

# CONFLICT AND COMPENSATION DISCLOSURE FOR INVESTORS



## Introduction

Valmark Financial Group, LLC; through its affiliated companies, Valmark Securities, Inc.; Valmark Advisers, Inc.; and, Executive Insurance Agency, Inc.; (“Valmark”) offers investors a wide variety of financial products and services, including asset management, stocks and bonds, mutual funds, variable and fixed annuities, group annuities, life settlements, and variable and fixed life insurance.

Valmark’s Financial Professionals use certain of these financial products and services, discussed below, when making appropriate financial recommendations to you, as an investor, based upon your financial goals and objectives in conjunction with your tolerance for taking financial risk.

When we make an investment recommendation to you, an investor, we have conflicts of interest. Some of the conflicts are material conflicts. A “material conflict of interest” exists when we, Valmark or your Financial Professional, have a financial interest that a reasonable person would conclude could affect the exercise of our best judgment as a fiduciary in rendering advice to you.

## Compensation

Valmark endeavors at all times to put the interests of its clients first. You should be aware, however, that Valmark’s receipt of economic benefits from you, or from third parties, creates conflicts of interest. These conflicts of interest are inherent in the nature of our relationship because we are compensated, both directly and indirectly, for providing financial advice to you. We do not get paid unless you agree to follow our recommended course of action. Therefore, it is critical for you to understand our material conflicts of interest and how we are compensated for providing you with financial advice.

## Investment Advisory

Valmark offers a full menu of investment advisory services to both corporations and individuals. Individual advisory services are available through a variety of platforms, including a number of wrap-fee programs, as well as those offered by certain Third-Party Money Managers and Valmark’s own portfolio management programs. In exchange for the advisory services provided by Valmark and your account custodian, you and your Investment Advisor Representative agree on an annual fee which is set as a percentage of the total assets held in your advisory account. Your Financial Professional receives a percentage of the fees you pay Valmark. Further explanation regarding the fees associated with Valmark’s advisory accounts are provided in the Investment Advisory Agreement that each Client signs, as well as the Valmark Advisers, Inc. Form ADV Part 2A Firm Brochure and Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure. See: [Valmark Advisers, Inc. Form ADV Part 2A Firm Brochure](#) and [Valmark Advisers, Inc. Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure](#).

## Variable Annuities

When you purchase a variable annuity from Valmark the insurance company pays Valmark a commission at the time you make your investment and, thereafter, ongoing service fees or trail commissions. Your Financial Professional receives a percentage of the commissions the insurance company pays Valmark. Your Financial Professional will have a choice as to how they receive these commissions - either an upfront lump sum commission and asset-based trail commissions paid quarterly during the years your contract remains in force, or a slightly-reduced upfront lump sum commission and higher asset-based trail commissions paid during the years your contract remains in force. The service fees or trail commissions are composed of fees and charges imposed under your variable annuity contract, and other sources. The structure your Financial Professional selects to receive their commission does not impact your annuity contract expenses. Variable annuity commissions Valmark receives do not exceed 7.5% of the premium invested.

If you liquidate, surrender or withdraw all or a portion of your annuity within a certain time period, you may be subject to a contingent deferred sales charge (“CDSC”). If you surrender your variable annuity before the age of 59½, some or all of the surrendered value may be subject to a 10% penalty under the Internal Revenue Code. In addition to sales charges, variable annuities have ongoing operating expenses that reduce your investment returns. These expenses include insurance benefit fees, administrative fees, distribution and marketing fees, investment management fees and securities transaction fees.

# CONFLICT AND COMPENSATION DISCLOSURE FOR INVESTORS



There may also be an additional ongoing expense to add an optional benefit to the contract through a contract rider, such as an income benefit or an enhanced death benefit. Additionally, certain insurance companies pay Valmark additional amounts known as revenue sharing. Please see, Special Compensation Arrangements section immediately below for additional information. Additional information, including details on the expenses associated with your variable annuity are included in the prospectus, annuity contract, statement of additional information, and other offering materials you will receive in connection with your variable annuity purchase.

