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Client Relationship Summary

Wealthfront Advisers LLC and Wealthfront Brokerage LLC

March 9, 2023

## Item 1. Introduction

This Client Relationship Summary (“Form CRS”) provides important information about Wealthfront Advisers LLC (“Wealthfront Advisers”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”), and Wealthfront Advisers’ affiliate broker-dealer Wealthfront Brokerage LLC (“Wealthfront Brokerage”), a member of [FINRA/SIPC](#). Choosing a financial institution is an important decision, and this Form CRS can help you decide if Wealthfront Advisers and Wealthfront Brokerage (collectively “Wealthfront”) are the right fit for you. Below, we’ve included some “conversation starters.” These should give you a better understanding of the services you will receive, the fees you will pay, and Wealthfront’s qualifications.

Wealthfront Advisers provides advisory services for its clients (“Clients”), who may open “Investment Accounts” which include: (a) Automated Investing Accounts, which are taxable accounts, individual retirement accounts (“IRAs”), or 529 college savings plans (“529 Accounts”) where Clients can invest in portfolios we recommend, and (b) Stock Investing Accounts, which are taxable accounts that allow Clients to invest in certain exchange-traded securities, including stocks. Wealthfront Advisers maintains Client portfolios in accounts at Wealthfront Brokerage, which carries out Wealthfront Advisers’ instructions regarding those portfolios. Wealthfront Advisers also advises the Wealthfront 529 College Savings Plan and Wealthfront Brokerage distributes 529 Accounts. These 529 Accounts are administered by the Board of Trustees of the College Savings Plans of Nevada in conjunction with the Nevada State Treasurer.<sup>1</sup>

Please note that investment advisory and brokerage services, and their fees, differ. It’s important for you to understand the differences. You can visit [Investor.gov/CRS](http://Investor.gov/CRS) for free and simple tools to research firms and financial professionals and to access educational materials about broker-dealers, investment advisers, and investing.

## Item 2. Relationships and Services

### *What investment services and advice can you provide me?*

With Automated Investing Accounts, Wealthfront Advisers provides fully discretionary, automated, and passive investment management services to help you meet your long-term financial goals. The minimum to open these accounts is \$500. Wealthfront Advisers further helps with your long-term financial goals by offering Stock Investing Accounts, which allow you to invest in specific stocks and exchange-traded funds of your choosing.

When you open an Automated Investing Account, you grant Wealthfront Advisers full discretionary authority to manage it. With a Stock Investing Account, you grant Wealthfront Advisers limited discretion, with Wealthfront Advisers exercising discretion over the specifics of transactions, including the time, price, number of shares, and units or dollar amounts in a transaction, while you retain general investment discretion over which securities to buy or sell. As noted above, Wealthfront Advisers holds Client portfolios in accounts at Wealthfront Brokerage. Please note that Wealthfront Brokerage does not provide recommendations and only buys and sells securities for you based on instructions provided by Wealthfront Advisers regarding the investment of your assets.

With Automated Investing Accounts that are not 529 Accounts, we allow Clients to choose portfolios we recommend and the ability to customize our recommendations. Our recommended portfolios are designed to maximize returns for Clients’ individual risk tolerances. Clients who choose to customize our recommendations can make adjustments to our recommended investment allocations, increasing or decreasing the target percentage of a particular ETF or investment. Clients can also choose from a list of available ETFs or other investments and request specific allocations to each. In some situations, Clients can restrict Wealthfront Advisers from trading particular stocks.

If you choose to use Wealthfront Advisers’ recommended portfolio, we invest your assets in a diversified portfolio of ETFs or other investments. Wealthfront Advisers chooses low-cost ETFs with high liquidity and low tracking error. Our recommended portfolios

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<sup>1</sup> Before investing in a 529 Account, consider your state's 529 plan or that of your beneficiary's home, which may offer state tax and other benefits not available through 529 Accounts. For more information, see pages 10-11 of the [529 Plan Description and Participation Agreement Supplement](#).

for taxable accounts and IRAs also include portfolios for socially responsible investing (“SRI”). Our SRI portfolios use ETFs that include higher proportions of companies that score well for Environmental, Social, and Governance (“ESG”) measures, according to the investment research company MSCI.<sup>2</sup> If you choose to customize our recommended portfolios for taxable accounts and IRAs,<sup>3</sup> you can adjust the allocations to the ETFs or other investments in our recommended portfolio or you can choose from a variety of ETFs or other investments and request specific allocations to each.<sup>4</sup> Wealthfront Advisers will periodically remind you to review and update your profile information, and we continuously monitor your Automated Investing Account so we can rebalance your investments to maintain your target portfolio allocation. When appropriate, we also conduct tax-loss harvesting in taxable accounts to minimize your tax liability. Tax-Loss Harvesting is an Investment Account feature that takes advantage of daily market volatility to harvest losses that can be used to lower your tax bill, leaving more money to invest while maintaining the risk and return characteristics of your portfolio.

