MWA Financial Services, Inc.

MWAFS Business Practices & Disclosures

This brochure provides information about the qualifications and business practices of MWA Financial Services, Inc.

Questions and comments regarding the information herein may be directed to MWA Financial Services at 309-558-3100, MWAFS.Compliance@modern-woodmen.org, or 1701 1st Ave, Rock Island, IL 61201.

Supplemental information to this brochure is located at www.modernwoodmen.org/bestinterest and www.modernwoodmen.org/CRS.

Revised June 2020

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Introduction to MWA Financial Services, Inc.

MWA Financial Services, Inc. (MWAFS, the firm) is an introducing broker-dealer and registered investment adviser (RIA). Because MWAFS is both a broker-dealer and investment adviser, it is also known as a "dual registrant", or known to be "dually registered". MWAFS is a wholly owned subsidiary of Modern Woodmen of America, a fraternal benefit society offering life insurance and annuities. Our home office is located at 1701 1st Avenue, Rock Island, IL 61201. MWAFS is the sole distributer for all securities-based insurance products issued by Modern Woodmen of America, including variable contracts.

Conducting business with MWA Financial Services, Inc.

MWAFS offers investment products and services made available through agreements with select investment and insurance companies, clearing firms, and third party investment advisers. MWAFS does not issue products, raise capital, execute trades, or provide custody services. These services are provided by companies such as an investment company, insurance company, clearing firm or third party investment advisers.

MWAFS associates with financial professionals to conduct retail sales of securities. MWAFS is responsible for ensuring our financial professionals obtain proper licensure, complete necessary training, and abide by the firm's policies and procedures to engage in compliant securities transactions. One major component of our responsibility is to conduct a thorough review on all accounts established through MWAFS, including adherence to federal and state standards of care. These standards of care are comprised of suitability, best interest and fiduciary regulations.

Once MWAFS performs this review and approves the transaction, MWAFS sends you an introductory welcome letter accompanied by MWAFS paperwork and other documentation pertaining to your transaction. After that, the information (including the application and money to be invested) is forwarded to the appropriate company. Once the company receives and processes the transaction, your account is established and you will receive additional information and documentation from the applicable company where your assets are held.

Depending on the type of product or service selected, the investment company, insurance company, clearing firm, third party investment adviser, financial professional, and MWAFS all receive compensation derived from the purchase (or sale) of the investment product or service offered through MWAFS.

It is important to understand the costs associated with purchasing securities products or services in order to select the best option for your specific investment goals and objectives. Depending on these goals and objectives, MWAFS can offer you two types of services: broker-dealer (brokerage) or investment advisory. There are different costs associated with each type of service. The features and services provided in broker-dealer and advisory accounts are distinct and governed by different laws and regulations, as well as different terms and conditions in our agreements with you. You should consider the costs and services associated with each option and investment carefully before you invest and speak with your financial professional about which option is right for you.

Broker-dealer (brokerage) services

Under our broker-dealer services, MWAFS offers individual securities products for retail sale. These products are either:

- Held directly with the investment or insurance company (mutual funds or annuities)
- Brokerage accounts in which a variety of mutual fund families and other securities products can be held in the same account

Broker-dealer services are available through an MWAFS financial professional that is qualified as a registered representative. Registered representatives earn commissions on a per-transaction basis through the sales charges paid by you.

Investment advisory services

Under our investment advisory services, MWAFS offers three programs:

1. Adviser Managed Accounts
2. Third Party Managed Accounts
3. Investment Adviser Services

Investment advisory services are available through an MWAFS financial professional that is qualified as an investment adviser representative. Investment adviser representatives earn compensation through the fees paid by you. Depending on the program selected, this fee is either based on an ongoing agreement where the fee is calculated periodically and is based on a total amount of assets in an account or portfolio; or a one-time flat fee agreement.

When we act as your investment adviser, we enter into a written agreement with you expressly acknowledging our investment advisory relationship and describing our specific obligations to you. At the beginning of our advisory relationship, we give you our Form ADV disclosure brochure, which provides detailed information about the program you select, the advisory services we provide, fees, personnel, other business activities and industry affiliations, and conflicts between our interests and your interests.

For more information on our advisory services, visit www.modernwoodmen.org/bestinterest.

Our obligations to you

The foundation of securities industry compliance is fair dealing with clients. Whether you (as a client), are an individual, institution or business entity, our obligation at MWAFS is to serve you with honesty and integrity by putting your interests first. Below are descriptions of some rules that govern our activities, conduct and obligations to our clients:

- Communications
- Opening accounts and knowing our clients
- Privacy and protection of client data
- Cybersecurity
- Suitability, best interest and fiduciary requirements

Our Regulators

U.S. Securities and Exchange Commission (SEC)
www.sec.gov
The SEC is an independent federal government regulatory agency. The SEC oversees broker-dealers and investment advisers. The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation. MWAFS is registered with the SEC as an introducing broker-dealer and investment adviser. You can find more information on MWAFS by visiting the SEC website at www.adviserinfo.sec.gov.

Financial Industry Regulatory Authority (FINRA)
www.finra.org
FINRA is a government-authorized not-for-profit organization that oversees U.S. broker-dealers. Their mission is to protect investors and ensure the market's integrity. MWAFS is a member of FINRA (CRD#112630) and is subject to their oversight. You can find more information on MWAFS by visiting the FINRA BrokerCheck website at www.brokercheck.FINRA.org.

Municipal Securities Rulemaking Board (MSRB)
www.msrb.org
The MSRB is a self-regulatory organization. The MSRB's mission is to protect investors, municipal entities and the public interest by promoting a fair and efficient municipal market; regulating firms that engage in municipal securities and advisory activities; and promoting market transparency. MWAFS is registered with the MSRB.

State Departments
www.nasaa.org
While the SEC, FINRA and the MSRB regulate and enforce the federal securities laws, each state has its own securities regulator who enforces what are known as "blue sky" laws. These laws cover most of the same activities as federal regulation, such as the sale of securities and those who sell them, but are confined to the securities sold or persons who sell them within each state. You may research your state's securities regulation by searching online for your state's securities department website.

Securities Investor Protection Corporation (SIPC)
www.sipc.org
SIPC works to restore investors assets when a brokerage firm fails financially. MWAFS is a member of SIPC.

Broker-dealer regulation

FINRA, SEC, MSRB and state securities departments impose rules and regulations on broker-dealers and their financial professionals. MWAFS is required to have written policies and procedures to reasonably comply with the federal and state rules. Our policies and procedures are specific to the products and services that are offered through MWAFS.

Two of the main topics covered in regulation are the **suitability** of products and services sold through MWAFS and acting in the client's **best interest**.

FINRA *Suitability Rule 2111* requires a three-prong test be met to achieve compliance:

- Reasonable basis (that the recommendation would be suitable)
- Customer-specific (suitability based on the customer's individual investment profile)
- Quantitative suitability (that a series of recommendations, as a whole, are appropriate in the aggregate)

FINRA's suitability rule states that MWAFS "must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation."

The SEC's *Regulation Best Interest* establishes a standard of conduct under the *Securities Exchange Act of 1934* for broker-dealers and their financial professionals when making a recommendation of any securities transaction or a strategy involving securities (including account recommendations) to a retail customer.

The **general obligation** of Regulation Best Interest requires that when making such a recommendation to a retail customer, MWAFS must act in the best interest of the retail customer at the time the recommendation is made, without placing our financial or other interest ahead of the retail customer's interests. Compliant recommendations under Regulation Best Interest must reflect the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use.

Educational information vs. a recommendation

There is a difference between **educational** information and a **recommendation** to take action. A recommendation is covered under Regulation Best Interest, educational information is not. Educational information is provided by MWAFS and its financial professionals to educate you on the products and services we provide, and other information that is applicable to your situation.

