

# A guide to investing in 529 plans

What you should know before you buy

Wells Fargo Advisors wants to ensure that you are investing in the 529 plan that best suits your investment objectives, risk tolerance, time horizon, and diversification needs. This guide will help you better understand features and costs associated with the 529 plan, share classes of mutual funds in the 529 plan, and how your financial advisor and Wells Fargo Advisors are compensated when you invest in 529 plans. As always, if you have any questions about your 529 plan investments, please contact your financial advisor.

## What is a 529 plan?

Qualified, state tuition programs, better known as 529 educational savings plans, are designed to encourage families and other investors to save for future education costs. The plans are professionally managed, tax-advantaged portfolios that enable individuals to set aside funds for the future educational needs of a student. 529 plans were first authorized by Congress in 1996, and are named after Section 529 of the Internal Revenue Code. This section allows states to create plans for a person to save for qualified educational expenses at eligible schools. Most states offer at least one type of 529 plan, although plan structures and tax incentives may differ from state to state.

There are two basic types of 529 plans — prepaid college tuition plans and savings plans. Prepaid college tuition plans allow a family or other investor to pay future tuition costs now, based on today's rates. Most prepaid college tuition plans are sponsored by state governments, and typically have residency requirements and limited enrollment periods. Many state governments also guarantee investments in the prepaid college tuition plans that they offer. These plans are not offered through Wells Fargo Advisors.

A 529 savings plan (also known as an investment plan) offered through Wells Fargo Advisors enables a family or other investor to accumulate funds in a tax-advantaged way for future, qualified education costs. Participants save money in a 529 plan account on behalf of a particular individual, such as a child or grandchild (called the designated beneficiary). These plans offer various investment options, which are usually mutual funds that provide a variable rate of return. Some plans offer investment options that guarantee a minimum rate of return. Congress expanded the use of 529 plan funds to include tuition expenses (up to \$10,000, per student, per year) at elementary or secondary schools. Also, with the passing of the Secure Act in December 2019, the use of 529 plan assets were extended to include qualified student loan repayments (up to \$10,000 lifetime, not annual), including those for siblings.

The choices of a financial institution, brokerage/advisory account, and/or financial advisor are important. There are numerous options in the market place that you may otherwise select. Wells Fargo Advisors limits its offerings and services, and may not offer the least expensive selection. For less expensive offers, look for online offerings without a financial advisor, check with the fund family, plan, or offering documents.

### Investment and Insurance Products are:

- Not Insured by the FDIC or Any Federal Government Agency
- Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate
- Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested

Additionally, the Act allows 529 plan monies to be used for registered apprenticeship programs. Please consult with your tax advisor if you have questions about the eligibility and potential benefits of using 529 plan funds for elementary or secondary school.

Secure Act 2.0 was signed into law on December 29, 2022. Secure ACT allows for funds to be transferred from a 529 account tax-free to a Roth IRA for the designated beneficiary. There are numerous requirements in order to do a rollover. Please consult with your tax advisor on your eligibility.

Although most plans allow investors from out-of-state to participate, investors who participate in plans offered by their state of residence may benefit from state tax deductions, state tax credits, matching grants, scholarship opportunities, and certain exemptions from state financial aid calculations. 529 plans are covered by Securities Investor Protection Corporation (SIPC), but they are not without risks or limitations.

We have a responsibility to consider reasonably available alternatives in making a recommendation. We do not need to evaluate every possible alternative either within our products or outside the firm in making a recommendation. We are not required to offer the “best” or lowest cost product. While cost is a factor that we take into consideration in making a recommendation, it is not the only factor.

You should consider factors such as those below prior to accepting a recommendation:

- The potential risks, rewards, and costs in purchasing and in the future selling of a security.
- Your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance.
- The security’s investment objectives, characteristics (including any special or unusual features), liquidity, volatility, and likely performance in a variety of market and economic conditions.
- For complex products, you should consider whether less complex or costly products achieve the same objectives.

By accepting a recommendation, you acknowledge that you have considered the above factors to your satisfaction.

