

# Brokerage Services Disclosure Statement

## I. Introduction

BMO Harris Financial Advisors, Inc. (BHFA) is dually registered with the Securities and Exchange Commission (Commission) as a Broker-Dealer and an Investment Adviser.

BHFA is an introducing broker-dealer and uses the Bank of New York Mellon subsidiary Pershing LLC (Pershing) for our clearing and custody services. Our financial advisors (FAs) are also dually licensed to provide broker-dealer (brokerage) services and investment advisory (advisory) services as well as licensed insurance agents to sell insurance products to our retail investors. You need to understand that our investment advisory and brokerage services and fees differ. Our Relationship Summary explains the differences between our brokerage and advisory services, which you will have already received and can obtain a copy again from our website at [www.bmowealthmanagement.com](http://www.bmowealthmanagement.com) or request a copy from your FA.

You can also find free and simple tools at the Commission's website, [www.Investor.gov/CRS](http://www.Investor.gov/CRS), to research firms and financial professionals, and explore general educational materials about broker-dealers, investment advisors, and investing.

## II. Purpose and scope of the brokerage Disclosure Statement

### Why am I receiving this Disclosure Statement?

This Brokerage Disclosure Statement provides you, in writing, material facts about the scope and terms of our relationship with you as a brokerage customer of BHFA. This Disclosure includes a disclosure that BHFA or your FA is acting in a broker-dealer capacity; the material fees and costs you will incur related to your brokerage account; and the type and scope of the services to be provided, including any material limitations on the recommendations that could be made to you. Moreover, we must disclose the material facts relating to conflicts of interest associated with recommendations that might incline us to make a recommendation that is not disinterested, including, for example, conflicts associated with proprietary products, payments from third parties, and compensation arrangements as well as our systems in place for managing these conflicts when a recommendation is made to you.

### What is a "recommendation" that triggers Disclosure?

A "recommendation" includes the recommendation of an account type, securities transaction, or an investment strategy to a retail customer. Whether a "recommendation" has been made considers, among other factors, that the communication reasonably could be viewed as a "call to action".

Account type recommendations, roll over, or transfer of assets from one type of account to another (e.g., from a workplace retirement plan account to an IRA) can also be investment strategy recommendations. There are many account type alternatives within brokerage accounts. For example, brokerage accounts can include: education accounts (e.g., 529 Plans and tax-free Coverdell accounts); retirement accounts (e.g., IRA, Roth IRA, or SEP-IRA accounts). The type of account, brokerage or advisory, recommended is an investment strategy that will affect your cost to invest, which can then impact the amount of your net investment returns. Information about the types of brokerage services recommended through BHFA as well as limitations on when we do not make recommendations (such as with retirement accounts) is discussed below.

Not all communications or activities, standing alone or together, constitute recommendations as long as they do not include a recommendation of a particular security or securities or particular investment strategy involving securities including, without limitation:

- General financial and investment information, including: basic investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, tax deferred investments, historic differences in the return of asset classes (e.g., stocks, bonds, and cash) based on standard market indices, effects of inflation, estimates of future retirement income needs, and assessment of a customer's investment profile;

- Descriptive information about retirement planning and account types, including the features of a Traditional and Roth IRAs;
- Interactive investment materials that incorporate the above; and
- Informing a retail customer that he or she needs to take a required minimum distribution (RMD) under the Internal Revenue Code, and the RMD amount, would not by itself rise to the level of a recommendation.

BHFA has processes, training and supervision related to recommendations by its FAs.

