

**Which Type of Account is Right for You - Brokerage, Investment Advisory or Both?**

Equity Services, Inc. (“ESI”) is a broker-dealer and an investment adviser registered with the Securities and Exchange Commission. **Brokerage and Investment Advisory services and fees differ, and it is important that you understand the differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](http://Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.**

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

ESI offers both brokerage services and investment advisory services to retail investors.

**Broker-Dealer Services**

Our **brokerage** services, offered through registered representatives, include buying and selling securities and investor education. We offer mutual funds, stocks, bonds, variable annuities, and a limited selection of alternative investments. We do not actively monitor your investments after purchase (but you may contact your representative to have your investments reviewed). Our representatives do not have discretionary authority to purchase or sell securities without your approval before each transaction. You will have the ultimate decision regarding the purchase or sale of your investments.

We offer a wide range of products, and your investments are not limited to products sponsored by us or our affiliates. However, only variable annuities that pay ESI additional revenue on a percentage of sales are eligible to be sold in Individual Retirement Accounts. Please refer to our Revenue Sharing Disclosures (located at [www.equity-services.com](http://www.equity-services.com)) for specific information regarding ESI’s revenue sharing agreements with product sponsors.

While we do not have minimum account sizes or investment amounts, some of the investments we offer may impose their own restrictions.

**Investment Adviser Services**

Our **advisory** services, offered through advisory representatives, include accounts where we provide management of your assets for a fee, referrals to other third-party asset managers (“TPAM”), and financial planning services.

For accounts we manage, we actively monitor your investments on an ongoing basis. Some of our programs allow our representatives limited discretion to rebalance the existing holdings in your account without your express approval, if our monitoring shows that your investments are inconsistent (or at risk of becoming inconsistent) with your stated investment objectives, due to the relative growth or decline of some of your investments. Otherwise, advisors do not have trading discretion and you must approve each purchase and sale in your account. If you decide to use a TPAM to manage your assets, they monitor your account consistent with their investment strategy and have discretionary authority to purchase and sell securities in your account.

Our advisory offerings are not limited to proprietary products. Some advisory programs are limited to certain types of investments (e.g. mutual funds), and have minimum account size requirements, as described more fully in our Form ADV Part 2A.

**Additional Information:** Access our website <https://www.nationallife.com/Our-Businesses-ESI> for additional information about our brokerage services, including a document entitled “Understanding our Relationship: Fees, Costs, Conflicts and Scope of Services,” (“Reg BI Disclosure”), and our advisory services, including a document called our Form ADV 2A.

**Conversation Starters. Ask your financial professional:**

- **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?**
- **How will you choose investments to recommend to me?**
- **What is your relevant experience, including your licenses, education and other qualifications? What do those qualifications mean?**

**What fees will I pay?**

**Broker-Dealer Services**

**Transaction-based fees.** For brokerage services, you pay a fee every time you buy or sell an investment. These “transaction fees” are based on the specific transaction and not the value of your account.

**Advisory Services**

**Asset-based fees.** You will pay an on-going fee based on the value of the cash and investments in your advisory account. Fees are deducted from your account at the beginning of the quarter or after the quarter has ended, depending on the program.

**Client Relationship Summary - Continued**

Additionally, some investments, typically mutual funds and variable annuities, have “surrender charges” if you surrender all or some of your investment within a specific time period. They are typically a percentage of the amount being surrendered.

Other transaction fees referred to as “commissions” are sometimes paid by investors, but often are included in the price of the investments being purchased, and are shared with the Representative. Commissions are more fully described below.

If there are more transactions in your account, you will be charged more, creating an incentive for us to encourage you to engage in more transactions.

**Other fees and costs.** There are additional fees and costs connected to services in a brokerage account, which are described in your customer agreement. These fees include service fees, margin rates, cashing fees, and other miscellaneous fees.

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.

The fee you pay does not vary based on the type of investments we select on your behalf. The asset-based fee is paid directly from your account, and reduces the value of your account.

Some advisory programs include most transaction costs and custody services in a single fee. These are called **wrap fee programs**. As a result, wrap fees are typically higher than non-wrap advisory fees.

The more assets you have in the advisory account, including cash, the more you will pay us. Therefore, we have an incentive to encourage you to increase the assets in your advisory account assets in order to increase our fees.

Our representatives charge hourly fees for financial planning services. If you engage us for financial planning services, you have the right to negotiate that fee with our representative. If, when implementing a financial plan you purchase products that generate a commission or fee from us, we will receive money in addition to any fee you paid for the financial planning service.

**Additional Information: 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. View our *Brokerage Account Client Transaction and Service Fee Schedule*, and our *Client Transaction and Service Fee Schedule for Managed Programs*. Access our website <https://www.nationallife.com/Our-Businesses-ESI> for additional information about our brokerage and advisory products, services, fees, and disclosure information (including our Reg BI Disclosure, our brokerage agreement, and Form ADV 2A).**

**Conversation Starters. Ask your financial professional:**

- **Help me understand how these fees and costs might affect my investment. 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?***

**Examples of Ways We Make Money and Conflicts of Interest.**

*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 with your interests because they can affect the recommendations and investment advice we provide you. Here are some examples to help you understand what this means.*

**Proprietary Products: Investments that are issued, sponsored, or managed by us or our affiliates.**

**As a Broker Dealer**, National Life Insurance Company, ESI's affiliate, issues the Sentinel Advantage Variable Annuity (“SAVA”). As such, if you purchase SAVA from ESI, ESI's affiliate will benefit from the fees and charges associated with your investment.

