share
If the advisor servicing your account(s) leaves to join another financial institution, the advisor may retain copies of your personal information so that he or she can continue to serve you at their new firm. In the event of such a transition, your advisor should not share your information with a third party without your consent other than as necessary to continue to provide you services. <b>Please note:</b> Certain states require affirmative consent to allow sharing. See below for more on your rights under state law.	Yes	Yes
<b>In the event that an advisor terminates his or her relationship with a Kestra Financial company, and you want to follow your advisor to his or her new firm, please do not request to limit our sharing.</b>		

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

<b>To limit our sharing</b>	<ul style="list-style-type: none"> <li>▪ Call Kestra Financial at 737-443-2445</li> <li>▪ Mail your request to Kestra Financial               <ul style="list-style-type: none"> <li>◦ Attn: Privacy Officer, 5707 Southwest Parkway, Building 2, Ste. 400 Austin, TX 78735</li> </ul> </li> </ul> <p><b>Please note:</b> if you are a <i>new</i> customer, we can begin sharing your information from the date we provided you with this notice. When you are <i>no longer</i> our customer, we continue to share your information as described in this notice; however, you may contact us at any time to limit our sharing</p>
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## What We Do

<b>How we protect personal information?</b>	To protect your personal information from unauthorized access and use, we use commercially reasonable technical and physical security measures that comply with applicable law. When we share information with third parties, we hold parties to commercially reasonable standards of privacy protection. We have policies designed to ensure only those persons who need your information to perform their job have access to it. In addition, we maintain physical, electronic and procedural security measures that comply with applicable regulations to protect your information. We train our employees in the proper handling of personal information.
<b>How do we collect personal information?</b>	<p>We collect personal information, for example, when you</p> <ul style="list-style-type: none"> <li>▪ Open a brokerage account or engage us for investment advisory services</li> <li>▪ Purchase investment and insurance products or seek advice about your investments</li> <li>▪ Provide us information on applications, questionnaires, or other forms, websites or through discussions with our customer support staff or your financial advisor</li> </ul> <p>We also collect your personal information from others, such as affiliates or other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>▪ Sharing for affiliates' everyday business purposes – information about your creditworthiness</li> <li>▪ Affiliates from using your information to market to you</li> <li>▪ Sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. The Kestra Financial companies may utilize common information systems or databases to which employees of our affiliates may have access that could contain your information. However, such information will not be disclosed by a Kestra affiliate except as permitted by law.</p>

## Definitions

<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>▪ Our affiliates include Kestra Financial, Inc. and its subsidiaries.</li> </ul>
<b>Non-affiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>▪ We do not share with non-affiliates so they can market to you. For example, we will not sell names and addresses to marketing companies.</li> </ul>
<b>Joint Marketing</b>	<p>A formal agreement between non-affiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>▪ We do not joint market.</li> </ul>

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

If you live in an “opt-in” state, where we are required to obtain your affirmative consent to share your nonpublic personal information with nonaffiliated third parties who do not currently assist us in servicing your account or conducting our business, your advisor is required to obtain your consent before your advisor can take your information with him or her should your advisor leave our firm.

**California residents:** For accounts with a California mailing address, we will not share your personal information with a financial company for joint marketing purposes, except as required or permitted by law.

**Vermont residents:** For accounts with a Vermont mailing address, we will not share your creditworthiness information with our affiliates, except as required or permitted by law. For joint marketing with other financial companies, we will disclose only your name, contact information, and information about your transactions, unless otherwise required or permitted by law.

## **Review of Account Statements/Consolidated Financial Account Reports**

We have agreements with multiple sponsors of investment and insurance products, such as mutual funds, insurance carriers, and other companies with which you may have investments or that hold your assets. Our broker-dealer clears its brokerage business through a third-party custodian, National Financial Services, LLC (NFS). Our investment advisers conduct investment advisory business through third-party custodians, such as NFS and Charles Schwab & Company. Our financial advisors may provide you a consolidated financial account report or other summary of your accounts as a courtesy and for informational purposes. These reports could include assets that are not held by or through our firm and are not covered by the Securities Investor Protection Corporation (SIPC). You should always refer to your original statements from companies that maintain custody of your assets to confirm the amount and value of investments held by these companies. From time to time we or a third party auditor that we hired to meet our regulatory requirements, may contact you to verify assets held in custody by third-party custodians and sponsors of investment and insurance products. You should regularly review account statements you receive and contact your financial advisor or our firm immediately if you believe there are any discrepancies. You may also go to [www.FINRA.org](http://www.FINRA.org) or [www.sec.gov](http://www.sec.gov) for more consumer information. For more information about your accounts and statements please contact your financial advisor.