#### **How does this Disclosure relate to other written and oral disclosures I have received from BHFA and my FA regarding my brokerage account and recommended transactions?**

This Disclosure is specific to the brokerage services (and not any advisory services) provided to you as a customer of BHFA. As a brokerage customer, you will have already received BHFA's Relationship Summary setting out information about the differences between BHFA's brokerage and advisory services. This Disclosure is being provided to you at or prior to the initial recommendation, as defined above, and will NOT be provided prior to or at every recommendation. If BHFA materially updates or amends this Disclosure, it will provide you with an updated version of the Disclosure. Otherwise, BHFA and your FA may repeat or highlight disclosures contained in this document and/or the Relationship Summary without providing you with this Disclosure again at that time. BHFA does and will supplement, clarify or update this Disclosure before and after making a recommendation through a variety of contexts and documents provided to you, as discussed below.

#### **What supplements this Disclosure?**

This Disclosure supplements and summarizes other information you will likely have received prior to any recommendations including information contained in your new account application and account agreement. This Disclosure also supplements information disclosed to you orally by your FA in connection with or at the time of a specific recommendation. Additionally, this Disclosure is supplemental to but does not replace, other disclosures and information you may have received such as acknowledgment forms or similar documents that you are required to sign in connection with specific recommendations as discussed below and with your FA at the time of the recommendation. This Disclosure also supplements other disclosures you will receive on or after a recommendation including trade confirmations, product prospectuses, and monthly account statements, which provide additional information about the transactions in your brokerage account, features of the products you have purchased and other fees and costs applicable to your brokerage account and transactions therein. You should consult any documents referred to or provided for any security we recommend for a discussion of fees, commissions, expenses, and risks associated with the product, such as a prospectus. We can provide those documents to you or help you find them and you should rely upon those documents in connection with recommended products and

transactions. You should consult with your FA for questions about any of these documents and information received regarding the transactions in your brokerage account, whether received before or after a recommendation.

### **III. What does it mean for my firm and my FA to act in my best interest?**

**When we provide you with a recommendation as your broker-dealer,** we have to act in your best interest and not put our interests ahead of yours. At the same time, the way we make money creates some conflicts with your interest. You should understand and ask us about these conflicts. Described throughout this Disclosure is additional information about actual and potential material conflicts of interest to help you understand what this means.

#### **How does BHFA manage conflicts to act in your best interest?**

Generally, these conflicts are mitigated through disclosure, compensation structure, and supervisory procedures, on which we train our FAs and supervisors.

### **IV. Scope of our brokerage services**

#### **Where brokerage services are available**

BHFA offers brokerage services through FAs who are located in branches or through a centralized call center location branded BMO Wealth Direct. FAs located in branches service clients in person, on the phone and through email. BMO Wealth Direct mainly service clients over the phone and email. BHFA also offers advisory services. For more information on BHFA's advisory services, please see BHFA's Relationship Summary and Form ADV Part 2A, Brochure.

#### **Brokerage account services available**

BHFA recommends mutual funds, money market funds, brokered certificates of deposit, fixed income securities (municipal, corporate, and treasuries), 529 plans, unit investment trusts, structured products (market linked certificates of deposit and structured notes). We do not recommend the purchase of equities, but will recommend the sale of equities as part of a strategy recommendation. We also recommend insurance products including annuities and life insurance. Brokerage account services offered include financial plans, money fund sweeps, bank-linked sweeps, ACH transfers, asset transfers, online and mobile account access and trading, and margin. While we take reasonable care in making recommendations of these account-level services to you, we do not make recommendations on margin services. Margin services are offered through Pershing and involve risk. You can find more information about margin accounts in Pershing's margin account agreement.

#### **Financial Advisor's brokerage services differ from advisory services**

As stated in our Relationship Summary, BHFA is a dually registered broker-dealer and investment advisor so that our "financial advisors" are also dually licensed to provide brokerage services and investment advisory services. This means that all recommendations regarding

your brokerage account will be made in a broker-dealer capacity. If you also have an advisory account, then recommendations regarding your advisory account will be in an advisory capacity. **When we make a recommendation to you related to your brokerage account, you should know that we are acting in relation to your brokerage account and not in relation to an advisory account, nor are we acting in an advisory capacity with respect to your brokerage account.** See our Relationship Summary for more information on the differences between advisory and brokerage services.

