



## **Regulation Best Interest Disclosures Supplement**

### **About Us**

J.W. Cole Financial, Inc. (“J.W. Cole” or the “Firm”) is registered with the Securities and Exchange Commission (SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority (FINRA). We are a full-service broker-dealer offering a variety of accounts and investment products to our clients.

### **About this Document**

This document is meant to provide additional information and disclosures regarding our Firm pursuant to Regulation Best Interest.

### **Capacity in which your Financial Professional is Acting**

Your financial professional is a Registered Representative of our Broker-Dealer, but may also be an Investment Adviser Representative (“IAR”) of an unaffiliated Registered Investment Adviser. You can check your financial professional at [www.brokercheck.finra.org](http://www.brokercheck.finra.org) which will allow you to search for your financial professional by name. Their respective profile will show you if your broker, is also an IAR and you can also find additional information about our firm.

In most cases, when making a recommendation to you regarding investments in your brokerage account or directly with an investment sponsor (known as “direct business”) your financial professional is acting in his/her capacity as a registered representative under the broker-dealer. Your account application or agreement will identify which type of account you have. However, there are exceptions and whenever your financial professional acts in a capacity inconsistent with this guidance, you will receive updated notice in writing as to the capacity in which they are acting when making a recommendation.

### **Material Limitations**

You should understand there are material limitations to the recommendations your financial professional provides. The Firm approves and offers only certain account types, products, and securities. There may be additional account types, products, and securities that are not offered by the Firm, which may benefit you and your portfolio. In addition, those that we do offer, may be available at a lower cost through another firm.

Additionally, the financial professionals associated with our Firm are licensed to offer certain account types, products, and securities. In some cases, even when available through our Firm, your financial professional might not be able to recommend a particular account type, product, and/or

security which may benefit you and your portfolio. You can check to see the licenses your financial professional holds, by visiting [www.brokercheck.finra.org](http://www.brokercheck.finra.org).

## **Requirements for You to Open or Maintain an Account with Us**

Although there is no minimum investment required to open a brokerage account with us, it is important to note some products will require a minimum investment, which can be found on their investment prospectus, offering materials, or similar document.

## **Our Firm's Investment Approach**

The Firm uses its industry knowledge and experience to provide brokerage services to retail clients. The firm seeks to understand our clients' unique investment profiles and recommend investments and strategies consistent with their unique financial needs. However, the products and services offered by the Firm do vary and the investment philosophy, approach, risk, and objective of these investments will too. You should review the prospects or similar offering documents thoroughly before making an investment and contact your financial professional should you have additional questions.

## **Material Fees, Costs, and Associated Conflicts**

The Firm and its associated professionals receive compensation that originates from customers or indirectly from the investments a customer makes. This compensation takes the form of an upfront commission and/or ongoing compensation, known as trailing compensation. It is important to note that the amount of compensation can change over time. In order to receive specific and the most up-to-date information, Customers should review the respective prospectus, offering document, and/or other transaction statement. Customers should discuss with their financial professional if they have any questions regarding compensation and/or conflicts of interest.

### Sales Compensation

The Firm receives selling compensation when it buys or sells a security. This selling compensation is also referred to as a commission, markup/markdown, placement fee, or sales charge/load. Typically, the Firm receives selling compensation and shares a certain percentage of the selling compensation with your financial professional.

Because the amount of selling compensation charged can vary between different securities and products, this could create an incentive to sell certain investments over others. It could also create an incentive to conduct a higher number of transactions.

- **Equity/ETF/ETN/CEF/Options:** The Firm charges a minimum commission of \$19.95 and a maximum of 5% per transaction on these types of securities. The Firm is able to waive or reduce this amount depending on the circumstances and often does.