Educational information includes:

- **General financial and investment information**, including:
    - Basic investment concepts, such as risk and return, diversification, dollar-cost averaging, compounded return, and tax-deferred investment
    - Historic differences in the return of asset classes (equities, bonds or cash) based on standard market indices
    - Effects of inflation
    - Estimates of future retirement income needs
    - Assessment of a customer's investment profile
- **Descriptive information** about an employer-sponsored retirement or benefit plan, participation in the plan, benefits of plan participation, and investment options available under the plan
- **Asset allocation models** based on generally accepted investment theory and accompanied by disclosures of all material facts and assumptions

For a recommendation to take place, there is a "call to action" or a communication that would influence you to open an account, move assets, invest monies, take withdrawals, or any other actionable items a financial professional presents to you. The more individually tailored a communication is to a specific customer, the greater chance that it is a recommendation, not education.

Recommendations include, among others:

- **Roll over or transfer assets** in a workplace retirement plan account to an IRA
- **Open a securities account** such as brokerage or advisory accounts
- **Take a plan distribution** for the purpose of opening a securities account

Four components of Regulation Best Interest

There are four components to Regulation Best Interest. All four components must be satisfied by MWAFS (in combination with its financial professionals) in order to comply with the general obligation of Regulation Best Interest.

1. **Disclosure Obligation**: MWAFS must provide certain disclosures before or at the time of recommendation. These disclosures include information about the nature of the relationship between you and MWAFS; the material fees and costs that will apply to your transactions, holdings and accounts; and the type and scope of services provided to you by MWAFS, including any material limitations on the securities or strategies involving securities available through MWAFS.

   Disclosures are provided to you in the following methods:

   - Client Relationship Summary, also known as Form CRS. This document briefly describes the nature of our services and relationship, fees and costs, standard of conduct and conflicts of interest. Financial professionals of MWAFS must deliver Form CRS before or at the time a recommendation is made. Please take the opportunity to review the provided information and ask questions before making a decision to invest money.
   - MWAFS disclosure documents (including this document). Electronic copies are always available at www.modernwoodmen.org/bestinterest.
   - Information on account forms, including the New Account Record, Investment Disclosure form, and third party applications and agreements. It is important that you review all information on these documents prior to signing.
   - Program descriptions from the product sponsor, such as the investment company, insurance company, or clearing firm. The product prospectus or other offering document contains detailed information about individual investments.
   - Oral disclosure by the financial professional.

2. **Care Obligation**: MWAFS's financial professionals must exercise reasonable diligence, care, and skill in making a recommendation, just as any prudent individual in a similar profession would do. MWAFS has resources available to our financial professionals so they can gather necessary information to analyze your investment objectives and determine the best direction for your situation. This detailed information and analysis is required for any recommendation to a retail customer involving securities products and services available through MWAFS.

   Both you and your financial professional need to understand the potential risks, rewards and costs associated with the recommendation. Your financial professional makes the recommendation based on information you provide. Please be **clear, accurate** and **ask questions**!

3. **Conflict of Interest Obligation**: A conflict of interest is defined as an interest that might incline a broker, dealer, or a natural person who is an associated person of a broker or dealer — consciously or unconsciously — to make a recommendation that is not disinterested.

MWAFS must establish, maintain, and enforce policies and procedures reasonably designed to address conflicts of interest.

- Identify: We must identify all conflicts of interest associated with recommendations.
- Mitigate: We must mitigate any conflicts of interest associated with recommendations that create an incentive for a registered representative to place their interest ahead of the interest of the retail customer.
- Eliminate: We must eliminate any sales contests, sales quotas, bonuses, and noncash compensation that are based on the sales of specific securities or specific types of securities within a limited period of time.
- Disclose: We must disclose any material limitations placed on the securities or investment strategies involving securities that may be recommended to a retail customer and any conflicts of interest associated with such limitations, and prevent such limitations and associated conflicts of interest from causing the financial professional to make recommendations that place his/her interest ahead of the interest of the retail customer.

4. **Compliance Obligation**: MWAFS must establish, maintain, and enforce policies and procedures reasonably designed to achieve compliance with Regulation Best Interest. These policies and procedures include controls, remediation of noncompliance, training, periodic review and testing.

MWAFS's sales process requires all applicable and necessary information be documented and discussed in order to determine the best course of action for your situation. We believe our processes, disclosures and documentation adequately address the requirements within the FINRA suitability standard, the SEC best interest standard, and standards of state regulators.

Investment adviser regulation

Regulation imposed by the SEC includes the *Investment Advisers Act of 1940* which established the standard of conduct applicable to investment advisers such as MWAFS. This standard draws from key fiduciary principals and holds MWAFS to a **duty of care** and **duty of loyalty**. This fiduciary duty requires investment advisers to act in the best interest of their clients.

The SEC believes the duty of care requires an investment adviser to provide investment advice in the best interest of its client, based on the client's objectives. The duty of loyalty dictates that an investment adviser must eliminate or make full and fair disclosure of all conflicts of interest which might incline an investment adviser (consciously or unconsciously) to render advice which is not disinterested such that a client can provide informed consent to the conflict.

Duty of care

An investment adviser's duty of care includes three components:

1. The duty to provide advice that is in the best interest of the client
2. The duty to seek best execution of a client's transactions where the adviser has the responsibility to select broker-dealers to execute client trades
3. The duty to provide advice and monitoring over the course of the relationship

An investment adviser's duty to provide advice in the best interest of the client includes a duty to provide advice that is suitable for the client. To fulfill this duty, the SEC believes that an investment adviser must develop a reasonable understanding of the client's objectives. Thus, an investment adviser should reasonably inquire into the client's financial situation, level of financial sophistication, investment experience and financial goals so the adviser understands the client's investment profile before providing advice. MWAFS requires that all of these factors are considered by the investment adviser representative prior to providing advice through an advisory agreement.

Over the course of the advisory relationship, MWAFS is required to:

- Maintain its understanding of the client's investment profile by periodically updating the profile to incorporate any change in the client's circumstances
- Conduct ongoing monitoring of the advisory assets under management

The SEC acknowledges the frequency for updating a client's profile is a facts-and-circumstances analysis. The SEC also acknowledges that an investment adviser's monitoring obligation is determined, in part, by the duration and nature of the agreed-upon service arrangement. Thus, the nature and extent of the client relationship will impact the frequency with which updates are required. Under Adviser Managed Accounts and Third Party Managed Accounts offered through MWAFS, investment adviser representatives are required to conduct ongoing monitoring and periodically contact the client to review activity, verify the client's situation has not changed and ensure current strategies align with the client's current investment goals and objectives. Under an Investment Adviser Services arrangement, the advice is one-time, therefore not requiring ongoing monitoring.

An investment adviser also must reasonably investigate an investment product and/or strategy to ensure that the advice is based on complete and accurate information. Such an investigation might include factors such as:

- Fees and compensation
- Investment objectives
- Risk and reward characteristics

- Volatility

Examples of investment strategies to which this investigation obligation applies include the engagement of a third party adviser, as well as advice about whether to roll over a retirement account to an account for which the adviser provides services.

Duty of loyalty

The SEC believes that an investment adviser also has a duty of loyalty. This duty prohibits investment advisers from favoring their own interests over a client's interests.

To fulfill the duty of loyalty, an investment adviser must make full and fair disclosure to its clients of all material facts relating to the advisory relationship. MWAFS, as a dually registered firm, must identify the capacity in which the firm is acting when providing advice. In addition, MWAFS must disclose any limitations on the advice provided.

As part of its disclosure obligation, an investment adviser is also required to disclose all conflicts of interest that might prevent the investment adviser's advice from being disinterested. The SEC emphasizes that full and fair disclosure of conflict requires an appropriate level of specificity. Disclosures must be clear and detailed enough so that a client is able to understand the material fact or conflict of interest and make an informed decision whether to provide consent. The SEC acknowledges that a client's informed consent can be explicit or implicit, depending on the circumstances.

When applicable, an investment adviser representative can present certain information in an oral fashion. However, MWAFS does require all conflicts of interest be disclosed to the client in writing through a Brochure Supplement, which is available upon request from MWAFS or the investment adviser representative.