## Special Compensation Arrangements with Certain Variable Annuity Providers

Valmark contracts with and maintains special compensation relationships with a variety of variable annuity providers. These compensation relationships may be termed “revenue sharing”, “special compensation”, “marketing allowances”, or “due diligence compensation.” Valmark, in exchange for such payments, performs various services and assistance in many forms for these annuity providers, including providing access to our Financial Professionals for purposes of product acknowledgement, training, education, and marketing, as well as performing product and program reviews and assessments.

In addition, “override” compensation is paid to Valmark by some of these variable annuity providers. Override compensation is based upon such factors as aggregate policy premiums paid to a provider from sales by Valmark’s Financial Professionals as well as aggregate assets placed under financial management from Financial Professionals’ sales. The amount of this compensation varies among products and carriers. See Independent Insurance Marketing Organization Membership below for additional information.

Such revenue sharing, special compensation, marketing allowance, due diligence compensation or override compensation is paid out of the provider/carrier company’s assets to Valmark. The benefits to the providers are that sales representatives may be more prepared to concentrate on these products when making recommendations to clients. Before choosing a product, clients should read the product prospectus in order to make a well-informed investment decision.

While special compensation agreements with each provider vary, the amount is generally a percentage of first year policy premiums placed with that variable annuity provider by Valmark and is no more than .25% (.0025) of those first-year premiums. Such payments are in addition to any commission; therefore, incentives may exist to sell select providers’ products. Because Valmark does not pay its Financial Professionals any portion of the special compensation monies, we do not believe that our Financial Professionals are subject to a conflict of interest when recommending a select provider’s product.

Valmark has a special compensation arrangement with the following variable annuity providers:

- Equitable
- Jackson National
- Lincoln Financial
- BrightHouse Financial
- Nationwide
- Securian Financial

## Fixed Indexed Annuities

When you purchase a fixed indexed annuity from Valmark, the insurance company pays Valmark a commission, not exceeding 6.5%, at the time you make your investment and, thereafter, ongoing service fees or trail commissions. Your Financial Professional receives a percentage of the commissions the insurance company pays Valmark.

The service fees or trail commissions are composed of fees and charges imposed under your annuity contract, and other sources. Additional costs associated with your fixed indexed annuity take the form of early surrender fees and the limitation of your potential returns through a participation rate, interest rate cap, investment spread, or an asset or administrative fee. Additional information, including details on the expenses associated with your fixed indexed annuity, are included in the annuity contract and other offering materials you will receive in connection with your fixed indexed annuity purchase.

# CONFLICT AND COMPENSATION DISCLOSURE FOR INVESTORS



Valmark has a special compensation arrangement with the following fixed indexed annuity providers:

- Jackson National
- BrightHouse Financial
- Nationwide
- Securian Financial

## Single Premium Immediate Annuities

When you purchase a single premium immediate annuity, the insurance company pays Valmark a commission, not exceeding 4%, at the time you pay the premium. Your Financial Professional receives a percentage of the commissions the insurance company pays Valmark. Typically, you do not pay any sales charges or annual operating expenses when you purchase a deferred income annuity. The insurance company considers all its costs, including commissions, when determining the amount of the payments you will receive. Other factors that determine the amount of the payments you will receive include, but are not limited to, your age, your gender and the length of time you want the payments to last.

Valmark does not maintain special compensation relationships with any Single Premium Immediate Annuity product providers.

## Deferred Income Annuities

When you purchase a deferred income annuity, the insurance company pays Valmark a commission, not exceeding 5%, at the time you pay the premium. Your Financial Professional receives a percentage of the commissions the insurance company pays Valmark. Typically, you do not pay any sales charges or annual operating expenses when you purchase a deferred income annuity. The insurance company considers all its costs, including commissions, when determining the amount of the payments you will receive. Other factors that determine the amount of the payments you will receive include, but are not limited to, your age, your gender, when you want your payments to begin and the length of time you want the payments to last.

Valmark does not maintain special compensation relationships with any Deferred Income Annuity product providers.