- **Fixed Income and Bonds:** Typically, fixed income securities, such as a corporate bonds, municipal bonds and other types of fixed income securities are charged a markup or markdown. This means when a customer is seeking to purchase one of these securities it is first purchased by the Firm and placed in a Firm account. The Firm then sells that security to the customer for a higher price and moves the security from the Firm's account into the customer's account. Similarly, when selling one of these securities, the Firm purchases the security from the customer and moves it into a Firm account, the Firm will then sell the security in the marketplace at a higher price. The typical amount charged in the Form of a markup or markdown is 1.1%, but this amount can go higher in certain circumstances where the security is harder to buy or sell, including a thinly traded security or a low-priced security. In addition, some securities, such as redeemable preferred stocks, are structured like bonds and other fixed income securities, but may pay commissions which are generally around 7%.
- **Mutual Funds and 529 Plans:** The Firm typically receives a maximum of 5.75% sales load on mutual funds and 529 plans, but this amount can be reduced based on a number of factors, including the amount invested and the share class. The range is 1% to 5.75%. The sales load reduces the value of your investment. The Firm also receives trailing compensation on these investments which can vary based on the share class selected.
- **Variable Annuities:** The maximum amount paid for the sale of an annuity is typically 7%, but can vary based on the type of annuity chosen and share class, when applicable. The range is generally between 5% to 7%.
- **Alternative Investments:** The Firm typically receives a maximum upfront commission of 7% for the sale of alternative investments such as, private equity funds, real estate investment trusts (REITs), 1031 Exchanges in Delaware Statutory Trust (DST), business development companies (BDCs) and private placements. The range is 5.75% to 7%.
- **Structured Products:** The Firm typically receives upfront commissions as high as 6% for the sale of structured products.
- **Unit Investment Trusts ("UITs"):** The maximum sales charge for a UIT will range between 1.85% and 2.5%
- **Private Placements:** The Firm typically receives selling commissions ranging from 5% to 7% of the investment amount, but this amount can vary, and some investments may offer multiple share classes. To see detailed information regarding the investment, selling compensation, and other fees which may be charged by the issuer, you should view the Private Placement Memorandum (PPM).
- **Insurance Products:** The Firm may receive compensation for certain insurance products sold through an affiliated insurance agency, J.W. Cole Insurance. The amount of upfront commission can vary greatly depending on the product type and carrier, but is typically 20% to 100% of the first 12 months in premiums charged. The Firm may also receive a trail payment in the range of 1% to 25% of subsequent premiums, if any. Certain insurance companies offer financial professionals bonus payments, oftentimes called persistency or retention bonuses.

## **Understanding Share Classes**

The amount of upfront selling compensation versus trailing compensation charged on certain products, such as mutual funds, variable annuities, or 529 investments will vary, depending on the share class selected. For mutual funds, typically, Class A shares will result in a higher upfront sales charge and lower trailing compensation, while the opposite is true for a Class C. In order to see a complete list of the share classes available for a particular investment and their respective costs, you should review the investment prospectus, offering document, and/or other transaction statement.

### Product Costs and Fees

Financial professionals provide recommendations with respect to a broad range of investment products, including stocks, bonds, ETFs, mutual funds, annuities and alternative investments. Many investment products charge fees and costs that are separate from and in addition to the commissions and fees that the Firm and financial professionals receive. You can learn more about these fees and costs charged by an investment product by reviewing the investment product's prospectus, offering memorandum, or other disclosure documents.

### Account Fees

In addition to the commissions and sales charges described above, customers can also be charged direct fees and charges for miscellaneous account and transaction services, including, but not limited to transaction processing, transfers, margin, ticket charges, legal transfers, and trade extensions. These fees are often charged by the clearing firm although in some cases the Firm may receive a portion of these fees. For a complete list of these charges and fees you should review your account agreement and/or fee schedule and discuss with your financial professional.

### Registered Representative Specific Compensation

Registered representatives compensation package typically includes a percentage of the selling compensation described herein, but he/she may also receive salaries and other cash or non-cash compensation and benefits that may or may not be tied to their performance, including, but not limited to the amount revenues they generate. In addition, your financial professional can receive a greater percentage of their production, based on the total revenue they generate.

Accordingly, your sales representative could be incentivized to recommend more costly products or recommend additional transactions to obtain a greater percentage of the overall revenues. Non-cash compensation may include things such as conferences, travel, and entertainment incentives. Financial professionals can also receive special recruitment or growth incentives such as bonuses or forgivable loans. This compensation may be dependent on their production, so they could be incentivized to conduct additional transactions or sell more expensive products in order to meet this production threshold. Typically, forgivable loans do not exceed 20% of their last 12 months

production and are based on three to five-year repayment terms. In certain cases, your financial professional may also receive reimbursements for certain expenses.

### Additional Compensation from Third Parties

In addition to the sales compensation described above, the Firm also receives additional compensation from third parties. This additional compensation could create an incentive for the Firm to recommend certain investments over others. It's important to note, however, that the amount of compensation can change and vary between issuers and product sponsors. In order to receive specific and the most up-to-date information, Customers should review the respective prospectus, offering document, and/or other transaction statement.

