

## **NAVY FEDERAL INVESTMENT SERVICES, LLC (NFIS)**

### **CLIENT RELATIONSHIP SUMMARY**

**October, 2024**

Navy Federal Investment Services, LLC (NFIS) is dually registered with the Securities and Exchange Commission as a broker-dealer and investment adviser and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

Brokerage and investment advisory services and fees differ, and it is important for you to understand the differences. This Client Relationship Summary will help you understand the services we offer, how we charge for those services, and any conflicts of interest that may exist. Free and simple tools are available to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers, and investing. You should carefully consider which types of accounts and services are right for you.

#### **WHAT INVESTMENT SERVICES AND ADVICE CAN YOU PROVIDE ME?**

We offer both brokerage and investment advisory services.

<b>Brokerage Account Services</b>	<b>Investment Advisory Account Services</b>
<ul style="list-style-type: none"><li>• For brokerage services, you may select investments for your account or our financial advisors may recommend investments for your account. You will make the ultimate investment decision in the purchase or sale of investments.</li><li>• We offer a range of investments including, but not limited to, stocks, bonds, mutual funds, exchange-traded funds, fixed annuities, fixed index annuities, and variable annuities. Other firms could offer a wider range of choices, some of which might have lower costs.</li><li>• You may also establish a broker account on our Digital Investing Platform by selecting our Self-Directed Investing Accounts. NFIS will not exercise any discretion or make any recommendations on trades or strategy in your account.</li><li>• We don't monitor your brokerage account investments, unless we state otherwise in writing.</li><li>• There is no minimum balance requirement for brokerage accounts.</li></ul>	<ul style="list-style-type: none"><li>• For an ongoing, monthly fee, your portfolios are managed and monitored through asset managers on the Envestnet platform that is overseen by individuals at NFIS.</li><li>• We also offer portfolios that are managed and monitored by Members Trust Company asset management.</li><li>• We will have discretion to rebalance and reallocate your portfolio as needed to reflect your selected investment objectives.</li><li>• The minimum balance required to open an investment advisory account will vary depending on the product and third-party manager selected, but the typical minimum is \$50,000.</li><li>• For a monthly subscription fee, you may also establish an Automated Investor account on our Digital Investing Platform. You will complete a questionnaire that assesses your goals, time horizon, and risk tolerance level. Once the questionnaire is completed, a portfolio is selected based on your questionnaire inputs. NFIS and our subadvisor will oversee the algorithm and monitor your portfolio. We will have discretion to rebalance and reallocate your portfolio as needed to reflect your selected investment objectives. There is no minimum balance requirement for the Digital Investor accounts.</li><li>• The selected portfolios cover a limited selection of investments. Other firms could offer and provide</li></ul>

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**Additional Information** about our on advisory services, see our Form ADV brochure on [IAPD](#). For additional information about our brokers and services, visit Investor.gov, [BrokerCheck](#), or our [website](#).

**Conversation Starters-Key Questions to ask your financial professional.**

1. Given my financial situation, why should I choose an investment advisor service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?
2. How will you choose investments to recommend to me?
3. What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?

### WHAT FEES WILL I PAY?

Brokerage-Transaction-based fees	Advisory-Asset-based wrap fees
<ul style="list-style-type: none"> <li>• For brokerage services, we charge a transaction-based fee, commonly referred to as a commission, every time you buy or sell an investment. This fee is based on the specific transaction and not the value of your account. The more transactions in your account, the more fees we charge you. We therefore have an incentive to encourage you to engage in transactions.</li> <li>• With stocks or exchange-traded funds, this fee is usually a separate commission. With other investments, such as bonds, this fee might be part of the price you pay for the investment (called a “<b>mark-up</b>” or “<b>mark-down</b>”).</li> <li>• With mutual funds, this fee (typically called a “<b>load</b>”) reduces the value of your investment.</li> <li>• Some investments impose additional fees that will reduce the value of your investments over time, such as mutual funds or variable annuities.</li> <li>• With variable annuities, you may be charged a certain percentage of your account value (called a “<b>mortality and expense risk fee</b>”) typically in the range of 1.25% per year. If you withdraw money from a variable annuity within a certain period after purchase, you will pay a “<b>surrender</b>” charge, which is a certain percentage of the amount withdrawn.</li> <li>• From a cost perspective, you may prefer a transaction-based fee if you do not trade often or if you plan to buy and hold investments for long periods of time.</li> </ul>	<ul style="list-style-type: none"> <li>• For investment advisory services, you will pay an ongoing fee at the end of each month based on the value of the cash and investments in your advisory account. You pay this fee even if you don’t buy or sell investments. The more assets you have in your asset-based fee account, the more you’ll pay us in fees. This creates an incentive to encourage you to increase the size of your account, including by transferring or rolling over assets from other accounts.</li> </ul> <p><b>Automated Investing Advisory Fees</b></p> <ul style="list-style-type: none"> <li>• For our Digital Investor Advisory Accounts, you pay a monthly subscription fee for each account of \$3.50 (\$2.50 for NFCU Active-Duty members with Active Duty Checking accounts and for Navy Federal employees) that is debited from your billing account on file each month.</li> <li>• This product is subscription based, as opposed to the typical asset-based fee model used by many firms. An asset-based fee may be cheaper and more advantageous for smaller value accounts than our subscription based fee.</li> <li>• The amount paid to our firm and your financial professional generally does not vary based on the type of investments we select on your behalf.</li> </ul>

