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Client Relationship Summary

Wealthfront Advisers LLC and Wealthfront Brokerage LLC

June 30, 2020

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 professional is an important decision, and this Form CRS can help you decide if Wealthfront Advisers and Wealthfront Brokerage (collectively “Wealthfront”) is the right fit for you. Included below are “conversation starters” or a series of questions and answers that should provide you with a better understanding of the services that you will receive, the fees you will pay, and Wealthfront’s qualifications.

Our mission at Wealthfront is to build a financial system that favors people not institutions. Wealthfront Advisers provides automated investment advisory services and manages assets of its advisory clients (“Clients”) in taxable accounts, individual retirement accounts, and 529 college savings plans (unless otherwise specified, “Investment Accounts”). Wealthfront Advisers opens and maintains Client assets in accounts at Wealthfront Brokerage, which carries out Wealthfront Adviser’s instructions regarding those assets. In addition, Wealthfront Advisers advises and Wealthfront Brokerage distributes the Wealthfront 529 College Savings Plan (“529 Account”). 529 Accounts are administered by the Board of Trustees of the College Savings Plans of Nevada.¹

While Wealthfront Advisers and Wealthfront Brokerage are affiliated, investment advisory and brokerage services and fees differ. It is important for you to understand the differences. Free and simple tools are available for you to research firms and financial professionals at Investor.gov/CRS, which also contains educational materials about broker-dealers, investment advisers, and investing.

Item 2. Relationships and Services

What investment services and advice can you provide me?

Wealthfront Advisers provides fully automated, passive investment services to help you meet your long-term financial objectives. The minimum to open an Investment Account is \$500. You grant Wealthfront Advisers full discretionary authority to manage your Investment Account in a way that provides maximum long-term, risk-adjusted, after-tax, net of fee returns based on your individual risk tolerance. This means that you do not have the ability to direct Wealthfront Advisers to buy or sell individual securities or alter Wealthfront Advisers’ risk score allocation equation. In certain situations, however, you may restrict Wealthfront Advisers from trading particular stocks.

Wealthfront Advisers will periodically remind you to review and update your personal profile information. In addition, we continuously monitor your Investment Account to periodically rebalance your investments to optimize returns for the intended level of risk, as well as to conduct tax-loss harvesting in taxable accounts.

¹ 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](#).

Tax-loss harvesting is an Investment Account feature that takes advantage of movements in the markets to capture investment losses, which can reduce your tax bill, leaving more money to invest.

Wealthfront Advisers primarily invests your assets in a diversified portfolio of exchange-traded funds ("ETFs"). Wealthfront Advisers attempts to employ ETFs with high liquidity, low expenses, and low tracking error. Clients with taxable Investment Accounts that have \$100,000 or more can opt-in for the Stock Level Tax-Loss Harvesting service, which replaces the ETF that represents the US public equities asset class in the standard portfolio with certain individual securities that comprise the S&P 500 index as a way of generating additional tax benefit. Clients with Investment Accounts that have \$100,000 or more can also allocate funds to the Wealthfront Risk Parity Fund, a mutual fund managed by Wealthfront Strategies LLC ("Wealthfront Strategies"), an SEC-registered investment adviser and an affiliate of Wealthfront Advisers and Wealthfront Brokerage.² Further, Clients with taxable Investment Accounts that have balances in excess of \$500,000 can opt-in to using our Smart Beta³ service as an enhancement to Stock Level Tax-Loss Harvesting.

Wealthfront Advisers Clients also have access to software-based financial planning tools and services through its affiliate Wealthfront Software LLC.⁴ This financial planning service is made available to Wealthfront Advisers' Clients free of charge through a contractual arrangement between Wealthfront Advisers and Wealthfront Software LLC.

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.

For more detailed information about Wealthfront Advisers' investment advisory services, see [Items 4 and 7 of our Client Brochure](#). Also, you should 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: Our Investment Accounts are "wrap accounts." This means that investment management fees and expenses, including any brokerage commissions, management fees, and administrative costs, are "wrapped" into a single fee. Wealthfront Advisers' Clients pay an annual wrap fee of 0.25% which accrues daily and is charged at the end of each month.

To calculate daily fees, we multiply the fee rate by the net market value of your Investment Account as of the close of trading on the New York Stock Exchange ("NYSE") or as of the immediately preceding close of the NYSE for days when the NYSE is closed. We then divide that fee by 365 (or 366 in any leap year) to calculate the daily fee. We deduct the monthly fee from your Investment Account no later than the tenth business day of the following month. Wealthfront Advisers and Wealthfront Brokerage 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?*

² You can learn more about the Wealthfront Risk Parity Fund [here](#).

³ You can learn more about our Smart Beta service [here](#).

⁴ 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.