*Wells Fargo Advisors is a member of the Securities Investor Protection Corporation (SIPC), which protects securities customers of its members up to \$500,000 (including up to \$250,000 for claims for cash). An explanatory brochure is available upon request or at [sipc.org](https://www.sipc.org). SIPC does not insure the quality of investments or protect against losses from fluctuating market value.*

*Above and beyond SIPC coverage, Wells Fargo Advisors maintains additional insurance coverage through London Underwriters (led by Lloyd’s of London Syndicates), (referred to here as “Lloyd’s”). For clients who have received the full SIPC payout limit, Wells Fargo Advisors’ policy with Lloyd’s provides additional coverage above the SIPC limits for any missing securities and cash in client investment accounts up to a firm aggregate limit of \$1 billion (including up to \$1.9 million for cash per client). Please note that coverage provided by SIPC and Lloyd’s does not protect against the loss of market value of securities. All coverage is subject to the specific policy terms and conditions.*

## Choosing a plan

Before investing, it is important that you consult with your financial advisor and tax advisor to help identify an appropriate 529 plan to fit your needs. When choosing a plan, you should consider your individual objectives and circumstances in light of the plan's investment options, fees, and state tax implications.

# Features and characteristics

At Wells Fargo Advisors, we believe that funding for education is a significant investment in the life of a child or grandchild. With education costs increasing and so many factors to consider, we encourage you to take the time to learn about a 529 plan before investing. A good start is to review the plan's official statement.

To help you make the best choice for your situation, we have briefly summarized some of the factors you should consider before investing, which are listed below.

**Plan availability** — Some 529 plans are only available as “direct sold,” which means you must deal directly with the 529 plan provider to purchase a plan. There are no financial intermediaries or financial advisors involved in direct sold plans. Although consumers will forego the benefits of working with Wells Fargo Advisors and a financial advisor, direct sold plans are likely less expensive. Visit your state's 529 plan website to see if its plans are direct sold or are available through a financial institution such as Wells Fargo Advisors. This website also provides information about the specific benefits of investing in your state's plan. Even if you can and choose to purchase a plan through Wells Fargo Advisors, you should familiarize yourself with this information before investing. If you choose to invest in an out-of-state plan, you may forego certain state-specific benefits and be subject to higher plan fees and expenses. Conversely, you may find that an out-of-state plan provides other, more important benefits, depending on your needs. Consequently, it's prudent to weigh all of your options carefully.

**State tax treatment\*** — Tax treatment of 529 plans varies from state to state. If you are a resident of the state sponsoring the 529 plan, contributions may be state-tax-deductible and qualified earnings distributions may be tax-exempt. You also might be eligible for certain advantages related to obtaining state-sponsored financial aid. As a result, out-of-state residents may not have the same advantages as in-state residents, even though they are investing in the same 529 plan.

Some states may allow state tax parity. In other words, you can contribute to an out-of-state plan and still receive a tax deduction in your home state. The majority of states also allow qualified withdrawals on out-of-state 529 plans. You should consider these implications and consult your tax advisor before choosing to contribute to an out-of-state 529 plan.

**Contribution limits** — The amount you can contribute to a 529 plan may vary by plan. When you invest in an education savings plan like a 529 plan, you pay money into an investment account on behalf of a designated beneficiary. Contributions should not exceed the amount necessary to provide for the qualified education expenses of the beneficiary. Lifetime contribution caps may also apply.

**Estate planning and gift tax\*** — These tax considerations are a unique feature of 529 plans. Contributions to a 529 plan may be considered “completed gifts” for federal gift and estate tax purposes. Through a special election individuals can contribute up to \$85,000 per beneficiary in a single year to a 529 plan without federal gift tax consequences. Married couples can contribute up to \$170,000 in a single year to a beneficiary through this plan without incurring gift tax, provided no additional gifts are made to that beneficiary for a five-year

\*The availability of such tax or other benefits may be conditioned on meeting certain requirements.

period (subject to recapture if the investor dies before the five-year period has passed). Be sure to consult with your attorney and tax advisor before contributing to a 529 plan.

**Investment options and management** — The investment options and management regarding the plan assets should be considered when determining which 529 plan is appropriate for you. Some state plans offer all equity investment options, all fixed-income investment options or blended options that may change over time. Some 529 plans also offer multiple investment managers and types of investments. The most appropriate plan choice depends on several factors, including your risk tolerance, investment goals, overall financial situation, and the beneficiary's age, which affects your time horizon (the length of time you want to hold the investment before liquidating it).

