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Information about investment proposal tools

This information is provided to help you understand the investment proposal report or analysis you received from your Equitable Advisors Financial Professional.

What is an investment proposal tool?

An investment proposal tool is an interactive tool that helps you and your financial professional analyze potential investment strategies, portfolios or specific investments (such as a stock, mutual fund or an exchange-traded fund), providing you with information to assist you in making investment decisions. The tool uses information you and your financial professional input, which could include your assets, your risk tolerance, your investment timeline and other information. Based on the input and on simulations and statistical analyses about investments, the tool projects the hypothetical performance of various investment options over different time periods and market environments. The tool generates a customized report that you should discuss with your financial professional.

What should I ask my financial professional?

- What assumptions and limitations are involved in the investment proposal tool we are using?
- What input and data about my financial situation did we include in the tool? How did those affect the outcomes?
- What investments are considered in the overall analysis? Why did the tool consider the investments in the report it generated?
- Does my report contain substitute holdings?
- Is the benchmark used to compare holdings the right choice for this report? How would the returns look against a different benchmark?
- Are fees and expenses incorporated in the performance shown, and how may they differ from the fees and expenses I may pay?

Will I achieve the same investment results as the proposal tool's report?

Performance reflected in an investment proposal tool does not indicate or guarantee any specific return you may achieve, but instead is designed to show a statistical simulation using mathematical models of the likelihood of different hypothetical investment outcomes. Results shown by a report will vary — potentially with each use and over time — because of different market conditions and changes in investment variables, among other things. The use of a proposal tool alone cannot and should not determine the investments you should make. All investing carries the risk of loss, including the risk of a loss of your entire investment.

What is hypothetical performance, and why is it important?

Simulating or calculating how a strategy, proposed portfolio or specific investment would have performed in the past or may perform in the future is hypothetical when it's not based on an actual funded portfolio, and the results weren't actually achieved. Projected performance cannot accurately account for future market or economic conditions, among many other variables, in calculating potential performance. Hypothetical past performance illustrations are created with the benefit of hindsight and can be manipulated by choosing investments with better performance, even if your financial professional was not recommending those investments at that time. Hypothetical performance does not reflect actual investment results and does not assure or guarantee future results. Because hypothetical results were not actually achieved by any client account, those results are not an indication of the ability or skill of your financial professional. Because of the inherent inability to predict future returns and the limitations on hypothetical past performance, you should not rely on any presentation of hypothetical performance as the primary basis for your investment decisions.

How does a proposal tool generate projections?

Many proposal tools use a Monte Carlo analysis to run thousands of simulations that produce possible future investment results based on statistical methodologies and probability distributions. Although a Monte Carlo simulation is a widely accepted methodology for making predictions, there is no guarantee the possible performance will be achieved.

Projections of possible performance are dependent on the accuracy of the data and information you and/or your financial professional input into the tool. Possible outcomes are also based on a series of assumptions that will not be true for an actual investment account. For example, fees and expenses vary from program to program and even account to account, based on different factors. The fees and expenses reflected in a proposal are likely to be different than fees actually charged to your account. Possible outcomes also assume you will hold the proposed investments over the entire period shown, will not withdraw or add assets, and will not make different investments.

Other assumptions used will be specific to a particular proposal tool. You should understand the methodology and assumptions used by the tool, including the types of investments considered by the tool and whether the tool favors any types of investments.

How does a proposal tool generate hypothetical past performance?

Proposal tools typically generate hypothetical past performance by calculating the aggregate historical performance of the individual investments in the proposed portfolio. The tool calculates net performance using an investment advisory fee equal to either the fee for your proposed account or the highest fee that is charged in its advisory program, but the proposal does not reflect all of the expenses that will be charged to your account and that would reduce your performance returns.

Some tools use substitute performance for investments that do not have a performance history over a report's entire period. For example, if a tool includes a mutual fund that has been in existence for only 5 years in a report showing 10 years of performance history, the tool may substitute another mutual fund or an investment index or benchmark for the first 5 years. Substituted performance is an additional layer of hypothetical information that will further reduce the accuracy and reliability of the projected results. Substituted holdings should be considered approximations for illustrative purposes only.

How does a proposal tool use benchmarks?

Many tools will compare investment results to a benchmark — often a securities index. Discretion to choose which benchmark a proposal report is compared against can make investment returns of a proposal report look comparatively more favorable. In some cases, a general benchmark is used to show performance against a general index as a comparison against the broader market, such as the S&P 500 or another relevant index. In other cases, a more specific benchmark may be used to show performance against a relevant measure. For instance, a small-cap portfolio might be shown in comparison to a small-cap index, such as the NASDAQ US Small Cap Index (NQUSS). You should discuss the benchmarks shown to understand their relevance to the information presented, and why those benchmarks were selected.

How do fees affect an investment proposal?

The report's returns may not include all fees and expenses that would reduce the performance of an actual account, including, but not limited to, advisory fees, manager fees and/or transaction charges (if applicable); taxes; and other miscellaneous fees and expenses you may incur. Fees differ between Equitable Advisors' advisory programs. Please visit equitable.com/CRS for more information, including a copy of the Account Packet and Form ADV Brochure for the program you are considering, as well as the applicable schedules of account and service fees.