- We invest your funds by purchasing whole shares of ETFs. Since partial shares are not available, we allocate some cash to a highly liquid money market fund until there is enough cash to buy more whole shares according to your risk profile. We also allocate a small amount of cash to the money market fund to cover our annual 0.25% advisory fee.
- *How much will go to fees and costs?*
 - If you have an average monthly balance of \$10,000, the monthly advisory fee you will pay is approximately \$2.05 each month. Assuming 30 days in the month and 365 days in the year, the math is as follows: $\$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 \$25,000.
 - To cover plan administration costs in 529 Accounts, the Board of Trustees of the College Savings Plans of Nevada and Ascensus Broker Dealer Services, Inc. each receive an annualized Program Administration fee equal to 0.01% and 0.05%, respectively, accrued daily based on assets under management in a 529 Account.

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

- Clients who opt into allocating funds to the Wealthfront Risk Parity Fund also pay an annual 0.25% fee to Wealthfront Strategies on the amount invested in the Wealthfront Risk Parity Fund. That fee covers management and operational expenses of the fund. 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 at least \$25,000 invested in a taxable account. Wealthfront Brokerage charges interest on the borrowed funds under a PLOC for the period of time that the loan is outstanding. Please see [Item 8.D. of our Client Brochure](#) and Wealthfront Brokerage’s [Margin Handbook](#) for more information on PLOC and risks associated with the product.
- Third party fees include ETF expense ratios. Expense ratios will vary depending on the portfolio allocations in your Investment Account. You can see the expense ratios for the ETFs in your Investment Account by logging into your user account. The weighted average of expense ratios for Wealthfront Advisers Client Accounts ranges from 0.05%-0.14%. Wealthfront Advisers does not receive any compensation related to expense ratios.

Additional information: You will pay fees whether you make or lose money on your investments. Fees will reduce any amount of money you make on your investments over time. Please make sure you understand what fees you are 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 not put our interests ahead of yours. At the same time, the way we make money creates some conflicts with your interest. You should understand and ask us about these conflicts because they can affect the services and investment advice we provide you. Here are some examples to help you understand what this means.

- Client Referrals and other compensation: Wealthfront Advisers expects from time to time to run promotional campaigns to attract Clients to open accounts on the Wealthfront website. These campaigns may result in existing Clients receiving promotional benefits because they have successfully referred 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 the third party or existing Client would

otherwise not make such a referral. Account opening incentives do not influence the way we manage our Clients' accounts. These arrangements are fully disclosed on [Item 14. of our Client Brochure](#).

- **Portfolio Line of Credit**: PLOC is a margin loan product that is an extension of credit from Wealthfront Brokerage using your own securities as collateral. This may present a conflict of interest because Wealthfront Brokerage may force the sale of securities or other assets in your account(s) if the equity in your margin account decreases by 70% or more in value. Additionally, Wealthfront Brokerage will apply all deposits to Wealthfront towards your PLOC balance before investing your assets. You can read more about PLOC [here](#).
- **Wealthfront Risk Parity Fund**. As discussed above, qualifying Clients may opt-in 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 also subject to an annual 0.25% fee charged by Wealthfront Strategies. 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, thus creating an incentive for Wealthfront Advisers to allocate additional capital to the Wealthfront Risk Parity Fund. Wealthfront Advisers mitigates this conflict by (i) requiring that Clients opt-in to an allocation of funds to the Wealthfront Risk Parity Fund, (ii) basing asset allocations on [Mean-Variance Optimization](#), and (iii) capping Client allocations to the Wealthfront Risk Parity Fund at 20% of a Client's assets held at Wealthfront. Furthermore, Clients can opt-out of their Wealthfront Risk Parity Fund allocation at any time. Additionally, Wealthfront Advisers does not receive additional compensation for recommending an allocation to this fund, which minimizes the potential conflict stemming from the Wealthfront Advisers and Wealthfront Strategies relationship. For more details on the Wealthfront Risk Parity Fund, please see the most recent [prospectus](#).

To minimize conflicts of interests, 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?

We do not employ financial professionals or financial advisors to provide investment advice. Our investment services are entirely managed by software.

Item 4. Disciplinary History

Do you have legal or disciplinary history?

In 2018, the SEC found that Wealthfront Advisers improperly retweeted certain Clients' positive tweets from its corporate account, compensated some bloggers for Client referrals without proper disclosures, and did not properly disclose the frequency of wash sales incurred through tax-loss harvesting, which represented approximately 2.3% of tax losses harvested for Clients.

Without admitting to the SEC's findings, Wealthfront Advisers reached a settlement with the SEC on December 21, 2018. For more information, see [Item 9. of our Client Brochure](#). You may also research us for free at investor.gov/CRS.

Item 5. Additional information

You may find additional 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.

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. You can also find our phone number by logging into your account.