**Market fluctuation** — Market fluctuations associated with the underlying assets held in your 529 plan may present some risk to your account's performance. There are no guarantees from the state that sponsors the plan. As with any investment, there is also the risk that you may lose money or that it may not grow enough to cover education costs. For example, if you choose a plan option that invests in equity mutual funds, it is likely that the market value of your investment will decrease during a declining market.

**Penalties for withdrawals** — If you make a withdrawal from your 529 plan, penalties may be applied if the withdrawn funds are not used for qualified education expenses, or if the withdrawal was made in a calendar year different from when the expense was incurred. In these circumstances, you also are generally required to pay federal and state income tax on the earnings portion of the amount withdrawn, as well as be charged an additional 10% penalty on earnings (certain exceptions may apply to this penalty). Please remember, these penalties would also apply to nonqualified withdrawals made if the funds are not used for education expenses, or if education costs are less than you saved in your 529 plan.

**Fees, charges, and expenses** — 529 plans are subject to enrollment, maintenance, administrative, and management expenses. These costs are associated with all 529 plans, although they may vary from plan to plan. More specific information about a 529 plan's fees, charges, and expenses are detailed in its official statement. It is very important to understand these costs and consider them when making a plan selection. 529 plans may have additional offerings, such as less expensive share classes, discounts, or additional privileges that are unavailable at Wells Fargo Advisors.

**Ownership and control** — You, as the 529 plan account holder or participant, maintain ownership and control of the plan. However, some 529 plans may limit or restrict your ability to change beneficiaries or reallocate portfolios more than once per calendar year.

**Transfers** — Transfers involving a change in your 529 plan or a beneficiary are generally allowed, but they may trigger fees and tax implications. Further, if you intend to invest or reallocate in a 529 plan with proceeds from the liquidation of mutual fund shares and/or annuity assets, or you are switching from another 529 plan, you may incur surrender charges, fees, recapturing of previous state-income-tax deductions, and/or other tax implications. For instance, if you are liquidating assets from an existing Uniform Gift to Minors Act/Uniform Transfer to Minors Act (UGMA/UTMA) account to fund a 529 plan account, there may be tax consequences

resulting from the asset transfer or prohibitions on transfers to anyone other than the named minor on the UGMA/UTMA account. You should always consider the implications of a transfer with your tax advisor before initiating a change. Some fund families/plans offer specific share classes for rollovers. Wells Fargo Advisors does not make such share classes available. Units purchased at Wells Fargo Advisors with rollover contributions are subject to the same fees and expenses as units purchased with other contributions. Check the plan's documents for additional information or discuss your rollover options with your financial advisor.

*529 plans are not appropriate for all investors. Please consider the investment objectives, risks, charges, and expenses carefully before investing in a 529 plan. The official statement, which contains this and other information, can be obtained by calling your financial advisor. Read it carefully before you invest. Additionally, Wells Fargo Advisors and its financial advisors are not tax advisors. Please consult your tax attorney or tax advisor in connection with the tax consequences of contributing to a 529 plan. Your financial advisor will work closely with you and your tax advisor to help you pursue your education savings goals.*

## Investment option considerations

529 plans offer several different investment options. The following section provides general information about some of the investment options that are available within the plans. For more detailed information about a plan's investment options, please consult your financial advisor and carefully review the prospectus.

**Target date funds** — A “target date” mutual fund (also known as an age-based fund) is designed to provide a simplified investment strategy through a single investment. The goal of funds is to actively manage the underlying portfolio toward a particular time horizon while adjusting the asset mix in the portfolio to help manage the level of risk and volatility as the target transition date approaches. Because these funds have an enhanced asset allocation component and are often composed of several individual funds, the expenses associated with them tend to be higher than with traditional funds.

When managing these types of plans, each company formulates its own methodology and approach to risk. As a result, the allocation of one fund may be noticeably different from the allocation of another with the same target date. When considering investing in one of these funds, examine the specifics of the fund and make sure that the fund's objectives and holdings are consistent with your risk tolerance and investment objectives. As with any investment, it is possible that the funds could lose money and/or fail to reach the stated objective. You should review the funds on a periodic basis to ensure that they remain consistent with your expectations up to and beyond the target date.

**Fixed income funds** — Fixed income funds, also known as bond funds, are a type of mutual fund that invests primarily in a portfolio of bonds or similar debt securities in order to pursue a particular investment objective. Bond funds may invest in a specific type of bond, or a mix of bonds or investments such as government, municipal, convertible, and zero-coupon bonds as well as mortgage-backed securities.