The brokerage services your FA provides, as explained in your new account agreement, means that if your FA makes a recommendation to you, it is for that transaction only. Your FA will not monitor the investments in your account. You will pay commissions or sales charges on each transaction executed in your brokerage account. You will not pay fees based on the value of your account as in an advisory account. Your FA will assist you in deciding which account type, i.e., brokerage or advisory, is appropriate for you, at the time you open your brokerage account. After you decide to open a brokerage account, at all times relevant to the transactions in your brokerage account, your FA is NOT acting as an investment advisor representative for transactions in that account, even though your FA may be separately registered to act as an investment advisor representative or you have an advisory account.

You must open an advisory account to receive advisory services. In an advisory account, you pay an annual fee, charged monthly or quarterly, calculated on the value of your investments. The advisory fee pays for investment management, asset allocation, and ongoing monitoring. We do not provide ongoing monitoring in brokerage accounts so that if you want that service, you must be in an advisory account.

#### **Our investment approach when making recommendations for your brokerage account**

Developing an investment objective and suitability profile is the foundation from which we work with you to achieve your investment goals. Understanding your investment priorities and objectives allows your FA to recommend brokerage products offered on our platform. You need to inform your FA, as discussed in your account agreement, if there are any updates to your investment profile or objectives. Information about the products available on our platform is discussed below. **We do not monitor your investments in your brokerage account.** As stated above, our FAs work with you in person, over the phone and through email at our branches and through our call center at BMO Wealth Direct, depending on the nature of interaction that works best for you.

*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. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you or help you to find them.*

## V. Brokerage accounts: types, recommendations of retirement accounts, account terms affecting recommendations, account minimums and account-related fees

### **Brokerage accounts available to our retail investors include:**

Individual, joint, trusts, retirement, Uniform Transfer to Minor (UTMA), 529 plans (see below), estates, entity, and guardian/conservatorship. Your FA provides general descriptive information on the different brokerage account types available at account opening based on your needs and instructions. Your FA may recommend a specific account type based on that information. However, FAs do not recommend retirement account types. Information specific to the opening and selection of Retirement Accounts and IRA Rollovers is detailed below.

### **Retirement accounts you may choose include:**

Traditional IRA, ROTH IRA, SEP, SARSEP/Prototype SEP, Simple IRA, 403(b) Custodial Accounts, as well as Mutual Fund Only Traditional IRA and ROTH IRA. Your FA provides general descriptive information **and can educate you** on the different retirement account types available to assist you in your decision. We encourage you to speak to your tax advisor for additional guidance on which retirement account is appropriate for you, but you make the ultimate decision on which retirement account type is appropriate for you.

### **IRA Rollovers**

A plan participant leaving an employer sponsored retirement plan (Employer Plan) generally has four options and/or a combination of these options: (i) leave the money in the former employer's plan, if permitted (ii) rollover the assets to the new employer's plan (if available and rollovers are permitted); (iii) rollover to an IRA or (iv) cash out, where the account value is subject to applicable taxes and penalties depending on your age at that time. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and your unique financial needs and retirement plans. You can find information to assist you in making a rollover decision at [finra.org](http://finra.org) or [irs.gov](http://irs.gov). You should understand the decision to transfer out and rollover is irrevocable.

If you are considering a rollover from an Employer Plan, your FA will also provide you with a Rollover Discussion Document (Rollover Document) to assist you in evaluating the available options, particularly as the decision to remove assets from that plan cannot be undone. Your FA will discuss the above listed alternatives with you and will conduct a cost comparison of your choices, unless you decline the FA's review of your potential costs. Through this process, your FA may make a recommendation and you must acknowledge the options discussed with you, as well as your decision in the Rollover Document. Accordingly, please take the time to discuss this decision and review the applicable Rollover Document with your FA, and tax professional, before signing that form or making any rollover decision.