## Fixed Deferred Annuities

When you purchase a fixed deferred annuity from Valmark the insurance company pays Valmark a commission, not exceeding 7.5%, at the time you pay your premium, and for most contracts, at the time of any subsequent renewal. Your Financial Professional receives a percentage of the commissions the insurance company pays Valmark. The commission is not deducted from your initial premium or renewal amount, and there are no explicit annual operating expenses associated with your fixed annuity. The insurance company considers all its costs, including commissions, when determining the interest rate you earn on your premium.

Valmark has a special compensation arrangement with the following fixed indexed annuity providers:

- Jackson National
- Securian Financial

## Variable Life Insurance

When you purchase a variable life insurance policy from Valmark the insurance company pays Valmark a commission of up to 126% of the first year target premium, up to 5% on the premium in excess of the target premium and, thereafter, ongoing renewal fees or trail commissions. Your Financial Professional receives a percentage of the commissions the insurance company pays Valmark. Your Financial Professional will have a choice as to how they receive these commissions - either an upfront lump sum commission and asset-based trail commissions paid quarterly during the years your contract remains in force, or a slightly-reduced upfront lump sum commission and higher asset-based trail commissions paid during the years your contract remains in force. The service fees or trail commissions are composed of fees and charges imposed under your variable life

# CONFLICT AND COMPENSATION DISCLOSURE FOR INVESTORS

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insurance contract, and other sources. The structure your Financial Professional selects to receive their commission does not impact your life insurance contract expenses.

If you liquidate, surrender or withdraw all or a portion of your policy cash value within a certain time period, you may be subject to surrender fees. In addition to sales charges, variable life insurance contracts have ongoing operating expenses that reduce your investment returns. These expenses include cost of insurance, administrative fees, mortality and expense fees, investment management fees and securities transaction fees.

There may also be an additional ongoing expense to add an optional benefit to the contract through a contract rider, such as long-term care, chronic illness, disability waiver of premium or expense, high early cash value, child term or spousal term. Additional information, including details on the expenses associated with your variable life insurance are included in the prospectus, life insurance contract, statement of additional information, and other offering materials you will receive in connection with your variable life insurance purchase.

## Fixed Life Insurance

When you purchase a fixed life insurance policy from Valmark, the insurance company pays Valmark a commission, not exceeding 150% of the first-year target premium, up to 5% on the premium in excess of the target premium and thereafter, ongoing service fees or trail commissions. Your Financial Professional receives a percentage of the commissions the insurance company pays Valmark.

The service fees or trail commissions are composed of fees and charges imposed under your life insurance contract, and other sources. Additional costs associated with your fixed life insurance take the form of early surrender fees and the limitation of your potential returns through a participation rate, interest rate cap, investment spread, or an asset or administrative fee in the case of an index universal life contract, the current credited interest rate in the case of a universal life policy, or the declared dividend rate in the case of a whole life contract. Additional information, including details on the expenses associated with your fixed or indexed life insurance policy, are included in the contract and other offering materials you will receive in connection with your fixed life insurance purchase.

Valmark receives the following bonus on fixed and variable life insurance:

- Lincoln – 1.5% annual bonus on fixed and variable life products based on total production. Term and COLI do not count towards the calculation.
- Lincoln – 2% quarterly bonus on Variable Universal Life premium

## Mutual Funds

A mutual fund company pays Valmark a commission at the time you make your investment and also ongoing service fees. Your Financial Professional receives a percentage of the commission and fees the mutual fund company pays Valmark. The service fees are composed of 12b-1 fees or annual distribution fees that you pay to the mutual fund company. Most mutual funds carry a direct or indirect sales charge that you pay to the mutual fund company either at the time the shares are purchased (front-end charges) or on a regular basis for as long as you hold the fund (deferred sales charges). Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels; such reduced charges are known as breakpoint discounts. Please see your mutual fund prospectus regarding your eligibility to receive breakpoint discounts.

## A Shares

When you purchase an A share class of mutual funds, you typically pay a front-end sales charge, called a load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule.

At a certain level, typically \$1 million, you may stop paying sales charges. Annual operating expenses for class A shares are generally lower than those of class C shares.