Bond funds have unique risks and characteristics, and can lose value especially in periods of rising interest rates. The inverse relationship associated with traditional bond prices and yields also applies to bond funds. When interest rates rise, the bond prices fall and correlated bond fund values may drop as well. The opposite is true as well. If interest rates and bond yields fall, then bond prices could rise. The underlying bonds held in a bond fund are subject to liquidity risk, interest rate risk, and reinvestment risk, which may be reflected in the bond funds net asset value (NAV). It is important to note that the fees and expenses of the mutual fund can erode the interest rate and the NAV of a bond fund, thus reducing the return to the investor.

Bond funds do not have a fixed maturity date. The lack of a fixed maturity date and potential investors' demands for redemption are factors that may also have a negative impact on the funds NAV and share price. The NAV of a bond fund may be affected by a number of factors related to the underlying securities including but not limited to, credit quality, duration, liquidity, and security structure.

*You should not buy a fixed income fund based solely on the yield. It is important to consider all risks and characteristics of a bond fund when making your investment decisions.*

**High yield and floating rate funds** — High yield and floating rate funds both invest primarily in below investment grade securities (sometimes called junk bonds). The securities held within high yield and floating rate funds are often rated below investment grade by one or more of the nationally recognized rating agencies or may not be rated by a rating agency.

These funds take on the risks of the underlying instruments held in the fund portfolio. For instance, the “floating rate” indicates that the interest rate tied to the underlying instruments will rise and fall, or float, with the variable rate changes and market conditions. These interest rates usually adjust every 30–90 days. Interest rate spreads, credit quality, and collateral may also be considered by the fund company when valuing securities held in the fund’s portfolio.

High yield and floating rate funds are considered speculative and carry increased risks of price volatility, underlying issuer creditworthiness, illiquidity, and the possibility of default in the timely payment of interest and principal, which may impact the value of your portfolio. These funds do not maintain a stable NAV and should not be considered cash alternative funds. You can lose money in these funds. Unlike money market mutual funds, the investment objective is not to maintain a stable NAV. For more information about individual high yield bonds, please read *A Guide to Investing in High Yield Bonds* by Wells Fargo Advisors ([wellsfargoadvisors.com/guides](https://wellsfargoadvisors.com/guides)).

**Complex funds** — Some funds employ complex and specialized investment strategies. These funds commonly invest in alternative investments such as commodities, foreign currencies, and derivatives, and may employ a flexible approach to invest widely across asset classes and use complicated investment strategies, such as leverage and short selling to manage their portfolios.

The level and type of risk associated with complex mutual funds may vary significantly from one fund to another. It is important to have a broad understanding of the investment strategies and underlying products from which a complex mutual fund derives its value in order to evaluate its risks.

Complex funds are subject to a number of risks including increased volatility and greater potential for loss and are not appropriate for all investors.

**Money market funds** — A money market fund is a type of open-end mutual fund that is required to invest in low-risk, short-term securities, which may include municipal securities. Money market funds are generally liquid due to the short-term nature of their underlying investments and are typically used by investors who have a low risk tolerance. Investors interested in a conservative alternative for their discretionary money may find that money market mutual funds may allow for preservation of capital, liquidity, and return on principal. History, however, has shown that investing in money market funds is not without risk. Typically, money market funds try to keep their NAV at a constant \$1.00 per share. This stability and per-share NAV is implied, but not guaranteed.

An investment in a money market fund differs from having a traditional bank deposit money market account and is not insured by the Federal Deposit Insurance Corporation (FDIC). Similar to bond funds, money market funds carry fund operating expenses not associated with an individual fund and are subject to the risks discussed above as well as manager risk. Before investing in any money market fund, you should discuss your investment goals and objectives with your financial advisor and understand the features, characteristics, risks, and costs associated with the investment vehicle. For more information on money market mutual funds, contact your financial advisor, or read *A Guide to Investing in Cash Alternatives* by Wells Fargo Advisors ([wellsfargoadvisors.com/guides](http://wellsfargoadvisors.com/guides)). Each type of mutual fund offers unique risks and characteristics. Please refer to each fund's prospectus for additional details.

## Costs of investing in 529 plans

In addition to details about its objectives, risks, and other characteristics, a 529 plan's official statement contains information about the charges you pay within the available funds. These charges generally include sales charges, annual account fees, and annual operating expenses. You can pay these charges in a variety of ways, depending on the share class you choose.