When you make a decision to rollover plan assets from an Employer Plan to an IRA, BHFA and your FA will earn commissions or other fees as a result, whereas leaving the assets with the former employer or placing them with a new employer plan will likely result in little or no compensation for BHFA or your FA. We have an incentive, therefore, in recommending a rollover from an Employer Plan to an IRA, which we address by disclosing this to you as well as through policies and procedures, training, education, and supervision.

The decision to rollover or transfer assets into an IRA or another securities account not only represents a conflict of interest for any firm to which you transfer the assets, but also can have long-term effects on your costs and returns from your investments so these decisions must be made consistent with your financial objectives, needs and profile regardless of whether a specific securities transaction is contemplated at the time of the rollover decision, which your FA will assist you with.

#### **Account-level documentation affecting our brokerage services and recommendations**

The terms and conditions of your brokerage account are set forth in your BHFA Brokerage Account Agreement. Your account agreement contains disclosures and acknowledgments to which you agree in entering into the Account Agreement regarding our brokerage services and any recommendation we make, including among others it typically states that:

- You will make all decisions on your investment and securities trading activities;
- Your account is non-discretionary, meaning we only have authority to place trades with your authorization;
- We do not have an obligation to make investment recommendations, and when we are not making recommendations, we do not owe you suitability or Best Interest obligations;
- You agree to contact us whenever there are any relevant changes in your personal information, financial condition, or investment objectives or goals;
- You understand that we are only able to make recommendations based on the information you provide. If you do not provide us all the information we request, we may not be able to make recommendations to you, or if we do, you understand that our recommendations are being made based on limited information;
- The Account Agreement concerns your brokerage account only, and we will not act as an investment advisor or have fiduciary duties under that agreement, but rather advisory services are subject to a separate agreement; and
- You acknowledge that by opening a brokerage account, you want to pay commissions and sales charges for your investment transactions, receive individual recommendations and you do not require or wish to pay for ongoing monitoring services from your FA. Ongoing monitoring services are only offered in an advisory account at BHFA and are not part of brokerage services.

For further information about your specific Account Agreement and the disclosures and acknowledgments therein, you may ask your FA to obtain an additional copy to review.

#### **Account minimums, size requirements and related account fees**

BHFA has no minimums to open a brokerage account, but most investment products have initial investment minimums. More information on an individual product's investment minimum will be provided in the product's prospectus, offering document, or marketing material. Your FA can provide you with these supplementary materials or direct you where to find them.

There is a general **annual** inactivity fee per account, as set forth and described in BHFA's Commission Schedule for Transaction-Based Accounts. If the annual activity fee is applicable, your account will be charged during the first 3 months following the end of the previous calendar year. The annual inactivity fee may be waived, if your account meets certain eligibility criteria, or at our discretion.

#### **Retirement account fees**

Retirement accounts charge annual fees, which differ depending on the type of retirement account you have. Annual fees will be waived for clients with qualifying account balances, and at our discretion. Otherwise, the account will be charged on each anniversary of the account's opening. Annual fees applicable to each of the different types of retirement accounts are set forth in BHFA's Commission Schedule for Transaction-Based Accounts.

#### **Additional fees**

BHFA's Commission Schedule for Transaction-Based Accounts details various types of transfer fees, check delivery fees, late payment for trades, account closing fees when processed via ACA, check stop payment, account research fees, voluntary reorganization, confirmation fees and returned items. Consult BHFA's Commission Schedule for Transaction-Based Accounts, your account statements and your FA for more information on fees.

## **VI. Firm recommended products, related acknowledgment forms, switches and replacements**

#### **Recommended products**

As a general matter, we recommend mutual funds, money market funds, unit investment trusts, structured products (market linked certificates of deposit and structured notes), brokered certificates of deposit, fixed income securities (municipal, corporate, and treasuries), annuities (variable, fixed, fixed index, single premium immediate and deferred income), 529 Plans, life insurance (variable, term, universal, indexed and whole life insurance) disability, and long-term care insurance.

