

June 30, 2020

# Customer Relationship Summary

Helping you make an informed decision

Form CRS

*Prospera Financial Services, Inc. is registered with both the Securities and Exchange Commission as an investment adviser and Financial Industry Regulatory Authority as a broker-dealer. Free educational materials and simple tools are available at [investor.gov/CRS](http://investor.gov/CRS) to research firms and financial professionals.*

## What Type of Account is Right for You – Brokerage, Investment Advisory or Both?

There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you. **Depending on your needs and investment objectives, we can provide you with services in a brokerage account, investment advisory account, or both at the same time.** *This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information, and please note the conversation starter questions listed in this document.*

## What Investment Services and Advice Can You Provide Me?

*Our accounts and services fall into two categories.*

### Broker-Dealer Services

#### Brokerage Services

- *If you open a brokerage account, you will pay a **transaction-based fee**, generally referred to as a commission, every time you buy or sell an investment.*
- *We offer Wells Fargo Clearing Services as our sole brokerage custodian unless your Financial Professional discloses their selection to only offer Pershing as custodian.*
- *You may select investments, or we may recommend investments for your account, but the ultimate investment decision for your investment strategy and the purchase or sale of investments will be yours as we do not offer discretionary trading in brokerage accounts. You will receive confirmations of all transactions and monthly statements of all assets held with our custodians.*
- *We offer a limited selection of investments. Other firms could offer a wider range of choices, some of which might have lower costs. We also offer products where we are the sponsor, manager, or an investor, both directly and indirectly, of the product. We also offer proprietary products.*
- *We sell fixed income products such as bonds and certificates of deposit and structured products on a principal basis in brokerage*

### Investment Advisory Services

#### Advisory Accounts

- *If you open an advisory account, you will pay an on-going **asset-based fee** for our services.*
- *We will offer you 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 e-mail) at least annually to discuss your portfolio.*
- *You can choose an account that allows us to buy and sell investments in your account without asking you in advance (a "**discretionary account**") or we may give you advice and you decide what investments to buy and sell (a "**non-discretionary account**"). This may be performed in a wrap-fee program (where you don't pay any transaction fees until you exceed the stated annual trade maximum) with an advisory fee of no more than 2.15% annually billed on a quarterly basis or a non-wrap program charging a transaction fee of up to \$10.00 for each trade along with the advisory management fee of no more than 2.00% annually billed on a monthly basis.*
- *We also offer financial planning (billed either as a flat fee or hourly) along with full execution investment advisory services, and our*

<p>accounts to retail investors, which means our profit is included in your total security cost.</p> <ul style="list-style-type: none"> <li>• We sell products and securities in initial public offerings where we receive additional compensation for acting as a manager or selling group member.</li> <li>• We do not offer ongoing monitoring in brokerage accounts, and we do not have an account minimum balance for new accounts.</li> <li>• We can offer you additional services to assist you in developing and executing your investment strategy, but you might pay more. We will deliver account statements to you each month in paper or electronically.</li> </ul> <p>Please visit <a href="https://ProsperaFinancial.com/Disclosures">ProsperaFinancial.com/Disclosures</a> for more detailed information.</p>	<p>minimum account size for advisory accounts is \$10,000.00.</p> <ul style="list-style-type: none"> <li>• 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 lower costs.</li> </ul> <p>Please visit <a href="https://ProsperaFinancial.com/Disclosures">ProsperaFinancial.com/Disclosures</a> for a detailed description of all our advisory services and their related fees and conflicts, including a copy of our Form ADV.</p>
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Conversation starters: 1. Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not? 2. How will you choose investments to recommend to me? 3. What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

### What Fees Will I Pay?

Fees and costs affect the value of your account over time. Please ask your financial professional to give you personalized information on the fees and costs you will pay.

<p><b>Brokerage Account Fees and Costs</b></p> <ul style="list-style-type: none"> <li>• <b>Transaction-based fees.</b> You will pay us a fee every time you buy or sell an investment. This fee, commonly referred to as a commission, is based on the specific transaction and not the value of your account. With stocks or exchange-traded funds, this fee is usually a separate commission. With other investments, such as bonds, this fee might be part of the price you pay for the investment (called a "mark-up" or "mark down"). With mutual funds, this fee (typically called a "load") reduces the value of your investment.</li> <li>• <b>Some investments (such as mutual funds and variable annuities) impose additional internal fees that will reduce the value of your investment over time. Also, with certain investments such as variable annuities or mutual funds, you may have to pay fees such as "surrender charges" or deferred sales charges to sell the investment.</b></li> <li>• <b>Our fees vary and our commissions are negotiable. The amount you pay will depend, for example, on how much you buy or sell, what type of investment you buy or sell, and what kind of account you have with us.</b></li> </ul>	<p><b>Investment Advisory Account Fees and Costs</b></p> <ul style="list-style-type: none"> <li>• <b>Asset-based fees.</b> You will pay an on-going fee at the end of each month or quarter (depending on the advisory program) based on the value of the cash and investments in your advisory account. The amount paid to our firm and your financial professional generally does not vary based on the type of investments we select on your behalf. The asset-based fee reduces the value of your account and will be deducted from your account. For some advisory accounts, called <b>wrap fee programs</b>, the asset-based fee will include most transaction costs, and as a result wrap fees are typically higher than non-wrap advisory fees.</li> <li>• <b>Some investments (such as mutual funds and variable annuities) impose additional fees that will reduce the value of your investment over time. Also, with certain investments such as variable annuities, you may have to pay fees such as "surrender charges" to sell the investment.</b></li> <li>• <b>Our investment advisory management fees vary and are negotiable. The amount you pay will depend, for example, on the services you receive and the value of your account.</b></li> </ul>
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- We charge you additional fees, such as custodian fees, transfer fees, account maintenance fees, and account inactivity fees (altogether “account fees”), which are assessed annually or at the time the triggering event occurs (such as when you transfer securities).
- The more transactions in your account, the more fees we charge you. We therefore have an incentive to encourage you to engage in transactions.
- From a cost perspective, you may prefer a transaction-based fee if you do not trade often or if you plan to buy and hold investments for longer periods of time.