### Sales charges

These charges provide compensation for the fund company, Wells Fargo Advisors and your financial advisor, whom help you select funds within your 529 plan to pursue your investment objectives. Most sales charges are either "front-end" (charged when you buy shares) or "back-end" (charged when you sell them). A back-end charge is also called a contingent deferred sales charge (CDSC) because as you hold your shares for longer periods the charge declines, ultimately to zero.

## Operating expenses

Many of the costs associated with running a 529 plan are operating expenses or, simply put, the cost of doing business. Included in fund operating expenses are management fees, 12b-1 fees,\* shareholder mailings, and other expenses. Operating expenses are not paid directly as a fee, but they are deducted from the fund's assets, and so reduce investment returns. The plan's official statement will include the fund's expense ratio, which can help you compare the annual expenses of various plans.

\*The fund company takes 12b-1 fees out of the fund's assets each year for marketing and distribution expenses, which may include compensating financial advisors or other investment professionals.

### Choosing a share class

The amount being invested, the age of the designated beneficiary, and the number of years until funds will be needed to pay qualified education expenses may determine which share class is more economically beneficial for your 529 plan investment. If the beneficiary is a young child, there may be higher expenses with Class C shares than for Class A shares. Class C shares are generally not intended as long-term investments. Class C shares may be more appropriate as short-term investments for upcoming qualified education expenses.

## Share classes

The most common mutual fund share classes are Class A and Class C. Each mutual fund share class represents a similar amount of ownership in a mutual fund, but each has different fees, expenses, performance, front-end sales charges, and/or contingent deferred sales charges (CDSC). Mutual funds may assess front-end sales charges when you purchase fund shares, whereas funds with a CDSC may assess sales charges when you sell your fund shares. For the sales charges and other fees, see the fund's prospectus.

Wells Fargo Advisors reserves the right to determine what share classes to make available to its clients. As a result, not all the share classes offered by a mutual fund are offered at Wells Fargo Advisors. For a listing of all share classes and their associated fees please refer to the fund's prospectus. For 529 plans, Wells Fargo Advisors only offers Class A and Class C units in its commission-based brokerage accounts. If you wish to purchase other types of units, which may carry lower overall costs, you will need to do so directly with the plan or through an account at another financial intermediary.

Some fund families/plans offer specific share classes for rollovers. Wells Fargo Advisors does not make such share classes available. Units purchased at Wells Fargo Advisors with rollover contributions are subject to the same fees and expenses as units purchased with other contributions. Check the plan's documents for additional information or discuss your rollover options with your financial advisor.

**Class A shares** — These are sometimes simply called “A shares” and typically impose a front-end sales charge (a fee charged when you first buy a mutual fund) that is deducted from your initial investment. The operating expenses of the fund are generally lower for A shares than for B or C shares. You should also be aware that most funds offer discounts (called “breakpoint discounts”) on the front-end sales charge for large investments — so as the size of your total investment within a fund family increases, the sales charge may decrease. Clients who currently hold 529 plan accounts may be eligible to aggregate their 529 plan investments offered by the same 529 plan sponsor to qualify for breakpoints on new mutual fund purchases. When making any new 529 plan purchase, you should inform your financial advisor of any 529 plan purchases or holdings in the same 529 plan and/or fund family to ensure you are considered for any available discounts.

Also, most domestic mutual fund families allow investors to aggregate holdings in related accounts to reach a breakpoint (and so receive a discount). This is called rights of accumulation (ROA). Those breakpoints typically occur at \$25,000, \$50,000, \$100,000, \$250,000, \$500,000, and \$1 million, but may vary with the fund family.

The expected time horizon is an important consideration when selecting a share class. Based on the beneficiary's age and the date you intend to use the funds for education expenses, the costs you pay over the life of the investment may be higher for A shares than for C shares if purchased for an older child of adolescent age or an adult. Class A shares are generally not intended to be short-term investment vehicles. Please review the different cost structures for each available share class option, compare how the costs will aggregate over the intended life of the investment, and discuss with your financial advisor the share class you determine to be most appropriate for the beneficiary.

Additionally, most fund families permit investors to sign a "letter of intent (LOI)," indicating an intention to invest a certain amount in the fund over a certain period of time, entitling them to a breakpoint at lower initial levels of investment. Each fund's rules regarding ROAs and LOIs differ, so it is important to ask your financial advisor about the particular fund family's rules before investing to make sure you receive any available discounts.

