

# Regulation Best Interest Disclosure: IRA Rollovers, Transfers, and Account Conversions



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This document is designed to give you a better understanding of how TD Ameritrade, Inc. (referred to in this document as TD Ameritrade, we, our or us), a **broker-dealer**, works with retail clients like you. TD Ameritrade is a wholly-owned subsidiary of The Charles Schwab Corporation (Schwab).

When we provide you with a recommendation as your **broker-dealer** or act as your **investment advisor**, we have to act in your best interest and not put our interest ahead of yours.

When we recommend that you buy, sell, or hold securities; pursue a particular investment strategy; or open up a **brokerage** or IRA account at Schwab, we are acting as a **broker-dealer**, and our Financial Consultants and other representatives are acting as associated persons of the **broker-dealer**. It is important that you understand that when we act in this **broker-dealer** capacity, we do not monitor your account or investments in your account, nor do we update recommendations we have made to you.

Apart from the services we provide for your **brokerage** account, we can also act as an investment advisor. You will know we are acting as an investment advisor because it is a distinct service that you select, and you will receive a special written disclosure. And often, you will enter into a separate agreement with us to receive that service.

When we provide investment advice to you regarding your **retirement** plan account or individual **retirement** account, we are fiduciaries within the meaning of Title I of the Employee **Retirement** Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing **retirement** accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

## Understanding Our Services and Conflicts of Interest

We offer both **brokerage** and **investment advisory** services to retail investors.

Our Retail **brokerage** services focus on buying and selling securities for retail investors as their agent. (Our Institutional **brokerage** services are provided to retail investor clients of independent registered investment advisors [RIAs] and are not addressed here.)

- Most retail clients use us on an online, self-directed basis.
- We also have a large retail branch office network staffed with financial professionals to service you.
- We have no minimum account funding or maintenance size, but we may close accounts that are unfunded or dormant.
- We do not monitor our clients' investments.

Our retail **brokerage** services may include recommendations to you as to:

- Fixed income (for more details refer to [tdameritrade.com/regbifixedincome](https://tdameritrade.com/regbifixedincome)).
- IRA **rollovers** from defined contribution plans such as 401(k)s and 403(b)s.
- IRA transfers from another custodian.
- The Advisor Direct (AD) independent RIA referral service from our TD Ameritrade Institutional (TDAI) division.
- The Investment Management services of our affiliated RIA, TD Ameritrade Investment Management, LLC (TDAIM).

We generally don't recommend trades in specific securities or funds to you. But our Fixed Income Sales Team does make recommendations as to specific fixed income securities or vehicles and as to fixed income investment strategies, such as bond ladders.

We offer **investment advisory services** through our affiliated RIA, TD Ameritrade Investment Management LLC (TDAIM). Our principal **investment advisory** services are managed portfolios for long-term investors known as Selective Portfolios and Personalized Portfolios. They are provided on a discretionary basis involving continuous management of client accounts, with periodic reviews and rebalances and optional tax-loss harvesting. TDAIM's services use its affiliate Charles Schwab Investment Management, Inc. (CSIM) to provide consulting, which will include recommending asset allocations and specific funds.

The Selective Portfolios minimum initial investment amount is \$25,000. The Personalized Portfolios minimum investment amount is \$250,000.

Our advisory services as a dual registrant are provided by our TDAI division through AD. TDAI's advisory services are nondiscretionary, so you make the ultimate decision. The AD independent RIA referral service is conducted through our retail branch financial consultants (FCs). AD helps high net worth retail clients/prospects obtain discretionary investment management and/or financial planning and other services from over 100 independent RIAs on TDAI's platform. Those RIAs have met AD's selection criteria and agreed to participate in AD. The minimum AD account size is \$750,000.

TD Ameritrade Financial Consultants provide information about **rollovers**, including rolling over an IRA to TD Ameritrade from a 401(k) or other employer-sponsored **retirement** plan, transferring an IRA to TD Ameritrade from another custodian, and converting a TD Ameritrade **brokerage** IRA to a TDAIM IRA enrolled in one of our managed portfolios. If an FC recommends a rollover, a TD Ameritrade IRA is the only IRA that the FC can recommend. FCs do not earn money unless you roll over or transfer assets into a TD Ameritrade or TDAIM account; representatives earn more money if you enroll in TDAIM managed portfolios. This creates an incentive for them to recommend that you open a TD Ameritrade IRA and invest IRA assets in TDAIM portfolios. The conflicts of interest described above and below apply if an FC recommends one or more of these investment products for your IRA account. For additional information, refer to <https://www.tdameritrade.com/incentive-compensation.html>. Please note that TD Ameritrade has policies, procedures and supervision in place to mitigate the conflict.

The principal conflict of interest TD Ameritrade has in making an IRA rollover or transfer recommendation to you is that TD Ameritrade will make money if you do a rollover or transfer to a TD Ameritrade IRA and will not make money if you don't.

TD Ameritrade can make money in various ways, depending on how you choose to invest your rollover money at TD Ameritrade. For example, if you choose to:

- Invest in stocks or ETFs, TD Ameritrade charges no commissions on most online trades but can make money on routing your trade orders to third parties that make payments to it for order flow (subject to best execution requirements).
- Invest in mutual funds, TD Ameritrade may not charge you a commission but the fund likely will make payments to TD Ameritrade for shareholder servicing and other activities.
- Invest in a portfolio managed by TD Ameritrade Investment Management, LLC (TDAIM), you will not pay any portfolio transaction charges but you will pay management fees to TDAIM.

We've developed materials that detail what you should consider when deciding whether to move money from a 401(k) or other employer-sponsored **retirement** plan to an IRA. You can use these materials available on our website <https://www.tdameritrade.com/retirement-planning/ira-guide/401k-rollover-to-ira.html> to decide on your own how to best proceed – without a recommendation from TD Ameritrade. Or you can use the materials in combination with a conversation with a TD Ameritrade Financial Consultant (FC), in person at a TD Ameritrade branch office or by telephone.

## Investment Product Risks

Our recommendations are based on various factors that change with time, so they are effective only at the time of the recommendation.

While we will take reasonable care in developing and making recommendations to you, securities 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.

Investing involves the risk of losing your initial investment (principal). Certain asset classes (for example, small-cap stocks) and certain markets (for example, foreign emerging stocks and bonds) are considered generally riskier than others. Certain investment vehicles carry additional risks. (For example, fixed income vehicles such as bonds are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks, including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors). Certain methods of investing (for example, using margin) increase risks. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. For more information, see risk disclosures specific to the investment product you may be contemplating, as discussed below. For specific risks of mutual funds and ETFs, you should review the particular prospectus or offering document, which is available upon request and will be delivered to you at the time of purchase.

Investment Products: Not FDIC Insured \* No Bank Guarantee \* May Lose Value

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