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

Apart from our fees and costs described above, you will be assessed internal investment product fees on any investment product you invest in with us. The investment products include, but are not limited to, mutual funds, Unit Investment Trusts, Exchange Traded Funds, fixed and variable annuities, non-traded and direct participation investments, managed futures funds, variable life insurance products, and 529 accounts.

- You will pay **account fees** in both wrap and non-wrap advisory programs just as you would in a brokerage account.
- For accounts not part of the wrap fee program, you will pay a transaction fee when we buy and sell an investment for you. Although transaction fees are usually included in the wrap program fee, sometimes you will pay an additional transaction fee (for investments bought and sold outside the wrap fee program or for trades exceeding the stated annual maximum).
- The more assets you have in the advisory account, including cash, the more you will pay us. We therefore have an incentive to increase the assets in your account in order to increase our fees. You pay our fee monthly or quarterly even if you do not buy or sell.
- Paying for a wrap fee program could cost more than separately paying for advice and for transactions if there are infrequent trades in your account.
- An asset-based fee may cost more than a transaction-based fee, but you may prefer an asset-based fee if you want continuing advice, ongoing monitoring, or want someone to make investment decisions for you. You may prefer a wrap fee program if you prefer the certainty of a periodic quarterly or monthly fee (depending on the program) regardless of the number of transactions you have (up to the stated annual maximum trades in the program).

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. Please see our Regulation Best Interest disclosure and Form ADV disclosures at [ProsperaFinancial.com/Disclosures](https://ProsperaFinancial.com/Disclosures).

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

**What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

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

### Examples of Ways We Make Money and Conflicts of Interest

- We can buy investments from you, and sell investments to you, from our own accounts (called "acting as principal") in a brokerage account or with your specific approval on each transaction in an advisory account. We earn a profit on these trades, so we have an incentive to encourage you to trade with us.
- We have an incentive to recommend you hold cash in your accounts, because we share in cash interest revenue from those funds.
- We have an incentive to recommend you invest with third parties with whom we have a solicitor agreement as we share in those third-party advisory fees.
- We offer proprietary, managed, or sponsored products, which is a conflict as we make additional fees.
- We have an incentive to recommend you open accounts with Wells Fargo Clearing Services and Pershing as the custodian, because we share in account and transaction fees and receive incentive compensation for opening accounts or aggregating assets with these custodians.
- Please see [ProsperaFinancial.com/Disclosures](https://prosperafinancial.com/disclosures) for our Regulation Best Interest Disclosure and ADV.

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

### How do our financial professionals make money?

- Our financial professionals receive a percentage of the advisory fees, brokerage commissions, and product trailing fees generated by assets under their management or for which they are broker of record. This percentage increases based on their total revenue at our firm and is an incentive to recommend investment transactions, rollovers to our firm from your retirement account, or investment advisory services. Brokerage commissions and product trailing fees vary widely from product to product, which is an incentive for our professionals to recommend the investment products paying the highest commissions or trailing fees.
- Our financial professionals also receive retention bonuses or related compensation based on their assets under management or total revenue at our firm, and the internal investment advisory administration fees charged to our financial professionals is reduced in some advisory programs based on their total advisory assets under management. This incentivizes recommending advisory accounts.
- Our financial professionals receive credits toward due diligence trips to conferences hosted by investment product sponsors, which is an incentive to sell the related products. Our firm also offers reward trips and travel to our annual conference for financial professionals meeting a total revenue threshold.
- Our financial professionals share in revenue related to loans backed by your investment account, which is an incentive to recommend these loans, and our financial professionals share in any solicitor revenue shared with third party investment advisors they refer to you.

### Do you or your financial professionals have legal or disciplinary history?

Yes. We have legal and disciplinary events. Visit [Investor.gov](https://investor.gov) for a free tool to research the background and experience of us and our financial professionals.

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

### Where can I find additional information?

You can always ask your financial professional for more information, request a copy of this relationship summary at 972-581-3000, visit [brokercheck.finra.org](https://brokercheck.finra.org) for information about your financial professional, review your brokerage or advisory agreement, or visit [ProsperaFinancial.com/Disclosures](https://prosperafinancial.com/disclosures) to review our form ADV, Regulation Best Interest Disclosure, and other information.

Conversation Starter: Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?