Fiduciary responsibilities

When you participate in one of our advisory programs, we are considered to have a fiduciary relationship with you under the SEC's Investment Advisers Act of 1940. Our obligations include:

- To disclose to you all material conflicts between our interests and your interests
- To inform you if we, or our affiliates, receive additional compensation from you or a third party as a result of our relationship with you
- To obtain your informed consent before engaging in transactions with you for our own account or that of an affiliate or another client when we act in an advisory capacity
- To treat you and our other advisory clients fairly and equitably, without unfairly favoring one client to the disadvantage of another
- To act in what we reasonably believe to be your best interests, and in the event of a conflict of interest, place your interests before our own
- That any investment decisions or recommendations that we make to you must be suitable and appropriate for you; be consistent with your investment objectives and goals; and reflect any restrictions you have placed on us

Fiduciary status under the Investment Advisers Act is different from fiduciary status under the Employee Retirement Security Act of 1974 (ERISA), or the Internal Revenue Code. While in our investment advisory programs we must act as a fiduciary to you, we do not act as a fiduciary under ERISA or the Internal Revenue code unless we expressly agree to do so in writing in our investment advisory contract with you.

Termination of an advisory account or agreement will end our fiduciary relationship with you as it pertains to the terminated accounts or services. Depending on the terms of your investment advisory agreement with MWAFS, such termination can cause your advisory account to be converted to a brokerage account if MWAFS deems this to be in your best interest.

Form CRS: Client Relationship Summary

This SEC rule applies to both broker/dealers and investment advisers.

Per SEC Rule *Form CRS,* MWAFS and its financial professionals are required to deliver a **Client Relationship Summary** to all prospective clients. Since MWAFS is a "dual registrant", operating as both a broker/dealer and investment adviser representative, our CRS is a four page document that highlights key information:

- The services MWAFS offers and the type(s) of client relationships available
- Fees, costs, conflicts of interest, and the required standard of conduct, associated with those relationships and services
- Whether the firm and its financial professionals currently have reportable legal or disciplinary history

The CRS is intended to inform you about MWAFS and our financial professionals so you understand **who we are** and **what we do** before you make a decision to engage in business with us.

Choosing the best investment option for your situation

An MWAFS financial professional works with you to determine the product and/or service that best fits your needs. There are two parts to this process:

1. Understanding your needs
2. Developing a recommendation to meet those needs.

Assessing your situation

Before making a recommendation, we ask you a series of questions to help understand your financial situation, objectives and risk tolerance for your investment. Our financial professionals have access to various tools and resources to enable a better understanding of your goals. Such tools include fact-finding, needs analysis, risk tolerance, calculators, hypothetical and illustration programs, RightBRIDGE Product Profiler, RightBRIDGE Annuity Wizard, and RightBRIDGE Investment Wizard. Our financial professionals are not permitted to charge you for use of these tools during the analysis conducted prior to the recommendation (unless specified under an *Investment Adviser Services* program.)

CapitalRock, LLC is a vendor contracted with MWAFS to provide rule-based product validation/selection tools and needs-based customer analytics to the financial services industry. MWAFS has an agreement in place for the following:

- *RightBRIDGE Product Profiler*: Maps product types to the client's needs and uses a scoring methodology to help determine which mix of investment products is best suited for an individual client's needs. These suggestions are combined with ReasonText™ that explain why a product type fits a client's needs.
- *RightBRIDGE Annuity Wizard*: Helps determine which annuities available on the MWAFS product shelf are best suited to meet a client's needs, objectives and preferences.
- *RightBRIDGE Investment Wizard*: Helps determine the relevance of specific investment products for a client's goals and objectives.

Understanding risk

There is **always risk involved** when investing in securities-based products. It is important for you to understand the level of risk you are willing to take with your money. Make sure to fully express your level of comfort with risk. The general rule of thumb is: higher risk=higher reward. While that's not always the case, the ability to invest dollars and profit from that investment is what attracts people to securities. But you have to be willing to accept the risk that the market, and your investments, may decline in value. MWAFS nor its financial professionals have control over market conditions, nor can we predict market ups and downs. Instead, we use the information you provide to determine which type of product matches your level of risk.

Within the RightBRIDGE Product Profiler, there are questions presented that establish a risk tolerance score for a specific investment. This score should be consistent with the amount of risk you feel comfortable taking with your money and placing it into an investment that may increase in value, decline in value or remain unchanged over time. When determining an investment strategy and asset allocation, many factors must be considered. These factors include savings goals; your age; how long your money will be invested; how long the money needs to last; how much risk is necessary to meet your goals; your ability to accept both gains and losses; your attitude about gains and losses over time; how much you are relying on this investment for income stability; other assets you own; and your experience with investments in securities.

As you answer each question, select the response that best represents your attitude regarding the investment being discussed today. Different investment accounts you may already own, or may open in the future, may have different risk scores because of the various factors listed above.

There is no guarantee that you will meet your investment goals or make money, or that our recommendations and advice regarding investments and/or strategies will perform as anticipated.

Please discuss with your financial professional the risks associated with any recommendations made to you. Refer to the prospectus or other offering documents for any investment we recommend to you for a discussion of the risks associated with particular types of investments and investment objectives or strategies.

Determining the type of service

At MWAFS, you can choose a broker-dealer account, investment advisory account, or combination of both. Many of the investments we offer are available in both types of accounts. However, the features and services provided in a brokerage account and advisory account are distinct and governed by different laws and regulations, as well as different terms and conditions in our agreements with you.

You should carefully consider the costs and services associated with each option before you invest or pay money. Talk to your financial professional about what type of service is best for you.

Broker-dealer services

Broker-dealer services may be preferable for clients who do not want to pay an asset-based fee for investment recommendations, who do not seek professional investment management or in situations such as:

- Clients who intend to hold concentrated positions
- Client who do not require ongoing advice or monitoring
- Clients who prefer to only pay for limited services, such as individual transaction fees through commission, loads, etc.
- Clients who have a need for investments not available in an advisory program, including annuities, tax-advantaged accounts (such as a 529 Plan), or certain alternative investments

MWAFS and our financial professionals do not have a duty to provide ongoing recommendations or monitor your investments. We are not obligated to provide recommendations to you, or to update recommendations made previously, and not doing so should not be viewed as a recommendation to hold an investment.

You are responsible for ensuring the investments in your accounts remain appropriate given your investment objective, risk tolerance, financial circumstances and investment needs.

Investment advisory services

Investment advisory services may be preferable for situations such as:

- Clients who prefer professional investment management with ongoing advice
- Client who prefer the ability to delegate discretion to a third-party manager
- Client who want the ability to align with fee-based payment options
- Clients who prefer access to vetted asset managers and investment strategies

Comparing costs of brokerage and advisory services

Comparing brokerage and advisory options solely on the basis of price is difficult because the services you receive are different. You may pay more or less in an investment advisory program than you would pay if you purchased the investments and services separately in a brokerage account. The costs of either type of accounts depend on a number of factors, including:

- Types of investment products and services you prefer
- Value of your account(s)
- Mix of investment you hold
- How much you trade
- Administrative or management fees for the products or services you buy

Choosing your investment

Each investment product and service offers different features, benefits, costs, risks and objectives. It is important that you first clearly state your needs so your financial professional can determine which product is best for your situation. Investment products range from simplistic to complex. Refer to the prospectus or other offering documents for the details about each investment you are considering.

Resources available to you

There are many resources available for you to research securities products, services, and expectations from your broker-dealer and investment adviser. In addition to the product and service provider websites, including mutual fund or insurance company resources, here are some locations to find valuable information about investing and the securities industry:

General investing information

- www.FINRA.org/investor
- www.investor.gov

Cost analyzer (mutual funds)

- www.tools.finra.org/fund_analyzer

Information on MWAFS

- www.modernwoodmen.org/bestinterest
- www.modernwoodmen.org/CRS
- www.brokercheck.finra.org/firm/summary/112630
- www.adviserinfo.sec.gov/firm/summary/112630

Working with our financial professionals

Our financial professionals work with you to determine the products and/or services that are most appropriate for your investment goals and objectives. Based on the services you request, we can fulfill your needs in our capacity as a broker-dealer, as an investment adviser, or as both.