Clients with taxable Managed Accounts that have at least \$100,000 can opt into our [US Direct Indexing service](#). Depending on the value of such Clients’ accounts, our US Direct Indexing service replaces the ETF that represents the US public equities asset class with individual securities that comprise up to 1000 US stocks with the largest market capitalizations as a way of generating additional tax savings.<sup>5</sup> Clients with taxable Automated Investing Accounts that have at least \$100,000 can also allocate up to 20% of their portfolio to the Wealthfront Risk Parity Fund, a low-cost, low-minimum mutual fund that implements a risk parity strategy managed by Wealthfront Strategies LLC (“Wealthfront Strategies”), an SEC-registered investment adviser and an affiliate of Wealthfront Advisers and Wealthfront Brokerage.<sup>6</sup> Clients with taxable Investment Accounts that have at least \$500,000 can opt into our no-fee Smart Beta<sup>7</sup> service, which serves as an enhancement to our US Direct Indexing service.

Wealthfront Advisers Clients also have access to software-based financial planning tools and services through Wealthfront Advisers’ affiliate, Wealthfront Software LLC.<sup>8</sup> This financial planning service is available to Wealthfront Advisers’ Clients at no charge through a contractual arrangement between Wealthfront Advisers and Wealthfront Software LLC.

Wealthfront Advisers also offers Automated Savings to Clients, free of charge. Automated Savings enables you to automatically move excess cash to a Wealthfront Cash Account or taxable Investment Account. You tell Wealthfront Advisers which account to monitor (an external checking account or Wealthfront Cash Account) and set a maximum balance for that account. When Wealthfront Advisers detects you’re over that balance by at least \$100, it will schedule transfers of the excess cash to the Wealthfront accounts of choice. Wealthfront Advisers will notify you about each Automated Savings transfer by email, and you’ll have at least 24 hours to cancel transfers before they happen. You can turn Automated Savings off at any time.

For more details about Wealthfront Advisers’ investment advisory services, see [Items 4 and 7 of our Client Brochure](#). We also encourage you to consider the following questions before becoming a Client:

***Given my financial situation, should I choose an investment advisory service? Why or why not? How will you choose investments to recommend to me?***

We answer these questions [here](#).

### **Item 3. Fees, Costs, Conflicts, and Standard of Conduct**

#### ***What fees will I pay?***

**Principal Fees and Costs:** With the exception of our Stock Investing Accounts, all our Investment Accounts are “wrap accounts.” This means that investment advisory fees and expenses, including any brokerage commissions, management fees, and administrative costs, are “wrapped” into a single fee. Wealthfront Advisers’ Clients with Automated Investing Accounts pay an annual wrap fee of 0.25%, which accrues daily and is charged at the end of each month. Clients can lower these advisory fees by referring friends and family to use the service.

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<sup>2</sup> You can learn more about our SRI portfolios [here](#). See [Item 8. of our Client Brochure](#) for information regarding risks of SRI portfolios.

<sup>3</sup> We do not support Client-customized portfolio allocations for 529 Accounts.

<sup>4</sup> You can learn more about our Smart Beta service [here](#).

<sup>5</sup> The customization capability is not available for Automated Investing Accounts that use our US Direct Indexing service.

<sup>6</sup> Other investments may include, for example, statutory trusts that hold digital assets. Wealthfront Advisers may limit Client allocations to certain investments or groups of investments. You can learn more about these investments [here](#).

<sup>7</sup> You can learn more about our Smart Beta service [here](#).

<sup>8</sup> The financial planning tool allows Clients to build automated financial plans for a variety of objectives, such as buying a home, retirement, paying for college, without a traditional financial planner interview. See [Item 4.B. of our Client Brochure](#) for more information about our financial planning tool.