**Class B shares** — These shares typically do not have a front-end sales charge and impose higher annual operating expenses than A shares. Also, B shares normally impose a CDSC, which you pay if you sell your shares within a certain number of years. The CDSC generally gets smaller each year and usually is eliminated after the seventh or eighth year. Some B shares may convert to A shares at that point in time.

In view of the CDSC and lack of breakpoints, investors often find B shares to be most appropriate when investing modest amounts for longer periods. In situations where B shares do not convert to A shares and the operating expenses remain at a higher level, B shares may not be the most economical choice over longer holding periods. Many fund companies permit investors to aggregate B-share and C-share positions with new A-share purchases for purposes of obtaining breakpoints. Not all fund families offer B shares for 529 plan accounts.

**Class C shares** — Typically, class C shares do not have a front-end sales charge and generally impose a lower CDSC than B shares, often 1% for one year. Like B shares, C shares normally impose higher annual operating expenses than A shares — but unlike some B shares, they typically do not convert to A shares. Some fund families convert C shares to A shares after a specified holding period (for example, 10 years). If you buy a C share, the sales charge is applied annually to the expense ratio. Investors who want flexibility and who have a shorter investment time horizon may find that C shares best meet their needs; however, not all fund families offer C shares.

C shares are generally most appropriate for investors who want more flexibility in constructing and managing a diversified portfolio. Considering the total costs and expenses of C shares, investors should think carefully about whether C shares are an appropriate share class for their investment goals. The expected time horizon is an important consideration when selecting a share class. Based on the beneficiary's age and the date you intend to use the funds for education expenses, the costs you pay over the life of the investment may be higher for C shares than for A shares if purchased for a young child. Class C shares are generally not intended to be held as long-term investment vehicles.

Please review the different cost structures for each available share class option, compare how the costs will aggregate over the intended life of the investment, and discuss with your financial advisor the share class you determine to be most appropriate for the beneficiary. Wells Fargo Advisors has set guidelines to help ensure that the best interest of clients is served, regardless of the purchase size.

## Additional investment considerations

Selecting the appropriate 529 plan for your investment objectives involves a number of factors, including your state of residence, fund strategies, fund performance history, risks, investment time horizon, fees, and expenses. You should review any plan's disclosure document as well as a fund's share classes, as detailed in the official statement, to fully evaluate your options. You should also talk with your financial advisor so that together you can make the choices most appropriate for you.

## How Wells Fargo Advisors and your financial advisor are compensated on mutual funds

For helping you choose mutual funds, Wells Fargo Advisors and your financial advisor are paid in ways that vary with the type of fund (equity or fixed income), the amount invested, and the share class.

- As mentioned above, Wells Fargo Advisors is paid by the fund family from the fees you pay. Part of that payment then goes to your financial advisor.
- For most purchases, financial advisors' compensation is based on a compensation formula applied (for A shares) to the front-end sales charge described in the fund's prospectus, or (for B and C shares) to the selling fee (known as a "sales concession"), which is set and paid by the fund family.
- Ongoing payments (known as "residuals" or "trails") on mutual fund shares are set by the fund family and generally paid to financial advisors.

The compensation formula to determine the amount of payment to your financial advisor is the same for all mutual funds. However, some funds may carry higher sales charges than others, and that may create an incentive for financial advisors to sell such funds. Feel free to ask your financial advisor how he or she will be compensated for any mutual fund transaction.

Wells Fargo Advisors, which is a wholly owned subsidiary of Wells Fargo & Company (Wells Fargo), may enter into certain direct or indirect compensation arrangements with other Wells Fargo affiliates. For example, Wells Fargo Advisors and its affiliates typically receive compensation or credit in connection with the referral of certain business among Wells Fargo subsidiaries.

# Additional compensation received by Wells Fargo Advisors from mutual fund companies

In addition to the transaction-based commissions received by Wells Fargo Advisors and your financial advisor, Wells Fargo Advisors also receives additional compensation from mutual fund companies that is not related to individual transactions. For example, the fund companies may pay for the ongoing account maintenance, marketing support, education, and training services performed by Wells Fargo Advisors in support of mutual fund sales.