At MWAFS, our financial professionals are qualified and licensed to provide brokerage and/or advisory services. It is important to discuss the specific products and/or services your financial professional is able to provide, because certain products and/or services require a specific license or registration. Not all financial professionals are able to offer all products and services available through MWAFS.

Our financial professionals are also licensed to sell products outside of MWAFS, such as life insurance, fixed annuities and other traditional insurance products. These products are offered through the financial professional's affiliation with an insurance company or general insurance agency.

MWAFS offers proprietary insurance products through our affiliation with Modern Woodmen of America. Only those financial professionals contracted with Modern Woodmen are permitted to solicit and/or service Modern Woodmen products.

Qualification and registration

In the securities industry, there are various paths a financial professional may follow to offer certain products and services to their clients. At MWAFS, all individuals acting in a sales capacity must be properly licensed through FINRA as either an Investment Company and Variable Contracts Products Registered Representative (Series 6) or a General Securities Registered Representative (Series 7). Additionally, an individual may also be registered as an Investment Adviser Representative to offer fee-based advisory services. State licenses and/or notice filings are also required for each state in which solicitation of securities or investment advice occurs.

Investment Company and Variable Contracts Products Registered Representatives (Series 6) at MWAFS offer the following products:

- Mutual funds
- Variable contracts (annuity or life insurance)
- Unit investment trusts (UITs)
- Municipal fund securities (529 Plans)

General Securities Registered Representatives (Series 7) at MWAFS offer the following products:

- Mutual funds
- Variable contracts (annuity or life insurance)
- Unit investment trusts (UITs)
- Municipal fund securities (529 Plans)
- Stocks
- Bonds
- Exchange-traded funds (ETFs)
- Real estate investment trusts (REITs)
- Option strategies

Investment Adviser Representatives offer the following services:

- Adviser Managed Accounts
- Third Party Managed Accounts
- Investment Adviser Services

Educational and professional credentials

Some of our financial professionals have earned industry related credentials and use the relevant designation on marketing materials. Holding a professional designation typically indicates the completion of required curriculum and continuing education. However, a professional designation does not change the obligation to you for brokerage or advisory services offered. Two examples of professional designations include:

- Certified Financial Planner® (CFP®) www.cfp.net
- Chartered Financial Consultant®(ChFC®) www.theamericancollege.edu/designations-degrees/ChFC

For more information on professional designations, visit www.finra.org/investors/professional-designations. To find a professional that holds specific credentials, please visit www.designationcheck.com/advisor-search.

Financial professional titles

You may notice that our financial professionals operate under various titles. Most individuals associated with MWAFS are also contracted with Modern Woodmen of America. Depending on the individual's role at Modern Woodmen, that individual operates under the following titles:

- Regional Director
- Managing Partner
- Financial Representative
- District Agent

If associated with MWAFS to offer securities products and services, an individual with one of these titles also operates as a registered representative, an investment adviser representative, or both. It is important to discuss this with your financial professional to determine what they can offer to you.

Registered representative (RR)

An RR with MWAFS can offer securities products on a commission basis. This means that investments sold to you will result in compensation paid to the applicable parties, including the product issuer, service provider, custodian, MWAFS and the RR.

Investment adviser representative (IAR)

An IAR with MWAFS can provide investment advice on a flat or hourly fee or an assets-under-management (AUM) fee basis. Under a flat or hourly fee, an IAR can charge you for time spent creating a financial plan and any related work that is specified under the Client Advisory Agreement. Under an AUM fee, a stated percentage of your total assets under management is paid to applicable parties, including the third party investment adviser, MWAFS and the IAR.

*Registered representative **and** investment adviser representative*

MWAFS has many financial professionals that are qualified to conduct business as both an RR and IAR. Under this circumstance, it is important to discuss and determine which type of service is best for your situation – brokerage or advisory. There are differences in each program, including expenses, that should be reviewed before proceeding into a purchase or advisory contract.

Fiduciary

An individual may act in a fiduciary capacity when engaging in certain roles or services. Fiduciary can be referred to as an individual's role or a standard of care. A fiduciary is defined by the legal and ethical requirements to put the client's interests before any other interests when engaging in a financial transaction.

Fiduciary (broker-dealer)

At MWAFS, RR's are not held to a legal fiduciary standard unless specifically mandated by state law. This means there is no federal fiduciary law in place, but rest assured that effective June 30, 2020, the SEC's Regulation Best Interest imposes a high standard of care on all broker-dealers, including MWAFS and its financial professionals. An MWAFS RR should not refer to themselves as a fiduciary, unless there is a specific role or state law mandating a fiduciary standard.

Fiduciary (investment adviser)

Investment advisers are bound to the SEC's fiduciary standard. An IAR is obligated to act in a fiduciary capacity and therefore can call themselves a fiduciary. This information is outlined in the Client Advisory Agreement and supplemental brochures provided to you upon entering into an advisory agreement.

Conflicts of interest

We address our conflicts of interest by maintaining policies and procedures that require our financial professionals to act in your best interest, reasonably supervising their activities and disclosing these conflicts so you can make a fully informed decision.

MWAFS and financial professional conflicts

Conflicts of interest arise as a result of our compensation streams, our business interests and our relationships with issuers of securities products. Conflicts arise when MWAFS and its financial professionals benefit from a recommendation made to a client. Where the benefit would not directly benefit the financial professional, it is considered a firm-level conflict. Where the financial professional directly benefits, the conflict would apply to your financial professional at the time a recommendation is made.

Examples of **firm-level conflicts** include the incentive to:

- Offer products that our affiliates create (such as proprietary products issued by Modern Woodmen)
- Receive reimbursement from a product issuer or sponsor for technology-related costs of onboarding or maintaining products or platforms (while MWAFS does not generally require reimbursement, we reserve the right to do so and accept such reimbursement)

Examples of **financial professional-related conflicts** that apply when a recommendation is being made include the incentive that you:

- Purchase proprietary products that result in the financial professional receiving production credits to maintain their contract status with Modern Woodmen, which can also result in additional employment benefits paid to that financial professional depending on their rank at Modern Woodmen
- Purchase investments that result in greater compensation than other investments (typical examples include compensation paid on annuities versus mutual funds)
- Trade more frequently in your brokerage account to increase commissions
- Move accounts to us from other financial institutions or roll over your workplace retirement plan balances to an IRA offered through MWAFS
- Increase the assets you have in advisory accounts to increase the compensation paid to MWAFS and the investment adviser representative

Rollover and transfer recommendations

When an MWAFS financial professional recommends that you roll over assets from an employer-sponsored retirement plan (such as a 401(k), 403(b), 457(b), profit-sharing or defined benefit pension plan) to an IRA offered through MWAFS, there is a conflict of interest presented. This is because MWAFS and the financial professional will receive a financial benefit if you transfer the plan assets. Our policies and procedures require our financial professionals to:

- Review the factors important to deciding whether to roll over assets
- Provide disclosure about the pros and cons of making that decision

For additional information about those factors, please review the rollover disclosures found on the MWAFS Investment Disclosure form, which can be provided to you by a financial professional.

Compensation

Any party that receives compensation must be properly licensed and registered to receive such compensation derived from the sale of products and services offered through MWAFS.

Receipt of compensation (either cash or noncash compensation) creates conflicts of interest between you and your financial professional. We manage these conflicts by training our financial professionals to act in your best interest, maintaining written policies and procedures, and implementing supervisory controls.

Cash compensation

The issuers of products, service providers, custodians, MWAFS, the financial professional, and the financial professional's manager and mentor all receive compensation from the sale of a product or service offered through MWAFS. Outside of commission revenue, MWAFS can receive other payment of fees, such as recordkeeping fees, distribution fees, and fees for solicitation services under an advisory agreement. These fees are detailed in the prospectus or other offering document related to the product or service.

