

How Financial Professionals Get Paid / Compensation Grid Description

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How Financial Professionals Get Paid

When choosing a financial professional, it helps to understand how they get paid because those who earn commissions may have different goals than financial professionals who earn a salary. Most people in the financial services industry get paid in one of the following four ways listed here:*

- **Commission only:** Some financial professionals receive only commissions for selling financial services products, such as stocks, bonds, mutual funds, exchange trade funds and insurance products. Financial professionals may earn different compensation both within and across investment product categories based on product and market established compensation driven by neutral facts, such as time or complexity of particular investment product categories and the service level involved in recommending these investment products.
- **Fee-only:** Fee-only financial professionals are investment adviser representatives of investment advisory firms and do not receive commissions. They are paid for provide advice or ongoing management of advisory accounts and are not registered representatives of broker/dealer. Fee-only financial professionals are generally paid hourly fees, flat fees, or a percentage of the value of your account.
- **Commission and fees:** A financial professional may receive fees or commissions depending on the products you purchase, or the services they provide. For example, a financial professional may receive a fee for developing a financial plan for you and then receive commissions when they sell you insurance and investment products recommended in your financial plan.
- **Salary plus bonuses:** Financial professionals may also be employees of a financial services firm and paid a base salary plus incentive pay based on a variety of factors such as sales, value of the accounts they manage or new accounts. They may receive higher bonuses for recommending or selling certain products or services over other options.

It is important to understand how your financial professional gets paid and conflicts of interest they have as a result. We encourage you to ask your financial professional how they are compensated.

How your Financial Professional Gets Paid

Ameritas Investment Company, LLC (AIC) is a broker dealer and offers securities products such as stocks, bonds, mutual funds, and exchange traded funds to clients and receives commissions for these sales. Ameritas Advisory Services, LLC (AAS) is an investment adviser and receives fee based compensation for the asset management and financial planning services is provides. Our financial professionals may be registered with AIC and/or AAS.

Financial professionals receive compensation based on the products and services you buy. As the financial professional sells products and services, their compensation can increase or decrease in any given year. We have established a payout grid that illustrates the level of compensation a financial professional will receive. The more they sell the higher their compensation and the less they sell the lower their compensation. This creates an incentive for your financial professional to sell more products to achieve a higher payout. More information regarding the compensation grid is provided below.

Compensation Grid

We utilize a compensation grid to determine the amount of compensation that gets paid to a financial professional. The compensation grid that determines a financial professional's payout percentage is product agnostic, with the payout rate for a financial professional set at the same level regardless of which investment products are sold. The payout percentage is determined by a variety of factors, including financial professional total Gross Dealer Concession (GDC) and the number of financial professionals working within a particular agency. AIC sets the payout rate that determines a financial professional's ultimate compensation, with such payouts ranging from 50-94% of total investment product sales.

When a financial professional passes a threshold on the grid, any resulting increase in the financial professional's compensation rate is applied to future sales or fees earned (production). Assessment of a financial professional's compensation rate is made on an annual basis, so as to not incentivize a financial professional to make recommendations tied to production levels that are not in a customer's best interest. The compensation grid has many payout levels designed with gradual payout changes to avoid dramatic increases in compensation that could motivate financial professionals to make recommendations based on their own financial interest, rather than the customer's.

We also have financial professionals who are salaried employees who receive a set salary and qualify for bonus compensation provided certain variables are met such as new applications submitted and overall compensation generated through sales or advisory fees earned.

*Please note this information is provided as general information and is not specific to Ameritas.