# CONFLICT AND COMPENSATION DISCLOSURE FOR INVESTORS

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## C Shares

When you purchase a C share class of mutual funds, you are normally not charged a sales charge at the time of your purchase or a contingent deferred sales charge ("CDSC") unless you sell shares within a short period of time, usually one year. The operating expenses of Class C shares are usually higher than those of class A shares and Class C shares do not offer breakpoint discounts.

Valmark does not charge commissions or fees with respect to the liquidation of mutual fund investments nor do we share in any CDSC assessed by the mutual fund management company or distributor. All mutual funds carry built-in operating expenses that affect the fund's return. Examples include investment management fees, distribution and marketing fees (called 12b-1 fees or annual distribution fees) and mutual fund transaction fees. Details on the operating expenses are included in each fund's prospectus or offering document.

Valmark does not maintain special compensation relationships with any Mutual Fund providers.

## Qualified Plans

### Advisory Qualified Plans

Valmark provides retirement plan advisory services to sponsors of participant account directed plans covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). There is no plan size minimum; however, plans typically are \$500,000 or greater. Open architecture retirement plan services are provided in conjunction with an administration and recordkeeping service provider and generally a broker-dealer or investment advisory firm. The Plan Sponsor enters into both (i) an investment advisory agreement with Valmark, and (ii) separate services agreement(s) with each service provider, e.g. administrative, recordkeeping, third-party money manager. Valmark discloses detailed information regarding its fees, services and fiduciary status to plan sponsors when the investment advisory agreement is completed. Your Financial Professional receives a percentage of the investment advisory fees paid to Valmark.

### Broker-Sold Qualified Plans

Valmark also provides commission-based broker-sold retirement plans to sponsors of participant account directed plans covered by the ERISA. These plans are similar to advisory sold plans discussed above. The primary difference is that Valmark's compensation is included in the underlying mutual funds' expense ratios and is paid, usually, on a quarterly basis. Expense ratios will vary and depend on the investments selected for the plan and participant allocations. Expense ratios will also vary depending upon share class selected by the plan administrator. Please see your mutual fund prospectus and your plan documents regarding the exact fees you pay.

Valmark does not maintain special compensation relationships related to any commission-based broker-sold retirement plans.

## Stocks and Bonds

When you purchase or sell a stock or bond in your brokerage account, Valmark acts as an agent on the transaction. In a stock transaction, you will pay a commission of up to 5% of the dollar amount of the transaction. In addition to this commission, our clearing firm, Pershing, will generally charge you a transaction fee or ticket charge as well. When you purchase or sell a bond, you will be charged a commission of up to 3% of the dollar amount when you buy and up to .75% of the dollar amount when you sell your bond.

## Sponsorship of Valmark's Annual Financial Professional Educational Session

Valmark conducts an annual educational session for its Financial Professionals. The session is designed to satisfy the regulatory requirements for continuing education and anti-money laundering training, and to provide our representatives with a variety of professional development opportunities to further their industry knowledge and investment product and service awareness.

# CONFLICT AND COMPENSATION DISCLOSURE FOR INVESTORS

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To assist Valmark in the cost of conducting the educational session, some companies whose products Valmark's Financial Professionals sell provide sponsorship money in order to have time to present their products. These payments, which range from \$10,000 to \$75,000, are made directly to Valmark and are not paid to any of our Financial Professionals. In exchange for sponsorship money, Valmark permits these companies to attend the educational session and, upon request, aid in hosting marketing events.

The increased marketing and education provided by sponsor companies, however, creates heightened awareness among our Financial Professionals of these companies' products. Your Financial Professional may be more likely to concentrate on these products when making recommendations to you. Before choosing a particular product, you should read the product prospectus in order to make a well-informed investment decision.

Because Valmark does not pay its Financial Professionals any portion of the sponsorship monies we do not believe that our Financial Professionals are subject to a conflict of interest when recommending a product of a sponsor company.