## **Other Business Services**

Our companies provide securities brokerage and investment advisory services. Some of our financial advisors provide other business services that are not related to or the responsibility of Kestra Financial. For example, a financial advisor of ours may also be a licensed CPA, attorney or other professional service provider. It is important to note that the Kestra Financial companies do not provide other professional services such as tax and legal advice.

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

## **Form ADV 2A - Material Changes and Offer**

Kestra Advisory Services, LLC (Kestra AS) and Kestra Private Wealth Services, LLC (Kestra PWS) credit back to your account an amount equal to the 12b-1 and service fees collected by our affiliated broker-dealer, Kestra Investment Services, LLC (Kestra IS), in connection with your advisory assets, with the exception of the 12b-1 fees generated through the default sweep money market mutual funds available on the NFS platform, which NFS remits to Kestra IS and Kestra IS retains.

On February 13, 2019, Kestra IS and the Financial Industry Regulatory Authority (FINRA) agreed to the terms of a Letter of Acceptance, Waiver and Consent in connection with Kestra IS's alleged failure to identify and apply available sales charge waivers to eligible retirement and charitable organization accounts in violation of NASD Rules 3010(a) and (b) and FINRA Rules 3110 (a) and (b) and 2010. Without admitting or denying the findings, Kestra IS agreed to accept a censure, pay a fine of \$225,000 and pay eligible customers an estimated \$1,947,704.

In February 2019, Kestra AS offered to consent to the entry of an order by the U.S. Securities and Exchange Commission related to the recommendation of mutual fund share classes generating compensation to Kestra AS's affiliated broker-dealer without adequate disclosure of such compensation and the additional expenses associated with the share classes in violation of Sections 206(2) and 207 of the Investment Advisers Act of 1940. Without admitting or denying the underlying findings, Kestra AS offered to accept a censure and pay eligible customers an estimated \$5,628,383.60 in disgorgement and \$567,895.75 in interest.

In February 2019, Kestra PWS offered to consent to the entry of an order by the U.S. Securities and Exchange Commission related to the recommendation of mutual fund share classes generating compensation to Kestra PWS's affiliated broker-dealer without adequate disclosure of such compensation and the additional expenses associated with the share classes in violation of Sections 206(2) and 207 of the Investment Advisers Act of 1940. Without admitting or denying the underlying findings, Kestra PWS offered to accept a censure and pay eligible customers an estimated \$502,703.66 in disgorgement and \$46,299.36 in interest.

To request a copy of a Form ADV 2A for your applicable investment adviser, please contact us at 737-443-2445.

## **Select Provider Relationships**

We make available hundreds of different mutual fund and variable insurance products to our financial advisors and customers. We also make available many retirement vehicles such as 401(k) and group variable annuity products, as well as alternative investment products such as limited partnerships, real estate investment trusts, and hedge fund products. Our financial advisors are free to choose what investment products they sell to customers from the many product offerings we approve. Because of the numerous investment and insurance alternatives available, our firm focuses on the sale of investment products of a select number of providers (Select Providers). Select Providers are given increased access to our financial advisors for the purpose of providing marketing, sales, education and product support.

Kestra Investment Services, LLC receives both financial and non-financial support from Select Providers. We receive more compensation for the sale of products of Select Providers than for the products of other providers we sell and thus have a financial incentive to sell the products of Select Providers. The amounts and forms of compensation we receive from Select

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

Providers vary based on a number of factors including level of past sales, prospective future sales and the types of service, education, support and access to distribution we provide. We receive one or more of the forms of compensation described below in connection with our arrangements with each Select Provider.

These payments are typically made from the resources of the investment adviser or distributor (or one of their affiliates) in the case of mutual fund Select Providers and from the resources of the insurance company (or its affiliate) in the case of variable annuities, group annuities, and variable life products. The payments typically are in addition to the sales charges, rule 12b-1 fees, redemption fees, deferred sales charges and other fees and charges you will find described in the prospectus fee tables or offering documents of the various investment products.

## **Mutual Funds and ETF's**

Select Providers of mutual funds and ETFs pay us or our affiliates either an amount of up to 0.06% on Assets Under Management (NQ) or fixed fees of up to \$350,000 annually to support and participate in various conferences and seminars conducted by us and our affiliate.

## **Variable Annuities**

Select Providers of variable annuities pay us or our affiliates an amount of up to 0.25% of the amount of our new sales of their products quarterly. Such providers may also pay us or our affiliates fixed fees of up to \$65,000 annually to support and participate in various conferences and seminars conducted by us and our affiliate.