**As an Investment Adviser**, EFA often recommends advisory programs branded “Illuminations,” managed by third party managers, as well as portfolios managed by your IAR. In either case, your assets will be held in an ESI brokerage account, which will generate additional transaction based revenue for ESI.

**Third-Party Payments and Revenue Sharing: Compensation we receive from third parties when we recommend or sell certain investments.**

**As a Broker Dealer**, some of the sponsors of investments we sell, known as “Strategic Partners,” share revenue they earn on those investments with us. These include various variable annuity issuers, as well as the Touchstone family of mutual funds.

Some investments pay ESI and your representative more in transaction-based compensation than other investments. For example, variable annuities often generate more compensation than mutual funds. Similarly, mutual fund loads are generally higher than commissions for Exchange Traded Funds (“ETFs”) or stocks. Some mutual funds have share classes that pay ongoing asset-based fees (known as 12b-1 fees) even though other funds, or other share classes of the same fund, do not. These differences create a conflict of interest because we have an incentive to recommend products that generate more compensation.

**As an Investment Adviser**, certain investment managers and product sponsors we recommend, or other third parties (such as an intermediary) make additional payments, which are based on a percentage of the assets in your account.

Also, investment advisory programs offered through ESI’s “Illuminations” platform, sometimes use No-Transaction Fee (“NTF”) mutual funds. National Financial Services (“NFS”) offers a list of NTF funds, under which mutual fund offerors pay a participation fee to NFS. NFS then shares a portion of this participation fee with us.

**Additional Information:** Access our website <https://www.nationallife.com/Our-Businesses-ESI> for additional information about our brokerage and advisory products, services, fees, and disclosure information (including our Revenue Sharing Disclosure, our Reg BI disclosure, brokerage agreement, and our Form ADV 2A).

**Conversation Starters. Ask your financial professional:**

- How might your conflicts of interest affect me, and how will you address them?

***How do your financial professionals make money?***

**Our financial professionals are compensated with cash compensation.** For brokerage services, “commissions” are charged on each investment. Commissions are paid to the Firm, which retains a portion and then pays the remainder to your Representative.

**Stocks and ETFs:** Generally, the customer pays a fixed dollar amount as a commission for the purchase or sale, which does not change based on the amount of the investment. This commission is usually added to the price of the shares you are purchasing, or is deducted from the proceeds of a sale you are making.

**Mutual Funds:** Generally, in brokerage but not in advisory accounts, a commission is charged on each purchase (a “front-end load.”) The commission is a percentage of your initial investment, and decreases the money invested in the fund. The mutual fund pays the commission to the firm, who retains a portion and pays the remainder to the representative. Additionally, mutual funds often, but not always, have trail fees. These are as high as 1% each year, but are commonly lower. Trail fees are paid to the firm by the fund. In brokerage, the firm retains a portion and pays the remainder to the representative. In advisory accounts, where ESI provides the brokerage services, trails are refunded to your account.

With stocks or ETFs, 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 “sales load”) that is charged by the fund and reduces the value of your investment.

Variable annuities are not held in brokerage accounts, but the insurance company issuing the contract pays the Firm a commission when their product is sold. The Firm then retains a portion of this commission, and pays the remainder to the Representative. The commission will not lessen the value of your investment at the time of purchase. However, the insurance company typically assesses a “surrender charge” if you surrender some or all of your investment too soon. In part, these charges recover the cost of commissions on investments that are not held as long as expected.

In general, the more transaction-based charges and asset-based fees a representative generates, the larger the portion of the commissions they retain, and the smaller the portion that is retained by ESI. Whether compensation is transaction-based or asset-based, ESI does not increase the percentage of compensation a representative receives based upon selling specific securities, or specific types of securities.

## Client Relationship Summary - Continued

For advisory services, the asset-based fees described above are deducted from your account and paid to ESI, who then retains a portion and pays the remainder to the representative(s) associated with your account. As discussed in the Firm's ADV Part 2A, your representative is allowed to negotiate with you the asset-based fee for your advisory account, subject to the parameters established by the Firm. In general, when negotiating an asset-based fee, representatives will negotiate a fee that is based on the amount of work and the nature of services they will provide, in addition to their level of experience and expertise. Representatives will generally accept, as a fee, a lower percentage of the assets being managed, when your account is larger.

**Non-cash Compensation.** ESI also provides various non-cash incentives based on the achievement of sales numbers (based upon all sales), including promotions in which representatives receive awards such as travel to conferences with educational content, merchandise, computer hardware and/or software; paying for occasional meals, lodging and/or entertainment; and making cash payments in lieu of business expense reimbursements; and/or; employee benefits, such as health insurance, Social Security contributions, etc.

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

Yes. Visit [Investor.gov](https://www.investor.gov) for a free and simple search tool to research our firm and our financial professionals.

**Conversation Starters. Ask your financial professional:**

- **As a financial professional, do you have any disciplinary history? For what type of conduct?**

### Additional Information.

Access our website <https://www.nationallife.com/Our-Businesses-ESI> for additional information about our disciplinary history (Form ADV 2A). Additionally, you can find information about our broker-dealer at [brokercheck.finra.org](https://www.brokercheck.finra.org), and our investment adviser at [adviserinfo.sec.gov](https://www.adviserinfo.sec.gov). You can request up-to-date information about our firm, or a copy of our Form CRS, by calling 800-344-7437.

**Conversation Starters. Ask your financial professional:**

- **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?**