

How Financial Professionals are Compensated & Conflicts



It is important that you have information to help you make informed investment decisions - and to recognize, we hope, the value of the guidance and knowledge our Financial Professionals have devoted in their relationships with you and in helping you meet your investment goals.

When Financial Professionals provide you with a brokerage or advisory recommendation they have to **act in your best interest** and not put their own interest ahead of yours. At the same time, the way we and your Financial Professional make money creates conflicts of interests because it can affect the recommendations and investment advice they provide you. We take steps to mitigate the effect of those conflicts by offering a broad selection of financial products and services, and we have training, tools, and processes in place to help our Financial Professionals recognize and recommend only the products and services that best address your needs. Helping you make the right decision includes telling you about **compensation-related conflicts of interest**.

The percentage of revenue paid to Financial Professionals (payout) is based on total commissions and fees earned (production)

- **The higher the production, the higher the payout.** This creates a financial incentive for your Financial Professional to encourage you to increase your investment account size or trade more.
- **Some products pay more commission than others.** This creates a financial incentive for your Financial Professional to recommend products that pay him or her more.
- **Different payout grids for different products.** This creates a financial incentive for your Financial Professional to recommend products and services tied to the grid that pays him or her more.
- **Not every product pays trailing commissions.** This creates a financial incentive for your Financial Professional to recommend products that pay a trail or share classes that pay higher trails.
- **Will be compensated if you rollover assets and won't if you don't.** This creates a financial incentive for your Financial Professional to recommend strategies that compensate him or her over those that do not.

Other Financial Professional Compensation Conflicts

In some cases, Financial Professionals pay a portion of their compensation to their branch manager or other Financial Professional for supervision and/or administrative or sales support. **This creates a conflict of interest in that the branch manager's receipt of compensation may hinder their responsibility to objectively supervise the Financial Professional.**

CCS has an obligation to supervise our Financial Professionals and may discipline or terminate a Financial Professional based on violations of firm policy, securities regulations and other factors. **The amount of production revenue the Financial Professional generates creates a conflict when we consider whether to discipline or terminate a Financial Professional.**