For Clients with a Stock Investing Account, a percentage of the net interest margin earned by Wealthfront Brokerage on the Cash Account that Stock Investing Account clients are required to maintain will be paid to Wealthfront Advisers as the Advisory Fee for Stock Investing Accounts. As a result, Clients pay no out of pocket advisory fees for maintaining Stock Investing Accounts, nor does this reduce the rate of interest Clients receive from cash maintained in their Cash Accounts.<sup>9</sup>

To calculate daily fees in Automated Investing Accounts, we multiply the net market value of your Investment Account by 0.25%. We calculate the net market value of your Investment Account as of the close of trading on the New York Stock Exchange on that day, or on days when the market is closed, the immediately preceding close of trading. We then divide the resulting number by 365 (or 366 in any leap year) to calculate your daily fee. Then, we multiply the daily fee by the number of days in the month to get your monthly fee. We deduct this monthly fee from Automated Investing Accounts no later than the tenth business day of the following month. We do not charge any account-opening fees, withdrawal or account-closing fees, trading/commission fees, or account transfer fees.

- *Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will be invested for me?*
  - We invest funds in Automated Investing Accounts by purchasing the maximum number of whole shares of ETFs that match your target asset allocation. Partial shares are not available for Automated Investing Accounts, so an amount of money may not be invested. This amount is allocated to a highly liquid money market fund until there is enough cash to buy more whole shares consistent with your target asset allocation. We also allocate a small amount of cash to the money market fund to cover the annual 0.25% advisory fee for our Automated Investing Accounts. In a Stock Investing Account, we invest your funds by purchasing the maximum number of whole or partial shares of company stock or ETFs in which you choose to invest. However, an amount of money may still not be invested and this amount is allocated to a highly liquid money market fund until there is enough cash to buy more whole or partial shares consistent with your investment selection.
- *How much will go to fees and costs?*
  - If you have an average monthly balance of \$10,000 in an Automated Investing Account, your advisory fee will be approximately \$2.05 each month. Assuming 30 days in the month and 365 days in the year, here's the math:  $\$10,000 * 0.0025 * (30/365) \approx \$2.05$ . Nevada residents with 529 Accounts only pay the annual 0.25% fee on assets under management that exceed \$15,000. Funds in a Stock Investing Account are not used to cover the advisory fee, which is instead paid by Wealthfront Brokerage to Wealthfront Advisers from a percentage of interest Wealthfront Brokerage earns from the Wealthfront Cash Accounts of Clients with Stock Investing Accounts.<sup>10</sup>
  - To cover plan administration costs in 529 Accounts, the Board of Trustees of the College Savings Plans of Nevada (the "Board") and Ascensus College Savings Recordkeeping Services, LLC, the Program Manager of the Plan each receive an annualized Program Administration fee equal to 0.01% and 0.05%, respectively, accrued daily based on assets under management. The Board may change the Program Administration fee plan without prior notice.

**Other Fees and Costs:** Certain clients may pay other fees or expenses to third parties, including an affiliate of Wealthfront Advisers.

- Third-party fees include expense ratios, which cover the total annual operating expenses of an ETF or fund. Expense ratios are expressed as a percentage of a fund's average net assets and will vary depending on the portfolio allocations in your Investment Account. You can see the expense ratios for the ETFs and other funds in your Investment Account by logging into your Wealthfront user account. Wealthfront Advisers does not receive any compensation related to expense ratios.
- Clients who choose to allocate funds to the Wealthfront Risk Parity Fund pay an annual 0.25% fee to Wealthfront Strategies LLC on the amount invested in the Wealthfront Risk Parity Fund.<sup>11</sup> That fee covers the fund's management and operational expenses and is in addition to the advisory fee Clients pay to Wealthfront Advisers for managing their portfolio. For more information on this fee, see our FAQs: "[Is there an additional fee for Risk Parity?](#)" and "[How do you calculate the incremental cost of Risk Parity?](#)"
- Wealthfront Brokerage offers a margin lending product called Portfolio Line of Credit ("PLOC"), which is offered to Clients who have invested in a fully discretionary, taxable account and who meet other minimum account thresholds. Wealthfront Brokerage charges interest on the funds borrowed under a PLOC for the time that the loan is outstanding. Please see [Item](#)

<sup>9</sup> See [Item 5.A. of our Client Brochure](#) for more information about advisory fees paid in relation to the Stock Investing Accounts.

