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## **Client Relationship Summary - Conversation Starter Supplement**

### **Wealthfront Advisers LLC and Wealthfront Brokerage LLC**

***Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?***

You should only choose an investment advisory and brokerage service if you're ready to start investing in the first place. For most people, this will be once you've covered health and disability insurance and built a reasonable emergency fund. Wealthfront is an investment advisory and brokerage service for people who prefer to manage their lives via apps. Wealthfront is probably not the most appropriate service for someone who wants frequent feedback from a human advisor.

### ***How will you choose investments to recommend to me?***

To provide our investment advisory services and make decisions tailored to your specific needs, Wealthfront Advisers collects information from you about your financial situation, risk tolerance, and investment goals. Wealthfront Advisers maintains this information in strict confidence subject to our [Privacy Policy](#).

### **How we choose investments to recommend in taxable accounts or IRAs**

We offer several types of Automated Investing Accounts that provide portfolios we recommend based on your financial situation, risk tolerance, and investment preferences. If you choose a recommended portfolio, we create an investment plan that's consistent with your risk tolerance. We choose investments based on: (1) the optimal asset classes in which to invest, (2) the most appropriate exchange traded funds ("ETFs") or other investments to represent each of those asset classes, and (3) the ideal mix of asset classes based on your risk tolerance based on Modern Portfolio Theory. We select ETFs with high liquidity, low expenses, and low tracking error. However, this selection process does not guarantee the quality of a particular ETF or that it will be profitable, properly track any comparable index, or trade in a liquid fashion. Our recommended portfolios also include portfolios for socially responsible investing ("SRI"). Our SRI portfolios use ETFs that include higher proportions of companies that score well for Environmental, Social, and Governance ("ESG") measures, according to the investment research company MSCI. You may customize our recommended portfolios for Automated Investing Accounts, which allows you to select from a variety of ETFs or investments.

For taxable Automated Investing Accounts, Wealthfront Advisers offers tax-loss harvesting ("TLH"). TLH is a service designed to lower your taxes while maintaining your desired risk and return profile. When appropriate, TLH takes advantage of market volatility to reduce your tax bill by selling investments that have declined in value at a loss and temporarily replacing them with similar investments. You can then apply the realized loss to lower your tax liability, and the tax savings can be reinvested to grow the value of your portfolio. Wealthfront Advisers' basic TLH strategy is available to all Clients who choose our recommended portfolio or who customize their portfolio and select ETFs that support TLH. US Direct Indexing is available for Clients with account sizes in excess of \$100,000 and is applied to the domestic equity allocation in taxable account portfolios.

Our Automated Bond Portfolio includes allocations to preselected bond ETFs that, based on your tax situation

(income, state of residence, and tax filing status), are designed to maximize after-tax yields. As with Wealthfront's other portfolios, We select optimal ETFs to achieve the portfolio's strategy, and we explain in white papers on our website the analysis underlying our selections.

Our Automated Bond Ladder is a portfolio of US Treasury securities ("Treasuries") that mature on different, equally spaced dates. It is designed to preserve capital and produce yield with a very low risk of loss of principle if held to maturity. You choose the length of the ladder (from 6 months to 6 years), and Wealthfront Advisers seeks to invest in Treasuries that mature on a monthly basis for the duration of the ladder. In turn, as we further explain in white papers on our website, this should result in relatively stable yield at a lower risk for Clients.

Wealthfront's S&P 500 Direct account allows clients to invest directly in the individual stocks that comprise the S&P 500 index. This account combines the benefits of index investing with Wealthfront Advisers' automated tax-loss harvesting (TLH), aiming to help clients save on taxes while closely tracking the performance of the S&P 500 index. The strategy is designed to enhance after-tax returns by balancing the minimization of tracking error relative to the S&P 500 index and the maximization of tax benefits from harvested losses. As we further explain in white papers on our website, we use mathematical optimization to achieve these objectives.

#### How we choose investments to recommend in 529 plan college savings accounts

Based on your risk score, Wealthfront Advisers builds a diversified portfolio using up to nine of the 529 plan's separate municipal fund securities (each a "MFS"). Each MFS contains a single underlying ETF that represents a particular asset class. Wealthfront Advisers uses your risk score to assign your portfolio to one out of 20 glide paths. These determine how your individual portfolio allocation will change over time. Each glide path gradually shifts the asset allocations of your portfolio to progressively lower levels of expected risk as the beneficiary's expected matriculation date approaches. Your starting point along the glide path is based on when the beneficiary expects to matriculate.