BHFA reviews and approves its product menu periodically based upon how the various products, product classes and services can be used and offered to its clients. As part of the product review and approval process for including products on BHFA's product menu, BHFA



identifies potential conflicts of interest, including whether there are differences in revenue that BHFA may receive or FAs may earn from one product versus another within a product category. If there are conflicts with respect to a product, BHFA evaluates mitigating these conflicts through a combination of disclosure to the client, policies and procedures, training, and supervision related to those products.

There is no guarantee that you will meet your investment goals investing in any recommended product or that our recommended investment strategy will perform as anticipated. Please consult any available prospectus documents and associated acknowledgment forms (discussed below) for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you or help you to find them.

You may elect to invest in products without our recommendation (“unsolicited”) including for example, equity purchases, options transactions, and ETFs. You may also purchase any mutual fund share class available to you, but we will only solicit the purchase of class A mutual fund shares. We also may recommend the liquidation of any equity, ETF or mutual fund share class as part of an investment strategy recommendation.

#### **Recommended product and transaction-specific acknowledgment forms provided by your FA along with your prospectus or other product documents**

At the time of or prior to recommendations of certain types of products and transactions, your FA will provide you with the appropriate product and transaction specific acknowledgment forms that you sign and acknowledge regarding your receipt of the product-specific documents including the disclosures, risks, features and other considerations. These forms are part of and are made in connection with the recommendation to assist you in understanding specific features of those products, factors and information you provided to the FA on which their recommendation is based, and other terms and conditions you are representing you understand and agree to in connection with the recommendation. Additional product-specific disclosures appear in the product prospectus, which will be delivered after a transaction in accordance with the delivery method you have selected (such as by mail or electronically). Please ask your FA to explain and review these forms and any prospectus with you in your analysis of the recommended transaction prior to executing these forms. Acknowledgment forms are provided in connection with the following recommended products and transactions:

- Fixed/indexed annuities;
- Fixed income/brokered certificate of deposit;
- Mutual funds;
- Single premium immediate annuity (SIPA);
- Section 529 plans;
- Structured notes;
- Market linked certificates of deposit;
- Unit investment trusts; and
- Variable annuities.

Certain acknowledgement forms are signed only at the first purchase, like the mutual fund acknowledgment. Certain acknowledgement forms are signed at every recommendation, like the Market Linked Certificates of Deposit acknowledgement form.

#### **Switches and replacements**

To the extent that your FA recommends a switch between these products or to replace an existing product with a similar product, a separate Switch/Replacement acknowledgment form will be completed by you with your FA. In making any switch or replacement, in addition to completing the applicable acknowledgment form for the proposed product (such as one of the acknowledgments set forth above), the Switch/Replacement acknowledgement form includes detailed information comparing the fees, charges, expenses and other features of the existing and proposed products. The Switch/Replacement acknowledgement form is one type of disclosure and should be reviewed in conjunction with the investment prospectus, offering document, or contract. You should understand that in making a switch or replacement, BHFA, one of BHFA’s affiliates, and your FA may receive more compensation as a result of the proposed purchase transaction than with the existing product, as to which you will have already paid a commission or fee. As such, when we recommend switching or replacing products, a potential conflict exists, which we address by disclosing this to you in the Switch/Replacement Acknowledgment as well as through disclosure to you, policies and procedures, training, and supervision.

## **VII. Material facts relating to conflicts of interest that are associated with recommended products, asset classes and services**

#### **Conflicts affecting the products and services we recommend**

When making recommendations, BHFA and our FAs have different incentives that create actual or potential conflicts of interests. Generally, conflicts (actual and potential) are mitigated through disclosure, compensation structure, policies and procedures, and supervision on a transactional and operational basis. It is important to understand these incentives as they may affect the recommendation of products and services offered to you, including with respect to: the dual advisory and brokerage services we provide, overall compensation structure by which BHFA and FAs earn revenue on transactions in your brokerage account, differential revenue among products and providers, affiliated investments we may recommend, the receipt of third party revenue sharing from our clearing firm, referral relationships and revenue earned from our affiliates, affiliate product research, affiliate and third party payments related to product training and support, product-based revenue earned by BHFA (including but not limited to revenue features of mutual funds, insurance products, UITs and fixed income securities), and FA Compensation. Additional details and examples are listed below.