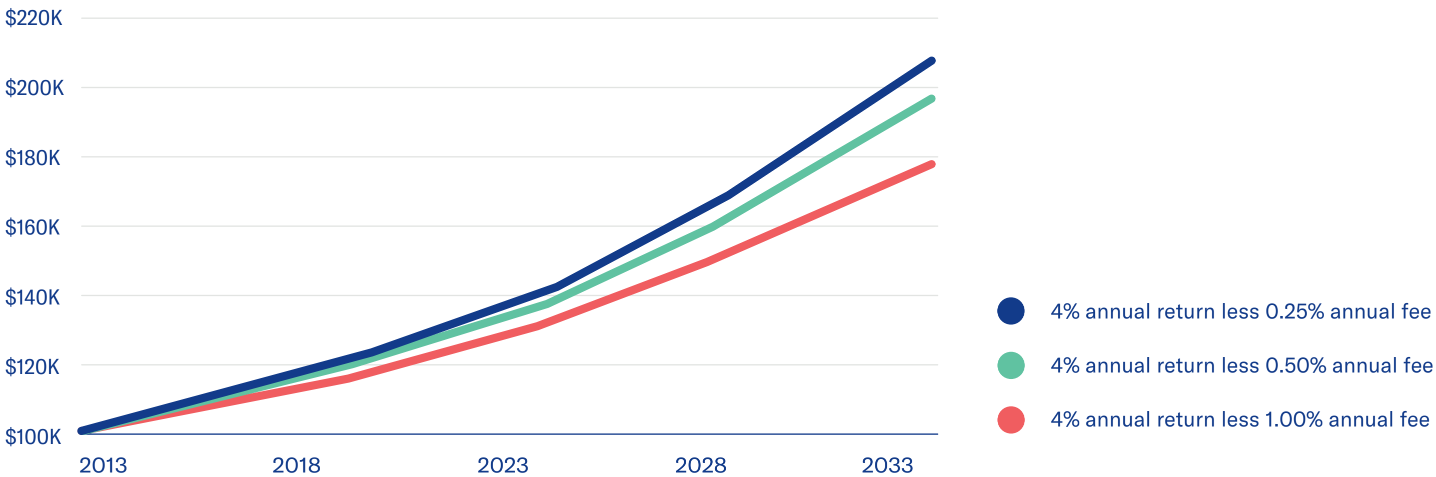
Fees and expenses reduce your investment returns. The effects of fees on your long-term investment returns are compounding, meaning higher fees will cause you to earn relatively less on your investment over time. Below is a sample graph showing the compounding effect of fees.

Important

The projections of other information generated by an investment proposal tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not indications or guarantees of future results.

Portfolio value from investing $100,000 over 20 years

In 20 years, 0.50% annual fees reduce the portfolio (green line) by $10,000 compared to a portfolio with a 0.25% annual fee (blue line).
In 20 years, 1% annual fees reduce the portfolio (orange line) by nearly $30,000 compared to a portfolio with a 0.25% annual fee (blue line).



Source: investor.gov/introduction-investing/getting-started/understanding-fees. This simple example illustrates the effect of annual fees on a hypothetical portfolio and does not consider the effects of market performance or other factors.

What does it mean that an investment proposal shows projections gross of fees?

If an investment proposal tool report presents performance information **gross of fees,** that means it includes none of the fees and expenses that you will pay and that will reduce the performance of your actual account. These fees and expenses could include advisory fees, manager fees, and/or transaction charges, taxes, and other miscellaneous fees. Because of the compounding effect of fees on investment returns, gross of fee results significantly overstate the potential performance shown, increasingly over longer time periods. The above chart demonstrates that concept by comparing the performance of portfolios with different fees. If we were to add a line in the above chart for performance gross of fees, it would show the investment to be worth more after 20 years than all the other examples.

What does it mean that an investment proposal shows projections net of fees but does not use the highest fee I might pay?

If your financial professional uses a proposal tool that shows projections **net of fees** (meaning fees were deducted from the performance of the account, as illustrated in the above chart) but the proposal doesn't deduct the highest fee you may pay for an account, fees and expenses will reduce the projected investment returns more significantly than is reflected in the proposal. If the fee you are shown in the net of fees projected returns of an investment proposal tool is less than the fee you pay for investment advice, your returns will be lower.

How should I use gross of fee projections or net of fee projections that do not use the highest fee I may pay?

You should use gross of fee presentations for illustrative purposes only, recognizing that these presentations overstate the potential performance results shown. You should carefully review any investment proposals that are presented to you gross of fees or net of a lower fee than the fee you might pay, and discuss with your financial professional what fees you will pay with respect to an account or investment to understand how your investment results may compare with those shown.

For more information on fees and their effect on account value, see the SEC's web page entitled **Understanding Fees,** available at **investor.gov/introduction-investing/getting-started/understanding-fees.**

Important about investment advisory tools

You can learn more on equitable.com/CRS or on the SEC's website at investor.gov. You should also carefully review our Form ADV Part 2A, available at equitable.com/CRS and ask your financial professional any questions you may have.

For more information about risks associated with investment advisory programs, see Risks of Investing with Investment Advisory Programs on our disclosure website at equitable.com/CRS.

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