This non-commission compensation received by Wells Fargo Advisors from fund companies can be broken down into four general categories:

- Networking and omnibus services compensation
- Marketing support (also known as “revenue sharing”)
- Training and education support
- Other compensation for general services provided to funds

These compensation arrangements are described in varying levels of detail in the prospectus and Statement of Additional Information (SAI) for each mutual fund offered by Wells Fargo Advisors.

Additional compensation may be received by Wells Fargo Advisors relating to investing in 529 plans. For more information about compensation agreements between Wells Fargo Advisors and mutual funds companies; networking and omnibus services; marketing support, training and education support; incentive programs; and other compensation and affiliate relationships associated with these products and programs, please refer to our publication entitled *A Guide to Investing in Mutual Funds*. Your financial advisor can provide you with a copy, or you can read it on our website at [wellsfargo.com/guides](https://wellsfargo.com/guides).

## Wells Fargo Advisors incentive programs

From time to time, Wells Fargo Advisors initiates incentive programs for all of its team members, including financial advisors. These programs include, but are not limited to, the following: programs that compensate associates for attracting new assets and clients to Wells Fargo Advisors or referring business to its affiliates (such as referrals for mortgages, trusts, or insurance products), programs that reward associates for promoting investment advisory services, preparing *Envision*® investor reviews, participating in advanced training, improving client service, and programs that reward financial advisors who meet total production criteria.

Financial advisors who participate in these incentive programs may be rewarded with cash and/or noncash compensation, such as deferred compensation, bonuses, training symposiums, or recognition trips. Portions of these programs may be subsidized by external vendors and Wells Fargo Advisors affiliates, such as mutual fund companies, insurance carriers, or money managers.

### **Additional information**

To learn more about mutual funds, contact your financial advisor or visit the following websites:

**Wells Fargo Advisors**  
wellsfargoadvisors.com

**Investment Company Institute**  
ici.org

**Financial Industry Regulatory Authority**  
finra.org

**U.S. Securities and Exchange Commission**  
sec.gov

**Securities Industry and Financial Markets Association**  
sifma.org

**Municipal Securities Rulemaking Board**  
msrb.org

Therefore, financial advisors and other associates have financial incentives to recommend the programs and services included in these firm-sponsored incentive programs rather than other available products and services offered by Wells Fargo Advisors.

## Affiliate relationships with mutual fund companies

Wells Fargo & Company, one of the largest financial holding companies in the United States, provides a wide range of financial services to various mutual fund companies through its subsidiaries and affiliates, including Wells Fargo Advisors. These relationships provide financial and other benefits to Wells Fargo & Company as well as Wells Fargo Advisors and other subsidiaries and affiliates.

## Your relationship with Wells Fargo & Company

Wells Fargo appreciates your confidence and wants to make your brokerage and banking relationships clear and convenient for you. Your Wells Fargo Advisors financial advisor may serve as your relationship manager not only for your brokerage accounts and services with Wells Fargo Advisors, but also for products and services with Wells Fargo Bank, N.A., including trust accounts of which you may be a beneficiary or agency accounts in which you may have an interest.

The responsibilities of Wells Fargo Advisors and your financial advisor, when acting in a brokerage or investment advisory capacity or in introducing you to a banking product or service, are different from the responsibilities of Wells Fargo Bank and your financial advisor when acting in a role as relationship manager for a Wells Fargo Bank trust or agency account. Your financial advisor, in a brokerage or investment advisory capacity, may recommend or assist you with a transaction that does not concern the Wells Fargo Bank trust or agency account for which he or she will be compensated. If you decide to enter into such a transaction, you will receive specific disclosures in connection with the transaction, including all relevant information and a description of the compensation that your financial advisor will receive. You will have the opportunity to ask for more information about the compensation to your financial advisor on such a transaction.

If you have questions about any product or service offered or what role your financial advisor or any other Wells Fargo team member is serving, or what compensation is being paid with respect to any product or service, please ask your relationship manager or financial advisor.

**Please note:** This material has been prepared for informational purposes only and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The accuracy and completeness of this information is not guaranteed and is subject to change. Since each investor's situation is unique you need to review your specific investment objectives, risk tolerance, and liquidity needs with your financial professional(s) before an appropriate investment strategy can be selected. Also, since Wells Fargo Advisors does not provide tax or legal advice, investors need to consult with their own tax and legal advisors before taking any action that may have tax or legal consequences.