MWAFS cash compensation for our financial professionals consists of a separate payout grid for proprietary variable annuities (Modern Woodmen), nonproprietary variable annuities (NPV grid) and a payout grid for all other products and services (standard grid).

MWAFS implemented these three grids in effort mitigate the conflict of recommending one product over another solely based on the level of compensation that the financial professional and their manager or mentor receives. Leveling compensation payout helps to reduce conflict within a securities sale.

The grid is a percentage rate applied to the total amount MWAFS receives in compensation from the custodian. Here's how it works:

- The sale of a product or service occurs. The applicable custodian, such as the investment or insurance company, clearing firm or third-party manager retain a stated portion of the compensation based on that sale. They send the rest of the compensation to MWAFS. This portion sent to MWAFS is referred to as Gross Dealer Concession (GDC).
- At this point, MWAFS pays the financial professional a dollar amount calculated from the total GDC based on the rate stated on the NPV or standard grid.
- Managers and mentors of financial professionals also receive a percentage on each payable transaction. This is referred to as an overwrite. The percentage of the overwrite varies between annuities and all other securities products, and it based on the specific management or mentor situation.
- Once the grid rate and applicable overwrites are calculated, MWAFS retains the remainder of the compensation.

The payout rate and overwrite arrangements are an agreement between MWAFS and the financial professional. The payout rate and overwrite structure does not affect your cost of the investment. For example, whether a financial professional's current grid rate is 55% or 75% does not make a difference in the total cost you pay. The total you pay is specific in the prospectus, offering document or on the MWAFS Investment Disclosure form.

Please speak with your financial professional about the compensation they receive from the sale of a specific securities product or services you are interested in purchasing. Your financial professional may not receive all the specific types of compensation described in this disclosure.

Proprietary and nonproprietary payout conflicts

Proprietary annuities are issued by Modern Woodmen of America. *Nonproprietary* annuities are issued by other insurance companies through a selling agreement between MWAFS and the insurance company.

Commissions earned from the sale of proprietary annuities, such as a Modern Woodmen variable annuity, are paid to the financial professional by Modern Woodmen of America. Commissions on nonproprietary annuities are paid through MWAFS. The reason behind the separate NPV annuity grid is to mitigate the potential conflict between proprietary and nonproprietary variable annuity payout rates. This helps ensure the payout rates on nonproprietary variable annuities are comparable to the payout rates of proprietary variable annuities.

Proprietary commissions

Modern Woodmen securities-based products are offered through MWAFS by means of a Paymaster Agreement between Modern Woodmen and MWAFS. MWAFS is paid a distribution fee as part of this Paymaster Agreement. The financial professional is paid a commission at the time of sale, plus on an ongoing basis through renewal or trail payments. This payment of commission is made by Modern Woodmen directly to the financial professional. MWAFS currently retains a portion of the commissions in the case a variable annuity certificate does not have a financial professional listed as the agent of record (these are referred to as house accounts.)

Nonproprietary variable annuity payout grid

The NPV payout grid applies to nonproprietary variable annuities offered through MWAFS. The payout rate for nonproprietary annuities is a minimum of 66% of the total GDC received by MWAFS. The NPV grid rates are aligned with the rates paid to financial professionals by Modern Woodmen for the sale of proprietary variable annuities.

Insurance companies often offer compensation arrangements that vary per product. For example, a financial professional may choose between a higher up-front commission rate accompanied by a lower ongoing renewal rate, or a lower up-front commission rate accompanied by a higher ongoing renewal rate. This compensation selection is documented on the insurance company annuity application.

The following information on rate caps is only applicable to financial professionals affiliated with Modern Woodmen. Regardless of the up-front commission rate the insurance company offers and the financial professional selects on the application, MWAFS caps the rate the financial professional receives at 5% of the total GDC for first year contributions and between 3-5% for renewal year contributions. Therefore, if the insurance company offers a 5.5% first year payout, MWAFS retains the extra .5% and applies the NPV grid rate to the remaining 5% of the total GDC. If the up-front commission selected is less than 5%, MWAFS applies the grid rate to the total GDC prior to retaining any commission. MWAFS also retains the remainder (if any) after the commissions and overwrites are paid to the financial professionals. This is applicable to all nonproprietary annuities.

An example of how commissions are paid on nonproprietary annuities:

1. Insurance company pays MWAFS a total of 5.5% commission based on the total dollar amount of the investment; MWAFS retains .5%.
2. The financial professional receives their NPV grid rate (minimum 66%) calculated against the remaining 5% of GDC.
3. The manager or mentor receives an overwrite calculated against the remaining dollar amount.

4. MWAFS retains the remainder (if any dollars remain after application of the NPV grid and overwrites.)

Standard payout grid

The standard payout grid applies to mutual funds, 12b-1 fees (trails), general securities, advisory programs, variable life and fixed products sold through MWAFS. The minimum payout rate for these products is 55%. MWAFS financial professionals that also act in a managerial or mentor capacity receive an overwrite calculated on the total GDC.

The standard grid rate reflects the percentage the financial professional is paid by the custodian of the assets. This rate is calculated based on the total amount of GDC received by MWAFS from the custodian or a fee received through an advisory program. GDC is calculated based on the total amount of the transaction, as stated in the prospectus, offering document or on the MWAFS Investment Disclosure form.

An example of how commissions are paid from the standard grid:

1. Investment company (such as a mutual fund) pays MWAFS a total of 4%, which is calculated based on the total dollar amount of the investment.
2. The financial professional receives their standard grid rate (minimum 55%) calculated against the total GDC.
3. The manager or mentor receives an overwrite percentage calculated against the total GDC.
4. MWAFS retains any dollars that remain (if any) after application of the standard grid and overwrites.

Payout grid rate increases

The financial professional can be granted increased payout rates upon certain factors, such as experience, rank, past performance or reaching certain levels of total GDC brought into MWAFS from the sale of products offered through MWAFS. The GDC tiers are as follows:

- $0 - $9,999
- $10,000 - $49,999
- $50,000 - $124,999
- $125,000 +

These increases are granted at reasonable incremental rates to mitigate the conflict of a financial professional making a noncompliant sale in effort to reach an increase in their payout rate.

Noncash compensation

In addition to the commissions and fees already described, our financial professionals may receive other forms of compensation in connection to products and services offered through MWAFS.

Employment benefits (proprietary products)

Depending on the financial professional's rank at Modern Woodmen, the financial professional can receive compensation in the form of employment benefits. These standard benefits include health care and sponsored retirement plans. This can create a conflict for a financial professional that must maintain production levels as stated in their Modern Woodmen contact to continue receiving employment benefits.

Training and education

We work with product and service providers who can provide compensation to offset or reimburse costs incurred when conducting training and educational meetings, conferences, or seminars for MWAFS, financial professionals and participants. We require that all such providers submit a request (for approval by MWAFS) to invite financial professionals and/or participants to such events. This is to confirm that such compensation is reasonable and to mitigate conflicts of interest.

Although training and education compensation is not related to individual transactions or assets held in client accounts, it is important to understand that, due to the total number of providers whose products and services are offered through MWAFS, it is not possible for all companies to participate in a single meeting or event. Consequently, those providers that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with our financial professionals. These relationships could lead to sales of that particular company's products or services.

Recognition

Financial professionals can be compensated in the form of recognition trips. All or part of these trip expenses are subsidized by external vendors and affiliates, such as Modern Woodmen, mutual fund companies, other insurance companies, or third-party managers.

Other forms of recognition for a financial professional include the award of a trophy, plaque or item of similar nature; the acceptance into a club or similar program, and/or the financial professional's name appearing within an internal or external publication to recognize their achievements.

Promotional items, meals and entertainment

Our financial professionals may receive promotional items, meals or entertainment or other noncash compensation from product and service providers.

Research and tools

Certain providers provide free or discounted research or other subsidized access to tools and services, which can assist our financial professionals with making recommendations for the products and services offered through MWAFS.