## **Equity and Fixed Indexed Annuity Providers**

Select providers of equity index annuities pay us or our affiliates an amount of up to 0.15% based on gross new sales volume. Such providers may also pay us or our affiliates fixed fees of up to \$65,000 annually to support and participate in various conferences and seminars conducted by us and our affiliate.

## **Retirement Products**

Select Providers of 401(k), group variable annuity and other retirement products pay fixed fees for the benefit of us or our affiliate up to \$250,000 annually to support and participate in conferences and seminars.

## **Alternative Investments**

Select Providers of alternative investment products, including limited partnership, real estate investment trust (REIT), and hedge fund products, pay us or our affiliate an amount of up to 1.50% of new investments in such products. In addition, such providers pay us or our affiliate fixed fees of up to \$75,000 annually to support and participate in conferences and seminars. Select Providers of alternative investment products also pay us or our affiliate an initial fee of up to \$5,000 and an annual fee of up to \$1,500 to support the due diligence efforts of us or our affiliate related to such products and providers.

## **Variable Life Insurance**

Select Providers of variable life insurance products may pay us or our affiliates wholesale overrides in an amount of up to approximately 31% of first year target premium and an amount of up to approximately 4% of any renewal premiums. Select Providers of variable life products also pay us or our affiliates up to \$45,000 annually to support

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

various workshops and meetings, to support development of account management tools and other technology and to support our due diligence efforts. In the case of variable life insurance products, Select Providers provide a variety of policy and underwriting support services to Kestra IS, our affiliates and our financial advisors. We may pay our financial advisors a higher percentage of compensation for sales of Select Provider variable life insurance products than for other such products we sell.

Our Select Provider Relationship information may change from time to time and be updated periodically. Please refer to our web site at <https://www.kestrafinancial.com/disclosures/company-information> for additional information.

## Select Provider List

The following is a list of our Select Providers as of April 1, 2019.

**Select Mutual Fund Providers:** American Funds, BlackRock, Deutsche Asset Management, Fidelity Investments, John Hancock, Lord Abbott, Nuveen, Oppenheimer Funds, PIMCO, Principal Funds and Putnam Investments.

**Select Variable Life Providers:** AIG / American General, AXA Financial, John Hancock Life, Lincoln Financial, Nationwide, Pacific Life, Penn Mutual, Principal Financial, Protective and Prudential.

**Select Variable Annuity Providers:** AIG, Allianz, AXA, Brighthouse Financial, CUNA Mutual Group, Global Atlantic/Forethought, Great West, Jackson National, Lincoln Financial Group, Nationwide, Ohio National, Pacific Life, Protective Life, Prudential, Sammons Financial Network, Securian Financial Group and Transamerica.

**Select Fixed Indexed Annuity Providers:** AIG, Allianz, American Equity, Athene, Global Atlantic, Great American, Lincoln Financial Group, Midland National Life, MN Life, Pacific Life, Principal, Protective

**Select Retirement Plan Service Providers:** American Funds, Fidelity, Nationwide, Principal Life Insurance Co., Securian Financial, Transamerica Financial Life Insurance Co, and Voya.

**Select Alternative Investment Providers:** Black Creek Group, Blackstone, CAIS, Central Park Group, CION Securities LLC, CIM Group, Deutsche Asset Management, FS Investments, Griffin Capital, Hines, LaSalle Investment Management, Partners Group, Resource Real Estate, SkyBridge Capital, and Strategic Storage.

**Select ETF Providers:** Pimco, First Trust Portfolios L.P., and John Hancock.

## Reminder

You should always keep your financial advisor informed of any changes to your investment objectives or financial circumstances. Please call your financial advisor to discuss any such changes. If you do not have a financial advisor for your account or if your financial advisor is no longer associated with a Kestra Financial company, please contact our home office at 737-443-2445.

# Privacy Policy and Disclosures

Kestra Investment Services, LLC | Kestra Advisory Services, LLC | Kestra Institutional Services, LLC | Kestra Private Wealth Services, LLC

For additional information regarding fees and compensation, you should refer to the prospectus and statement of additional information applicable to your investment.

If you have any questions or concerns regarding your account, please feel free to contact your financial advisor or our offices at 737-443-2445

## **FINRA Public Disclosure Program**

The FINRA Regulation Public Disclosure Program publishes an investor brochure that contains additional information about Kestra Investment Services, LLC and is available by contacting:

The FINRA Regulation Public Disclosure Program

P.O. Box 9401

Gaithersburg, Maryland

20898-9401

Telephone: 800.289.9999

Fax: 301.212.8137

FINRA Website address: [www.FINRA.org](http://www.FINRA.org)

If you have any questions or concerns regarding your account, please feel free to contact your financial advisor or our offices at 737-443-2445