## Dual advisory and brokerage services

We are dually licensed as an investment advisor and broker-dealer and our FAs are licensed to operate in both capacities and we have incentives to encourage you to use either or both advisory or brokerage services. Whether a brokerage commission or asset-based fee is more favorable for you depends upon your goals, how you would like your investments to be managed, and if you want to pay for ongoing monitoring. You should discuss these items with your FA.

## Transaction-based revenue earned in your brokerage account

As a general matter, the more transactions you conduct in your account, the more revenue we earn (and your FA as detailed below) so we have an incentive to recommend transactions. The amount of commissions you will pay on transactions in your brokerage account varies depending on the size, product, and frequency of trading. Your FA will disclose the specific commission and fees you will be charged at the time the recommendation is made. You will also have access to disclosures outlining commissions, fees and costs of specific investments, as these will vary depending on your investment selection. You will pay commissions, fees and costs whether you make or lose money on your investments. Commissions, 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. In addition to the brokerage commissions we receive, there are other ways in which BHFA earns revenue that create conflicts of interest as described herein.

- **Rollovers of assets.** As a general matter, BHFA earns more revenue when you rollover more assets. For example, when you decide to rollover plan assets from an Employer Plan to an IRA, BHFA and your FA will earn commissions or other fees as a result, whereas leaving the assets with the former employer or placing them with a new employer plan likely results in little or no compensation for BHFA or your FA. We have an incentive, therefore, in recommending a rollover from an Employer Plan to an IRA.

## Specific product-based revenue and other product-specific features

**Mutual funds.** As can only solicit mutual funds from a list of fund families approved for solicitation by BHFA. BHFA only solicits class A shares that charge an upfront sales charge. Sales charges differ among mutual fund families. The sales charges you will pay are described in the mutual fund prospectus and will be disclosed to you by your FA. The prospectus will also outline the fund's "break points" (reduced sales charges based on the size of purchase), and your FA will tell you if there are any potential break points applicable to your transaction. At a certain amount, often \$1 million, the upfront sales charge is waived and you purchase at the share's Net Asset Value (NAV). Shares purchased at NAV usually have a holding period requirement depending on the fund family; if you sell prior to 12 or 18 months after purchase, you will be charged a contingent deferred sales charge (CDSC), or back-end sales charge, upon redemption of your shares.

Mutual fund families establish the amount they will pay to third parties to sell their mutual funds, and this amount is described in the individual fund's prospectus. The revenue BHFA and your FA receives, including a trail commission for BHFA and branch FAs, therefore, differs by mutual fund family, by the funds within those fund families, but the more you purchase, the more BHFA and your FA earn. Your FA will provide you with a Mutual Fund acknowledgment form by which you agree that you have discussed other fund features, including the fees, charges and discounts. Additional product-specific disclosures appear in the product prospectus, which will be delivered after a transaction in accordance with the delivery method you have selected (such as by mail or electronically).

FAs can solicit affiliate and non-affiliate mutual funds.

Recommending an affiliate mutual fund is a conflict because it benefits BHFA's affiliate BMO Asset Management. BMO Wealth Direct FAs are not paid trail commissions as part of their compensation plan. BHFA mitigates this conflict through policies and procedures that require FAs to make recommendations in their client's best interest. BHFA also capped the amount of revenue or sales credit that is applied to the FAs' compensation plan for all mutual fund purchases. BHFA and FAs receive revenue according to the mutual fund prospectus, therefore, BHFA and branch FAs can earn more or less revenue depending on the fund family they recommend, which could include affiliate mutual funds.