All noncash compensation received must be properly documented and approved by MWAFS as applicable. MWAFS does not permit or condone any circumstance in which compensation received by the financial professional causes them to act in any interest other than the client. Individual compensation circumstances should be discussed between you and your financial professional.

Referral fees

MWAFS financial professionals are not permitted to accept or pay referral fees to any other party when referring you to their network of other professional services with which you may desire to engage. While a referral can be considered a reliable method to obtain services outside of what MWAFS offers, it is prudent that you conduct research on any other party prior to engaging in services.

MWAFS is not affiliated with any bank, tax or legal professionals and does not endorse or provide such services. MWAFS encourages you to seek tax, legal and other applicable professional guidance outside of your agreed-upon arrangement through MWAFS.

Products, Fees and Expenses

The following information on products and services is presented so you can understand how MWAFS operates when acting as a broker-dealer and investment adviser. This document is not meant to be all-encompassing education or disclosure on all securities products and services on the market. We encourage you to review the educational information about the various types of securities by visiting www.FINRA.org/investors/learn-to-invest/types-investments. This site provides the details and structure of the different types of products on the securities market.

Important limitations

There are variations on how broker-dealers and investment advisers choose to run their business. It is important for you to understand what MWAFS and our financial professionals can provide so you can make an informed decision on where to invest your money.

While MWAFS offers a wide variety of investments for retail purchase and different options for advisory services, we do limit the companies, products and services available through our firm. This range of products and services is limited to the companies we have selling and solicitor agreements with, the availability of certain securities from our clearing firm and other limitations we may impose based on the due diligence we conduct when selecting products and services to offer.

MWAFS and its financial professionals earn a commission for selling a securities product through a brokerage arrangement. MWAFS itself does not impose the fees and expenses featured on the various products offered through our firm, rather those fees and expenses are imposed by the issuing company, such as the investment company, insurance company, or our clearing firm. Details on these fees are found in the prospectus or other offering document provided by that issuing company. Our financial professionals are required to provide these documents prior to effecting a transaction.

Broker-dealer products

Under our broker-dealer, we offer a range of products designed to help meet your financial goals and needs. This includes recommending securities for purchase and sale that are directly held with the issuer (mutual funds, 529 Plans, variable annuities, and variable life insurance products); and securities for purchase and sale through brokerage accounts (stocks, bonds, mutual funds, exchange traded funds, unit investment trusts, options, and other individual securities). Both directly held and brokerage accounts are herein referred to as “brokerage arrangements.”

It is important to understand the following information for brokerage arrangements through MWAFS:

- We do not have minimum dollar amount requirement to open an account through our firm, but some of the securities you can purchase through us have minimum investment requirements that you should consider.
- Products available through our firm are offered on a nondiscretionary basis, which means you make the ultimate decision regarding the purchase or sale of investments.
- While MWAFS and your financial professional remain available to assist you, after effecting a securities transaction in a brokerage arrangement, we do not monitor your account.
- You will be charged fees to maintain an account, when you transact in a brokerage account, and when you otherwise purchase or sell securities directly held with the issuer (directly held securities).

The schedules below describe fees, charges, and expenses for various securities that may be recommended to you and will vary; however, they will not exceed the applicable rates shown. As explained earlier in this section, MWAFS does not impose these fees and expenses. The details about these fees and expenses can be found in the prospectus or other offering document provided by the issuing company. Our financial professionals are required to provide these documents prior to effecting a transaction.

Brokerage accounts

A brokerage account allows you to purchase and sell a variety of securities (stocks, bonds, mutual funds, exchange-traded funds, unit investment trusts and other individual securities) that are held in an account with our clearing firm. MWAFS’s clearing firm is Pershing LLC. Pershing is member of FINRA, NYSE, SIPC and is a subsidiary of The Bank of New York Mellon Corporation. MWAFS is not affiliated with Pershing. As our clearing firm, Pershing trades securities, holds the securities it receives on your behalf (custody), provides you transaction reports about the securities in your account and provides other related brokerage services.

When establishing a brokerage account, you will select and authorize uninvested cash balances in your account to be “swept” into a money market mutual fund. MWAFS does not receive revenue outside of normal concessions for assets swept into such a money market fund, nor are we affiliated with any bank that offers such money market funds.

You will not incur charges when establishing an account through MWAFS. However, as a result of owning an account, you will incur fees, charges, and expenses from the product and the custodian. These include fees, charges and expenses that apply to each transaction that occur in your account (transaction-based fees), service and maintenance fees (custodial fee, account maintenance fee, mutual fund fees, other service and transactional fees, and product-level fees), and other miscellaneous charges.

Transaction-based fees are deducted from your invested amounts and will vary based on the securities involved. For example, if you purchase securities in your account, these transaction-based fees are deducted from the amount of cash available to invest. Alternatively, if you sell securities, these transaction-based fees would reduce the amount that you receive.

As a shareholder of certain securities you will pay your proportionate share of management fees, short term trading fees, redemption fees, 12b-1 fees, shareholder servicing fees, and other charges and expenses (applicable periodically during the holding period and/or at the time you terminate your agreement), as permitted by the prospectus. These fees are normally imposed by mutual funds and exchange-traded products.

The types of transaction-based fees that you may incur when transacting in an account are detailed in the Pershing Fee Schedule located at www.modernwoodmen.org/bestinterest.

Equities (stocks)

When you invest in a stock, you become one of the owners of a corporation. Stocks represent ownership shares, also known as equity shares. Whether you make or lose money on a stock depends on the success or failure of the company, which type of stock you own, current market conditions and other factors.

It is important for you to evaluate the risks associated with the company in which you are investing. Take the time to review the company's relevant disclosure documents, including their registration statement, prospectus, or recent audited financial statements. Stock in public companies are registered with the SEC and in most cases are required to file reports quarterly and annually. These reports can be accessed at www.sec.gov/EDGAR/search.

The purchase and sale of stocks typically results in you paying a brokerage commission on each transaction. This commission is in addition to the price you pay for the equity itself. Please see the Pershing Fee Schedule on www.modernwoodmen.org/bestinterest for more information on these fees.

Bonds

A bond is a loan an investor makes to a corporation, government, federal agency or other organization in exchange for interest payments over a specified term plus repayment of principal at the bond's maturity date. Types of bonds include, but are not limited to: Treasuries, agency, corporate, and municipal bonds.

When you invest in bonds, you face the risk that your investment might lose money, especially if you bought an individual bond and want or need to sell it before it matures. Risk will also vary depending on the type of bond you own.

Bonds are generally issued in multiples of $1,000, also known as a bond's face or par value. The bond's price is subject to market forces and often fluctuates above or below par. If you sell a bond before it matures, you may not receive the full principal amount of the bond and will not receive any remaining interest payments. This is because a bond's price is not based on the par value of the bond. Instead, the bond's price is established in the secondary market and fluctuates. As a result, the price may be more or less than the amount of principal and the remaining interest the issuer would be required to pay you if you held the bond to maturity. If a bond trades above par, it is said to trade at a premium. If a bond trades below par, it is said to trade at a discount.

In bond transactions, MWAFS can acts as an "agent." If you want to buy a bond, we seek out bonds from sellers for you. If you are selling, we search the market for potential buyers. MWAFS does not mark-up or mark-down bond transactions. You will pay a commission on the transaction, as outlined in the Pershing Fee Schedule, available at www.modernwoodmen.org.bestinterest.

Exchange-Traded Funds

Exchange-traded funds (ETFs) combine aspects of mutual funds and conventional stocks. Like a mutual fund, an ETF is a pooled investment fund that offers an interest in a professionally managed, diversified portfolio of investments. But unlike mutual funds, ETF shares trade like stocks on stock exchanges and can be bought or sold throughout the trading day at fluctuating prices.

Purchasing or selling shares in an ETF typically results in you paying a brokerage commission on each transaction, similar to individual stocks. In addition to any brokerage commission you may pay, ETFs have expense ratios, like mutual funds, calculated as a percentage of the assets you have invested. ETFs do not have sales charges or 12b-1 fees. In general, actively managed ETFs cost more than passively managed index ETFs. Before purchasing ETF shares, carefully read all of an ETF's available information, including its prospectus.