- **Other Trailing Compensation:** The Firm also receives trailing compensation, including 12b-1 fees, which are paid from certain investment sponsors for mutual funds, annuities, and alternative investments. The amount can vary based on the product and amount invested. For mutual funds, the maximum amount is typically 1.15%, while annuities and alternative investments can be as high as 2%.
- **Mutual Fund Revenue Sharing Arrangements:** The Firm receives compensation from our clearing firm for certain No Transaction Fee ("NTF") mutual funds as part of a revenue sharing program. These fees are not shared with your financial professional and are paid based on the value of the qualifying NTF. This fee can be as high as 0.10%.
- **Non-Cash Compensation and Marketing:** The Firm and its employees periodically receive compensation that is not transaction based from investment sponsors. This includes entertainments such as tickets to a sports game, costs associated with dinner, small gifts valued less than \$100, or marketing fees for workshops, events, and advertising.
- **Cash Sweeps:** The Firm receives compensation from our clearing firm when a cash balance is moved to a particular fund/account which the Firm generates additional compensation from. This amount is usually not shared with your financial professional and can be as high as .5%, but some programs, such as the FDIC Core Sweep, may pay up to 1.37%.
- **Securities Lending:** The Firm along with the customer, may receive a fee for securities lent to the clearing firm as part of a securities lending agreement. The amount of compensation received by the Firm will not exceed .25%.
- **Margin or Portfolio Line of Credit:** When a customer receives margin or a portfolio line of credit, the Firm will receive a percentage of the balance lent from the clearing firm, which does not exceed .5%.
- **Payment for Order Flow:** The Firm may receive remuneration for directing orders in securities to particular market centers for execution. The account holder understands that this remuneration, known as "payment for order flow," is considered compensation to the Firm.
- **Due Diligence:** The Firm may receive additional due diligence or onboarding fees from a product sponsor/issuer for certain investments like real estate investment trusts (REITs), private placements, or other alternatives. These fees are compensation related to the cost

to perform due diligence and review an investment before permitting our financial professionals to offer it to customers and is typically around \$2,500, but can vary depending on the investment's characteristics and the work involved.

- **Marketing:** The Firm receives additional compensation to assist with due diligence and marketing from a product sponsor/issuer for certain investments like real estate investment trusts (REITs), private placements, or other alternatives. The amount can vary, but typically is around 1% of the offering.
- **Annual Conference/Symposium Sponsorship:** The Firm conducts events on a periodic basis such as our annual conference/symposium. We permit 3<sup>rd</sup> parties to sponsor these events, including those who are associated with the investments we sell. Although the amount of compensation we charge for this sponsorship can vary based on the size of the event, the sponsorship level purchased, and other characteristics, this compensation is not transaction based or otherwise contingent on any of the investments we sell.

### **Additional Conflicts of Interests**

**Gifts and Entertainment** A conflict of interest may arise when an employee receives or offers a gift, entertainment, or anything of value that creates an incentive for an employee, third party service provider, or a client to act in a certain way.

**Shared Revenues and Payments from Third Parties** As described above, we receive shared revenue, fees, and/or payments from our clearing firm which could create an incentive to offer or recommend certain activities and investments.

**Acting in Principal Capacities** We can earn a profit from buying and selling investments from our own accounts so we may have an incentive to encourage you to trade with us.

**Outside Business Activities** When approved, registered representatives may engage in certain outside business activities. This may include, but is not limited to: real estate, accounting, insurance, legal, and other professions. As a result, financial professionals may be incentivized to recommend certain products or services outside the scope of their relationship with the firm and they may benefit financially from these recommendations. In addition, employees may engage in personal trading or outside business activities (including board memberships/directorships) could conflict with a client or with the firm.

**Political and Charitable Contributions** The firm and/or its employees charitable and/or political donations could create the perception that the company or employee is seeking a quid pro quo.

**Confidentiality** The Firm and its employees are periodically exposed to confidential information which may benefit us or a client.

**Supervision Conflicts** When a manager is also producing, he/she may be incentivized to spend more time on revenue generating activities than supervision activities.

**Recommendations to other financial professionals** Other professionals (e.g., lawyers, accountants, insurance agents, etc.) may be recommended to clients or engaged directly by the client on an as-needed basis. Your financial professional may receive compensation for these referrals which might incentivize them to recommend a particular professional over another.

**Affiliated Entities** The Firm is affiliated with other entities, including those which offer insurance products and services. The Firm and your financial professional are incentivized to refer you to all of these affiliates as it generates additional compensation for the firm and financial professional, directly, or through the enterprise.

**Unaffiliated RIA** Although under separate ownership and control, we have a close working relationship with J.W. Cole Advisors, Inc., who is registered with the Securities and Exchange Commission as an Investment Adviser. Many of our registered representatives are associated with both entities and some of our employees perform certain support functions for this entity, for which we receive fixed compensation which is negotiated as part of an expense sharing agreement. Furthermore, we do not require customers to use a specific broker-dealer of record, but if you do choose us to act as the broker dealer of record for assets held with J.W. Cole Advisors, we will receive some variable compensation for certain brokerage services we provide to this investment advisor representative.

## **Understanding Risk**

Our Firm does not provide tax, legal or accounting advice. Accordingly, we encourage each customer to consult their own personal tax, legal and/or accounting advisers in order to understand the potential consequences associated with a particular investment strategy.

Investing in securities involves risk of loss that customers should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will be profitable for a customer's investment portfolio. Past performance is not indicative of future results. A customer should not assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. We cannot assure that the investment objectives of any client will be realized. The following is a non-exhaustive list of risks associated with investing. For additional product-specific risks, customers should review their prospectus, offering document, or similar materials and consider them carefully prior to making an investment decision.

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with an industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial/Credit Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value of securities.