We recommend the purchase of Load and No Load Funds in brokerage accounts. Load Funds have a sales charge and the Financial Advisor receives a portion of this sales charge as part of their compensation. BHFA charges a commission for No Load Funds, but FAs do not receive any commissions for recommending No Load Funds. FAs have an incentive to recommend Load Funds over No Load Funds.

Fund shares can also be purchased or redeemed directly from the fund company without paying Firm-level transaction fees. We have an incentive to recommend you purchase mutual funds through BHFA. BHFA's Commission Schedule for Transaction-Based Accounts details our specific transaction fees on Load Funds, No Transaction Fee (NTF) Funds, Low Load Funds or No-load Funds (for all purchases, redemptions and exchanges), as well as mutual fund investment minimums, systematic purchases and redemptions, and other mutual fund transaction fees.

**Insurance products.** FAs are also licensed to sell insurance, including insurance categorized as securities (such as variable annuities and variable universal life). FAs also offer annuities, including variable, fixed, fixed index, single premium immediate and deferred income annuities, as well as life, disability, and long-term care insurance. Additional information regarding a proposed insurance product will be provided verbally by the FA at the time of recommendation in combination with the prospectus and/or other insurance contract application documents, which you should read and discuss with your FA. Also, prior to completing any insurance

transaction the FA will provide you with an Insurance, Variable Annuity or Fixed/Index Annuity acknowledgment form, by which you agree that you have discussed other annuity features, including the fees and charges. You will receive your insurance contract from the insurance carrier after your application is accepted by the carrier. The revenue BHFA and your branch FA receives, differs by insurance carrier and insurance product, but the more you purchase, the more BHFA and your branch FA earns, which is a conflict of interest. Other revenue-related aspects of insurance products of which you should be aware that create incentives include:

- **Variable v. fixed, and fixed index, annuities.** BHFA earns more revenue on the sale of variable annuities than fixed and fixed indexed annuities.
- **Fixed Index v. fixed annuities.** BHFA generally earns more revenue on fixed index annuities compared to fixed annuities.
- **Commission trails.** Annuity commissions are often earned over time, referred to as “trail commissions,” which continue to be earned by BHFA and the FA, as long as BHFA and the branch FA continue to be the broker-of-record. Trail commissions also differ among insurance carriers and products.
- **Riders.** Certain annuities contain or allow the addition of “riders”, which add benefits to or amend the terms of the insurance contract. Riders often provide additional coverage, or they may even restrict or limit coverage. Riders that are added to a contract will charge an additional ongoing fee.
- **Annuitization.** BHFA and branch FAs may earn commissions from annuitizations, depending on the insurance carrier. FAs will earn revenue or sales credit to their compensation plan when they recommend annuitizing as an investment strategy to fund a new investment or insurance contract.
- **Unit Investment Trusts (UITs).** BHFA recommends UITs. Your FA will inform clients of the sales charge for each UIT recommended and any potential break points available. Clients should also refer to the prospectus for sales charge and break point information.
- **Fixed income securities (e.g. bonds).** BHFA receives a higher markup the longer the holding period or maturity term on fixed income.

#### **Differential revenue among products and providers within the same product class**

BHFA and branch FAs earn different levels of revenue and commissions among different products and providers of those products within a product class (e.g., mutual funds, UITs), although the branch FAs’ commissions are capped in each asset class. Branch FAs have an incentive to recommend one provider’s product over another in the same product category, and BHFA earns more so that it has an incentive to approve transactions involving providers whose products pay BHFA more.