Unit Investment Trusts

A unit investment trust (UIT) is an investment vehicle consisting of a pool of money that owns a fixed portfolio of stocks, bonds, or other securities that has been selected by an investment manager and held for a set period. You can hold shares of a specific UIT as part of a Pershing brokerage account through MWAFS.

As an investor of a UIT, you purchase redeemable units. You are not purchasing the underlying securities of the trust, and the value of your units rise or fall as the value of the securities in the trust rise and fall.

You will pay a sales charge when purchasing redeemable units of a UIT. Sales charges are categorized as either front-end or deferred and are described in the prospectus, which you should carefully review.

- **Annual operating expenses:** The trust pays for portfolio monitoring, bookkeeping, evaluation, administration, trust fees, and other operating expenses.

- **Front-end sales charge:** A charge that is included in the net asset value price when you purchase units in a trust.

- **Deferred sales charge:** A charge that is deducted from your distributions until the entire amount is paid. If you redeem a unit before this entire charge has been paid, then the balance is deducted from your redemption proceeds.

The fees, charges and expenses listed above will vary, it is important to review the prospectus for the specific fees you will pay.

Mutual Funds

A mutual fund is an investment company that pools money from many investors and invests it based on specific investment goals. The mutual fund raises money by selling its own shares to investors. The money is used to purchase a portfolio of stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. Each share represents an ownership slice of the fund and gives the investor a proportional right, based on the number of shares he or she owns, to income and capital gains that the fund generates from its investments.

The particular investments a fund makes are determined by its objectives and, in the case of an actively managed fund, by the investment style and skill of the fund's professional managers. The holdings of the mutual fund are known as its underlying investments, and the performance of those investments, minus fund fees, determine the fund's investment return. This is important to research when you are deciding on a mutual fund company to invest with.

When purchasing fund shares in either directly held with the issuer or a brokerage account, you will pay a sales charge. Sales charges are categorized as either front-end or back-end charges and are described in the respective fund prospectus which you should carefully review.

- **Front-end sales charge:** A fee typically charged when purchasing Class A shares.
- **Back-end sales charge:** A fee that is paid when you sell (typically with Class C shares).

You will also pay a proportionate share of the fund's ongoing management, 12b-1, and shareholder servicing fees, charges, and expenses. These fees, charges and expenses vary and are described in the fund's prospectus.

- **Investment management fee:** A mutual fund pays an investment management fee to an investment adviser for managing the fund's assets.
- **12b-1 fees:** A fee charged by some funds to cover promotion, distribution, and marketing expenses. This fee is sometimes paid to the fund's principal underwriter and/or as compensation to Financial Professionals.
- **Redemption fee:** A fee charged by the mutual fund company when selling shares.
- **Other expenses** (e.g., transfer agency fees).

The fees, charges and expenses listed above will vary, it is important to review the prospectus for the specific fees you will pay.

Most mutual funds offer various share classes, with different fees and expenses for distribution and shareholder services. Each class represents a similar interest in the mutual fund's portfolio. The biggest difference between the classes is that the mutual fund will charge you different fees and expenses depending on the class you choose. The most common share classes MWAFS offers are A, C and R shares.

Class A shares typically charge a front-end sales charge, which means a portion of your dollars is not invested. Depending on the size of your purchase, the mutual fund might offer you discounts, called "breakpoints", on the front-end sales charge if you make a large purchase, already hold other mutual funds offered by the same fund family, or commit to regularly purchasing the mutual fund's shares. Ask your financial professional whether any breakpoint discounts are available to you.

Purchasing mutual funds across multiple issuers can reduce the opportunity for breakpoints since the investment is spread across the different companies. Mutual funds offer these breakpoints as an incentive to invest higher levels of assets with their company. Additional information on mutual fund breakpoints can be found at www.finra.org/investors/making-most-mutual-fund-breakpoints.

Class C shares do not impose a front-end sales charge on the purchase, so the full dollar amount that you pay is invested. Class C shares impose an asset-based sales charge that you pay annually as a percentage of your assets (generally one percent). This share class also includes a contingent deferred sales charge (CDSC) that is imposed when the mutual fund shares are sold within a short time period. The amount of the CDSC is typically assessed as a percentage of your investment, it declines over time and is eventually eliminated the longer you hold your shares. Most C shares eliminate the CDSC after one year.

The ongoing asset-based sales charge is higher than on Class A shares and, since C shares generally do not convert into A shares, those ongoing asset-based fees will not be reduced over time. In most cases your total cost would be higher with C shares than with A shares if you hold for a long period of time.

Class R shares are available to retirement investors purchasing shares in a mutual fund through an employer-sponsored plan. Class R shares do not have a front-end or a CDSC, but they do have ongoing fees and expenses such as 12b-1 fees intended to finance the distribution activities related to sales of the fund shares. These fees and expenses are deducted from your assets on an ongoing basis.

Mutual Fund IRA Platform

MWAFS offers an additional method to invest in mutual funds outside of a directly held account or Pershing brokerage account. The mutual fund platform allows you to contribute to an Individual Retirement Account (IRA) and choose from a variety of select mutual fund companies in the same account.

There are no front or back-end charges or transaction fees. Rather, you are charged an annual recordkeeping fee, in addition to the individual fund expenses. Your financial professional can provide a fee and expense listing for the mutual fund IRA platform offered through MWAFS.

529 Plans

529 Plans (authorized under section 529 of the Internal Revenue Code) are state-sponsored programs that seek to help finance education expenses. While these 529 plans are open to residents of any state, you should investigate whether your state, or your beneficiary's state, offers a qualified tuition plan for its residents and consider what, if any, potential state income tax or other benefits it offers. Consult with a tax professional to receive tax analysis of the investments. You can hold a 529 plan either directly with the plan sponsor or as part of an account through MWAFS. It is also important to consider the negative financial impact of withdrawing funds from a 529 Plan for any purpose other than allowable expenses as permitted by the IRS.

Investors of 529 plans typically choose among a range of investment options, which often includes mutual funds and exchange-traded funds.

When purchasing a 529 plan in either a brokerage account or directly with the sponsor, you will pay a sales charge which is described in the respective offering document, which you should carefully review. You may be eligible for reduced sales charges as your invested amount increases (breakpoints).

Time horizon of the investment should be considered before deciding whether to purchase Class A Shares or Class C Shares in a 529 Plan. Compare the current age of the beneficiary and the future age of the beneficiary (when withdrawals from this account will take place). How many years do you have to hold the investment prior to withdrawing? With a longer time horizon, it is more likely that Class A shares will be the most cost effective. For short term investments, Class C shares could be beneficial to your situation. Your financial professional must consider time horizon when recommending a certain share class of mutual funds within a 529 Plan.

In addition to a standard 529 Plan, MWAFS also offers ABLE accounts. An ABLE account, also called a 529 A account, allows individuals with disabilities and their families a tax-advantaged way to save money for disability-related expenses of the account's designated beneficiary. The investment options are limited to certain Class A share mutual funds.

If the 529 Plan offers investment options that are mutual funds, you will pay a proportionate share of a fund's ongoing management, 12b-1, and shareholder servicing fees, charges, and expenses. These fees, charges, and expenses vary and are described in the fund's prospectus.

- **Program management fee:** The 529 Plan pays a program management fee to an outside firm and the state agencies for managing the plan's assets and plan administration
- **12b-1 fees:** A fee charged by some mutual funds to cover promotion, distribution and marketing expenses. This fee is sometimes paid to the fund's principal underwriter and/or as compensation to financial professionals

The fees, charges and expenses listed above will vary, it is important to review the prospectus for the specific fees you will pay.

For more detailed information on 529 Plans and ABLE accounts, please visit www.finra.org/investors/learn-to-invest/types-investments/saving-for-education.