<sup>10</sup> See [Item 5.A. of our Client Brochure](#) for more information about advisory fees paid in relation to the Stock Investing Accounts.

<sup>11</sup> The Wealthfront Risk Parity Fund is a proprietary mutual fund managed by Wealthfront Strategies LLC ("Wealthfront Strategies"), an SEC-registered investment adviser and an affiliate of Wealthfront Advisers and Wealthfront Brokerage. To invest in this fund, Clients must have a taxable account with at least \$100,00. You can learn more about the Wealthfront Risk Parity Fund [here](#).

8.D. of our [Client Brochure](#) and Wealthfront Brokerage's [Margin Handbook](#) for more information on PLOC and risks associated with the product.

**Additional information:** You'll pay fees whether you make or lose money on your investments. Those fees will reduce the amount of money you make on your investments over time. Please make sure you understand the fees you're paying. For more information on fees for our investment services, see [Item 5.A. of our Client Brochure](#).

***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?***

We do not provide recommendations as your broker-dealer. *When we act as your investment adviser*, we have to act in your best interest and put your interests ahead of our own. In some cases, the way we make money may create a conflict of interest. Some examples of potential conflicts you should understand include:

- **Client Referrals and other compensation:** Wealthfront Advisers runs promotional campaigns to encourage Clients to open accounts on the Wealthfront website. As a result, participating Clients will receive promotional benefits for successfully referring new Clients to Wealthfront Advisers. These campaigns may create an incentive for third parties or other existing Clients to refer prospective Clients to Wealthfront Advisers, even if they would not otherwise make such a referral. Account opening incentives do not influence the way we manage our Clients' accounts. Additionally, Wealthfront Brokerage may provide Wealthfront Advisers' Clients compensation as a promotional offer to open accounts at Wealthfront Brokerage. These arrangements are fully disclosed on [Item 14. of our Client Brochure](#).
- **Portfolio Line of Credit:** PLOC is a margin loan product Clients can use to access credit from Wealthfront Brokerage using their portfolio as collateral. This may present a conflict of interest because Wealthfront Brokerage can force the sale of assets in your account(s), but we believe the amount by which your portfolio must decline for this to happen is highly unlikely. You can read more about PLOC [here](#).
- **Wealthfront Risk Parity Fund.** Qualifying Clients may choose to allocate part of their portfolio to the Wealthfront Risk Parity Fund, a proprietary mutual fund managed by Wealthfront Strategies. Client allocations to the Wealthfront Risk Parity Fund are subject to an annual 0.25% fee charged by Wealthfront Strategies. This fee is in addition to the advisory fee Clients pay to Wealthfront Advisers for managing their portfolio. Offering a proprietary mutual fund to our Clients may create a conflict of interest because assets invested in the Wealthfront Risk Parity Fund are subject to higher fees, creating an incentive for Wealthfront Advisers to allocate more capital to the Wealthfront Risk Parity Fund. As of April 28, 2021, we address this conflict by no longer offering the Wealthfront Risk Parity Fund as part of our recommended portfolios. Instead, Clients opening accounts on or after that date may only add the Wealthfront Risk Parity Fund to their portfolios through our customization capability. For Clients who had recommended portfolios before April 28, 2021, we address this conflict by limiting such Clients' allocation to the Wealthfront Risk Parity Fund to 20% of their portfolio.
- To further minimize conflicts of interest, we do not employ individual advisors or brokers to sell our products. For more information, see [Items 10. and 14. of our Client Brochure](#).

***How do Wealthfront Advisers' or Wealthfront Brokerages' financial professionals make money?***

Our investment advisory services are entirely managed by software. This means we don't employ financial professionals or advisors to give investment advice.

#### **Item 4. Disciplinary History**

***Do you have legal or disciplinary history?***

Yes. For more information, see [Item 9. of our Client Brochure](#). You may also research us for free at [investor.gov/CRS](https://investor.gov/CRS).

#### **Item 5. Additional information**

You can find more information about our investment advisory or brokerage services and obtain a copy of this Form CRS at <https://www.wealthfront.com/legal> or by emailing [support@wealthfront.com](mailto:support@wealthfront.com).

***How do I contact Wealthfront Advisers or Wealthfront Brokerage for questions/complaints I may have or if I need technical assistance?***

Please email us at [support@wealthfront.com](mailto:support@wealthfront.com) or call us at 844-995-8437.