Companies who sponsored Valmark's 2020 Annual Financial Professional Educational Session included:

## 2020 Program Sponsors

- AdvicePay
- Blackrock
- Charles Schwab
- DWS (Formerly Deutsche)
- eMoney
- Empower Retirement
- Equitable
- Flexshares
- Jackson National
- John Hancock
- Lincoln Financial
- Nationwide
- New York Life
- Principal
- Principal Retirement
- Protective
- Prudential
- Red Tail
- Riskalyze
- Securian
- State Street Global Advisors
- Symetra
- Van Eck Securities
- Vanguard

## Valmark Advice to Certain Variable Insurance Trusts

Valmark, through its affiliate Valmark Advisers, Inc., serves as advisor to the TOPS® ETF Variable Insurance Trust funds within the Northern Lights Variable Trust ("NLVT"). NLVT is an independent variable trust consisting of funds managed by multiple different advisors. Valmark's role in advising the variable trust ETF portfolios involves full portfolio management and assistance in marketing and/or servicing client relationships. For these services, Valmark is paid compensation equal to .1% (0.001) of the assets within each fund. Valmark Financial Professionals may recommend to an investor an insurance product that offers the TOPS® ETF Variable Insurance Trust funds as investment options. In such situations, Valmark will receive compensation greater than assets placed in funds not advised by Valmark which may create a conflict of interest. Please reference the fund prospectus(es) for additional information. Insurance companies for whom Valmark provides variable trust advisory services include:

# CONFLICT AND COMPENSATION DISCLOSURE FOR INVESTORS

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CUNA Mutual (CMFG Life Insurance)

Forethought

Jefferson National Life Insurance

Kansas City Life Insurance

Lincoln

Minnesota Life Insurance

Nationwide Life Insurance

New York Life Insurance

Ohio National Life Insurance/Natl Sec. Life

One America (AUL American)

Principal Life Insurance

Protective

Pruco Life Insurance

Western & Southern (Integrity)

## Receipt of Soft Dollars

Valmark does not make it a practice to accept or participate in formal soft dollar benefits if offered by brokerage firms. However, certain research, trading software and related systems support is available to Valmark from its three custodial firms – Charles Schwab, Pershing and TD Ameritrade. These custodial firms may also provide Valmark with other services intended to help Valmark manage and further develop its business enterprise. These services may include general consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, marketing, and back office support. These services may indirectly benefit Valmark, but not its clients directly. In fulfilling its duties to its clients, Valmark endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Valmark's receipt of economic benefits from a custodial firm creates a conflict of interest since these benefits may influence Valmark's choice of custodian over another custodian that does not furnish similar software, systems support, or services.

## Independent Insurance Marketing Organization Membership

Valmark, through its affiliate Executive Insurance Agency, is a member of Libra Insurance Partners, LLC ("Libra"), an independent insurance marketing organization ("IMO") made up of made of up brokerage general agencies and insurance carriers. IMOs provide brokerage general agencies an opportunity to earn a higher proportional share of commission revenue and certain additional override compensation from the sale of certain insurance products through greater negotiating strength, while at the same time generating efficiencies and economies of scale to their practices. The higher commission rates and potential for override compensation offered by Libra partner insurance carriers could increase the likelihood of your Financial Professional recommending the products of Libra partner carriers in lieu of the products of carriers not participating in the IMO.

## Outside Business Activities

Valmark Financial Professionals may engage in certain Valmark-approved business activities other than providing brokerage, advisory or insurance services through Valmark. For example, a Valmark Financial Professional could also be an accountant, a lawyer or a real estate agent in addition to their Valmark-related activities. Additionally, a Valmark Financial Professional could provide advisory services through an independent, unaffiliated investment advisory firm or sell insurance through an agency not affiliated with Valmark. In certain instances, by using a non-Valmark advisory or insurance entity, Financial Professionals could receive greater compensation than they would have by using Valmark.

## Minority Ownership of Valmark Financial Group

Securian Ventures, Inc. an affiliate of Minnesota Life Insurance Company, owns a minority interest in Valmark Financial Group, LLC and appoints individuals to serve on its Board Managers. Valmark offers retail clients financial products sponsored by Minnesota Life and its affiliated companies.