#### **Material business relationships with affiliates under common control**

Services provided among our affiliates, all owned by BMO Financial Corp., result in reciprocal payments in exchange for client referrals which creates a conflict of interest. This includes:

- **Use of affiliate product research.** BHFA’s product review includes the use of research received from an affiliate, BMO Family Office (BMOFO), which includes research regarding BMO Funds and other affiliated products (see below). BHFA also receives research from Envestnet, a third party. Our affiliate, BMO Private Bank, provides FAs with Morningstar reports, upon request from the FA.
- **Products of affiliates.** Certain recommended products approved by BHFA are managed or issued by affiliates, including:
  - **BMO Asset Management.** BMO AM, an affiliate, is the manager of BMO Mutual Funds and BMO Money Market Funds (collectively the “BMO Funds”). BMO AM also manages Separately Managed Accounts (SMAs). BMO AM receives management, custody and servicing fees from their management of BMO Funds and SMAs. Our FAs also recommend other non-affiliated mutual fund products. The costs of affiliated funds are sometimes greater than the costs of non-affiliated funds. The more FAs recommend BMO Funds, the more assets under BMO AM’s management and it receives more revenue. The fees earned by BHFA and branch FAs on certain BMO Funds are higher than fees earned from certain non-affiliated funds. The more we recommend BMO Funds, however, the more BHFA and the branch FA make from selling these products.
  - **Capital Markets.** BMO Capital Markets, an affiliate, issues structured products. These products include market-linked certificates of deposit and structures notes (SNs). The affiliate may also be the only market maker through which to purchase or sell this investment. BHFA currently does not offer non-affiliated structured products, but may choose to in the future. Although BHFA does not offer other non-affiliated SNs, it limits the range of revenue and commissions earned on SNs to manage the incentives for recommending them. BMO Capital Markets also receives management fees from their management of SMAs that BHFA recommends.
  - **Other revenue from affiliates.** BHFA receives referral compensation for referrals to BMO Private Bank, so that it has an incentive to refer customers to that affiliate.

#### **Affiliate and third-party payments related to product training and support**

To learn more about their businesses, products and services, BHFA accepts payments from affiliates and third parties (including covered travel costs) as well as attends events hosted by them for educational seminars, client events, Firm-sponsored events, networking events and training for FAs. BHFA also receives payment or reimbursement for travel for product-specific conferences and

networking events. Third parties (including wholesalers of products) and affiliates provide in-person and remote product support including training materials and other informational sessions related to their products and services. Third parties will also pay for meals and networking events.

#### **Receipt of third-party revenue sharing**

Pershing pays us a portion of the servicing fees it receives from mutual fund companies participating in its no-transaction fee program.

#### **FA compensation structure**

Advisors at BMO Wealth Direct earn a salary, quarterly incentive payment based on an asset sales grid, and annual performance based bonus. Our branch FAs earn an annual draw and monthly incentive payment based on a grid that changes with their productivity. The branch FA grid includes credits from advisory fees, trail fees, and commission revenues. Senior FAs are eligible to receive restricted share units annually if they meet a minimum net revenue credit. To become a Senior FA, certain criteria must be met, including, but not limited to achieving a qualifying professional designation and demonstrating that comprehensive financial planning is a consistent business practice with designated client relationships. Accordingly, the more FAs sell, the more they earn and have incentive to sell you more and/or recommend that you contribute more to your accounts. Additions to fee-based accounts as well as approved product sales (not otherwise excluded) are included in their sales goal. All FAs also earn compensation for referrals made to BMO Private Bank. BMO Wealth Direct FAs earn compensation for referrals to branch FAs.

## **VI. Additional information and to request a copy of this Disclosure, the Relationship Summary and other documents**

#### **Contact information**

You can obtain a copy of this Disclosure, the Relationship Summary as well as obtain additional information about our advisory and brokerage services by visiting BHFA's website at [www.bmowealthmanagement.com](http://www.bmowealthmanagement.com). You can also call BMO Wealth Direct to request a copy of this Disclosure, the Relationship Summary, other service assistance and to place trades at 800-472-0060.



800-472-0060



790 North Water Street, Floor 11, Milwaukee, WI 53202



[bmowealthmanagement.com](http://bmowealthmanagement.com)



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