

Annuity revenue sharing and non-cash compensation in brokerage accounts

UBS Financial Services Inc. (“UBS”) receives additional compensation in connection with the sale of fixed deferred annuities, fixed index annuities, single premium immediate annuities, deferred income annuities and variable annuities. This compensation is a result of marketing, or revenue sharing agreements we have with insurance companies offering annuities on our platform (“Insurance Companies”).

Revenue sharing

UBS receives separate compensation amounts (commonly referred to as “revenue sharing”) from the Insurance Companies. The separate compensation amounts are based on two components (i) the initial premium amount on the sale of an annuity (generally 0.20% per year) paid quarterly and (ii) the amount of variable annuity assets on deposit with the Insurance Company, excluding the fixed assets within the variable annuity (generally 0.10% per year paid quarterly, sometimes lower but never above). In addition, for some older contracts prior to 2005, we also may receive quarterly “persistency payments” of up to 0.10% annually of assets remaining with an Insurance Company for an agreed minimum period, generally five or more years. This fee is not applicable to products currently sold on our platform.

Revenue-sharing payments are intended to compensate us for ancillary services in connection with effecting sales of annuities. **None of these amounts are rebated to you or paid to the Financial Advisor or his or her branch office.** However, these amounts are allocated to the individual branch offices as “non-compensable revenue” (revenue that is not paid out to Financial Advisors or Branch Office Managers) but are considered part of the overall profitability of the branch, and as one of several

components used in determining Branch Office Manager compensation.

Revenue sharing payments may present a conflict between UBS interests and those of our customers because the payments give us a financial incentive to recommend that our customers purchase annuities from those insurance companies that we maintain on our distribution platform and for which we receive revenue-sharing payments. At present, UBS does not have any annuity providers on the UBS Platform (other than private placement variable annuities and group variable annuity contracts on ERISA-covered plans) that do not make revenue-sharing payments to UBS. Moreover, UBS receives greater revenue share from the sale and maintenance of variable annuities than it receives in connection with fixed annuities. Although a wide variety of annuity products (offered by different Insurance Companies) are available through our Financial Advisors, they are only part of the universe of annuity products available in the marketplace.

To mitigate the conflict, for all fixed annuities currently sold on the UBS platform, insurance companies pay us the same amount of revenue share and for all variable annuities of the same type currently sold on our platform, insurance companies pay us the same amount of revenue share. Further, while revenue sharing may be one factor that determines availability on the UBS platform, others include the financial stability of the insurance company and features of its products, understanding of business goals, quality of sales personnel and marketing material, range of products, level of service to Financial Advisors and branch managers, and UBS discretion.

Although we seek to apply a level, standard payment schedule for all of the Insurance Companies whose annuities we sell, we recognize that Insurance Companies approach revenue sharing in a variety of ways, and that some Insurance Companies may decline to pay revenue sharing exactly as listed above or at all, which may present a financial disincentive for us to promote the sale of those annuities that do not pay us as listed above.

We do not receive revenue sharing on private placement annuities and annuities purchased in qualified plans governed by ERISA.

Non-cash compensation

In addition to the payments described above, UBS and our Financial Advisors receive non-cash compensation from insurance companies and asset managers (“Vendors”) whose products we distribute. This compensation includes the following:

- Occasional gifts up to \$100 per Vendor per year and occasional meals, tickets or other entertainment of reasonable and customary value. The receipt of occasional gifts, meals or entertainment can tend to result in recommendations of the products of the providers of such gifts, meals or entertainment.
- Sponsorship support of educational events the Financial Advisors arrange for clients and prospective clients.
- Contributions made at the firm level toward seminars and educational programs for Financial Advisors. These contributions are significant both per Vendor and in the aggregate. While Financial Advisors do not

receive any portion of these payments, the conflict presented is that a Financial Advisor’s attendance and participation in educational or training forums, and the increased exposure to Vendors who sponsor these events, tend to lead Financial Advisors to recommend the products and services of those Vendors over the products of other vendors. These seminars and educational programs often include non-educational elements.

- Various forms of marketing support and, in certain limited circumstances, the development of tools used by the firm for training or recordkeeping purposes.

Not all Vendors contribute to the above and to our education efforts. Neither contribution toward these training and educational expenses, nor lack thereof, is considered as a factor in analyzing or determining whether a Vendor should be included or should remain on our platform. Contributions can vary by Vendor and event. Your Financial Advisor does not receive a portion of these payments. However, their attendance and participation in these events, as well as the increased exposure to vendors who sponsor the events, may lead Financial Advisors to recommend the products and services of those vendors as compared to those who do not.

UBS remains committed to investing in long-term relationships and we remain dedicated to helping you pursue your investment goals. If you have additional questions regarding annuities, please feel free to contact your Financial Advisor.

Important information about brokerage and advisory services.

As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business and that you carefully read the agreements and disclosures that we provide about the products or services we offer. For more information, please review client relationship summary provided at ubs.com/relationshipsummary. This information is current as of May 2020 and is subject to change at our discretion.