Variable Products

MWAFS offers variable annuities and life insurance products from different insurance companies. The annuity or insurance is in the form of a contract between you and the insurance company.

MWAFS is the sole distributor of Modern Woodmen of America's variable products, also known as proprietary products. Financial professionals must be affiliated with Modern Woodmen to offer these products. Due to the affiliation of MWAFS as a wholly owned subsidiary of Modern Woodmen, and certain financial professional's full-time contract status with Modern Woodmen, proprietary products may be favored over nonproprietary products. Talk to your financial professional about the potential conflict this may present if you are considering purchasing a variable product from Modern Woodmen.

MWAFS also offers variable products through other insurance companies. These are referred to as nonproprietary products.

Because MWAFS offers a variety of options for variable products, it is important to consider that all products have differing features, benefits and costs (one time and ongoing.) Your financial professional must evaluate your individual situation in order to determine which variable product best meets your needs, and ensure the cost of any additional features, such as riders or other optional add-on features, are justified by a stated need, goal and/or objective.

Variable Annuity Contracts

A variable annuity is an insurance contract between you and an insurance company that allows you to allocate your premium payments to one or more subaccounts of the variable account or the fixed account.

The accumulated value of a variable annuity fluctuates according to the investment performance of the variable subaccounts and is not guaranteed. Any growth in accumulated value grows tax-deferred. Consult your financial professional for information regarding a variable annuity's tax-deferral benefits and disadvantages. For specific tax advice, consult a tax professional. Investments in variable subaccounts are subject to risk and may be worth more or less than the amount of the accumulated premium payments. Depending on the death benefit option you select, accumulated value fluctuations may affect the available death benefit. Variable annuities offer lifetime income options, principal protection features, and basic death benefit guarantees. Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company and the investment performance of the subaccounts.

A portion of the product costs you pay covers a sales commission paid to us by the issuer. You do not pay this directly because the insurance company factors this commission into the product's ongoing fees and costs. This also means that 100% of your principal is invested immediately, unlike certain investment such as Class A share mutual funds.

You will pay certain ongoing and periodic fees and other expenses imposed under the annuity that will be reflected in your annuity's contract value. These fees affect net investment performance, vary between variable annuities, and are described in the variable annuity's prospectus.

- **Surrender charge:** You will pay a surrender charge to the issuer if you withdraw money from your annuity contract or surrender it during the surrender period. Each year, you can take out a certain amount of money without incurring this charge.
- **Mortality and expense fees:** You will pay mortality and expense fees to the issuer to provide you with a death benefit and cover other expenses of the issuer.
- **Portfolio expenses:** You will pay portfolio expenses related to the subaccounts of your variable annuity contract.
- **Optional benefits and riders fee:** You will be charged for any additional optional living or death benefits.

The fees, charges and expenses listed above will vary, it is important to review the prospectus for the specific fees you will pay.

Variable Life Insurance Products

Variable life insurance is a flexible premium variable life insurance contract that provides a death benefit and has the potential to build up cash value. With flexible premiums, within limits, you can increase or decrease your coverage or change your premium after the contract is issued. Variable life insurance products allow you to choose among variable subaccounts and may include a fixed account, if available, to invest your net premium payments and any accumulated value. Variable life insurance products are held directly with issuing insurance company and not through us.

The accumulated value in the fixed account is credited with interest at a current rate set by the insurance company, with a guaranteed minimum rate stated in the contract. Accumulated value in the variable subaccounts fluctuates according to the investment performance of the portfolio of these variable subaccounts and is not guaranteed. Any growth in accumulated value grows tax-deferred. Consult your financial professional for information regarding a variable life insurance product's tax-deferral benefits and disadvantages. For specific tax advice, consult a tax professional. Investments, which are typically mutual funds, are subject to risk and may be worth more or less than the amount of your accumulated premium payments. Depending on the death benefit option you selected, accumulated value fluctuations may affect the available death benefit. Guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company and the investment performance of the subaccounts.

You can access the accumulated value from your contract by taking a loan or partial surrender, which will affect the amount payable to your beneficiaries. A loan or surrender against the contract will reduce the death benefit and cash surrender value. A significant taxable event can occur if a contract terminates with outstanding debt.

A portion of the premium and product costs you pay covers a sales commission paid to us by the issuer. You will pay an expense charge that is deducted from each premium payment.

You will pay a monthly deduction, penalty fees, interest charges, and other expenses imposed under the variable life insurance contract that will be reflected in your contract value. These fees can affect net investment performance, vary between variable life insurance products, and are described in the variable life insurance product's prospectus.

- **Monthly deduction:** A deduction that is subtracted from the accumulated value and consists of a cost-of-insurance charge, monthly mortality and expense risk charge, monthly administrative charge and charges for any additional insurance benefits or riders.
- **Penalty fees:** A fee deducted from the accumulated value that may apply if you terminate all or part of the contract early, you decrease the face amount by making death benefit option changes or the contract lapses during the first 10 years or within 10 years of increasing coverage.
- **Portfolio expenses:** You will pay portfolio expenses related to the subaccounts of your variable life insurance contract.
- **Interest charges:** Interest charged on any loans from the contract.
- **Optional benefits and rider fees:** You will be charged for any additional optional endorsements, benefits and riders.

The fees, charges and expenses listed above will vary, it is important to review the prospectus for the specific fees you will pay.

The issuing insurance company is responsible for processing requests such as transfers, surrenders, and/or death benefits under the terms of the contract.

Alternative and Complex Products

Certain investment products offer alternative opportunities to traditional products. These tend to be more complex and riskier than traditional investments, and often tempt investors with special features and higher returns than offered by traditional investments. A couple examples of complex products include a high-yield bond that has a lower credit rating and a higher risk of default but offers a more attractive rate of return, a real estate investment trust (REIT) that offers very limited liquidity, and a leveraged or inverse ETF. Complex products may use options strategies, as well as other complicated trading strategies, in an attempt to achieve stated investment objectives. Complex structured products also have the tendency to feature limited liquidity.

If your intention is to invest within a complex product, it is important that you understand the features of the product, how it is expected to perform under different market conditions, the risks and the possible benefits, the costs of the product and the scenarios in which the product may perform poorly. It would also be prudent to consider whether less complex or less costly products could achieve the same objectives. Discussion with your financial professional should facilitate an understanding of the basic features of the product, such as the payout structure and the nature of underlying collateral or a reference index.

Investment Advisory Services

As an investment adviser, we offer three programs:

1. Investment Adviser Services
2. Adviser Managed Accounts
3. Third-Party Managed Accounts

Investment Adviser Services include research and a written recommendation presented to you by the financial professional. These services are limited to advice only and do not include securities transactions.

In Adviser Managed Accounts, you can choose an account that allows us to give you advice and you decide which investments to buy and sell (non-discretionary); or a Third Party Managed Account that allows a selected third-party manager to buy and sell investments in your account without asking you in advance (discretionary).

For Adviser and Third Party Managed Accounts, we offer advice on a regular basis. We will discuss your investment goals, design with you a strategy to achieve your investment goals, and regularly monitor your account. We will contact you (by phone or email) at least annually to discuss your portfolio.

We have a fiduciary duty to the advice we provide you and with respect to the assets in your advisory accounts. We are responsible for monitoring your account and determining if assets should be reallocated. If your situation changes for any investment goal or objective, you should contact your financial professional to review your holdings and make any adjustments needed to align with your current or anticipated situation. You will receive paper or electronic account statements each quarter directly from the custodian.

Our investment advice will cover a limited selection of investments. Other firms could provide advice on a wider range of choices, some of which might have different costs. Some of the investments we offer have minimum asset requirements for opening advisory accounts and charge annual fees that are based on the size of the assets in your account.

All investment advisory services offered through MWAFS are facilitated by means of a contract between you, MWAFS and the investment adviser representative. It is important that you review and understand the contract terms before entering into an advisory arrangement with MWAFS.

For detailed information on each type of service and the applicable fee arrangement, refer to our Investment Advisory Services and Managed Account brochures located at www.modernwoodmen.org/bestinterest.