- Self-directed accounts pay a monthly subscription fee of \$3.50 (\$2.50 for NFCU Active-Duty members with Active Duty Checking accounts and for Navy Federal employees) that is debited from your billing account on file each month. The monthly subscription fee covers up to 2,000 shares traded per month. If you trade over 2,000 shares in any given month, the actual trading cost of \$0.01/per share for all trades in excess of 2,000 shares will be passed through to your account for that month or any month where you exceed 2,000 shares traded in a month.
- The subscription-based fee means you will not pay a commission on any trades. This fee type is advantageous for some customers, but may be more expensive than competitors if you trade infrequently or utilize a buy and hold strategy.

#### **Other Fees and Costs:**

There may be additional fees for certain customer activities (ACAT out, ACH fails, requests for paper documents, etc.) Depending on your account, other fees may be charged to you, such as: 1) account maintenance fees, including custodial fees, recording fees, or administrative expense fees, 2) cash management fees, and 3) investment specific fees. For additional information on advisory services, see our Form ADV brochure on [IAPD](#). For additional information on our brokerage fees, please see information on additional products on our [website](#), or call us at **1-877-221-8108**.

#### ***Additional Information***

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. For additional information about our brokers and services, visit Investor.gov, [BrokerCheck](#), our website (<https://www.navyfederal.org/investment-services>), and your account agreement. For additional information on advisory services, see our Form ADV brochure on [IAPD](#), as well as information on Investor.gov/CRS and any brochure supplement your financial professional provides.

#### ***Conversation Starters***

1. Help me understand how these fees and costs might affect my investments.
2. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

#### **WHAT ARE YOUR LEGAL OBLIGATIONS TO ME WHEN PROVIDING RECOMMENDATIONS AS MY BROKER-DEALER OR WHEN ACTING AS MY INVESTMENT ADVISOR? HOW ELSE DOES YOUR FIRM MAKE MONEY AND WHAT CONFLICTS OF INTEREST DO YOU HAVE?**

*When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. Here are examples to help you understand what this means:*

Brokerage Accounts	Advisory Accounts
We have digital product offerings without oversight from an advisor that may have a more advantageous fee schedule depending on your individual desires and circumstances.	Our Subadvisor for the Digital Investor product is Members Trust Company (MTC). NFIS' parent company, Navy Federal Financial Group owns less than a 10% share of Members Trust Company and the Chief Operating Officer of NFIS and Navy Federal Financial Group is a member of the Board of Directors for Members Trust Company. MTC does not have any propriety investments that it would select over less expensive or more favorable options. MTC is not incentivized to select any specific investments as they are paid a flat AUM rate based on assets on the platform.

**Additional Information** For more information, see our Form ADV brochure on [IAPD](#)

**Conversation Starter- Key Questions to ask your financial professional**

How might your conflicts of interest affect me, and how will you address them?

## HOW DO YOUR FINANCIAL PROFESSIONALS MAKE MONEY?

Brokerage Account	Advisory Accounts
When acting in a broker-dealer capacity, for every transaction we charge a commission. The receipt of a commission may create an incentive to recommend brokerage products over advisory products where the financial professional would not receive a commission.	For our advisory services, you pay an ongoing fee at the end of each month based on the value of the cash and investments in your advisory account. The amount paid to our firm and your financial professional generally does not vary based on the type of investments we select on your behalf.

## DO YOU OR YOUR FINANCIAL PROFESSIONALS HAVE LEGAL OR DISCIPLINARY HISTORY?

Yes. The Firm does not have any reported legal or disciplinary events but some of our advisors do. To review legal and disciplinary events, visit Investor.gov for a free and simple search tool to research our firm and our financial professionals.

**Conversation Starter-Key Questions to ask your financial professional**

As a financial professional, do you have any disciplinary history? For what type of conduct?

## ADDITIONAL INFORMATION

For additional information about our brokers and services, visit Investor.gov/CRS, [BrokerCheck](#), our [website](#), your account agreement, or call us at **1-877-221-8108** to request up-to-date information and a copy of this relationship summary.

**Conversation Starters-Key Questions to ask your financial professional**

1. Who is my primary contact person?
2. Is he or she a representative of an investment adviser or a broker dealer?
3. Who can I talk to if I have concerns about how this person is treating me?

Please initial to acknowledge receipt of this form.