Betterment

Form ADV Part 2A – Appendix 1

BETTERMENT WRAP FEE BROCHURE

Betterment
61 West 23rd Street
4th Floor
New York, NY 10010
646-600-8263
www.betterment.com

May 23, 2019

This wrap fee program brochure provides information about the qualifications and business practices of Betterment LLC ("Betterment"), a registered investment adviser. Registration does not imply a certain level of skill or training but only indicates that Betterment has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission. If you have any questions about the contents of this brochure, please contact us at support@betterment.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Betterment is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Summary of Material Changes

The most recent annual update of this Wrap Fee Program brochure was March 29, 2019.

On May 23, 2019, this brochure was further updated to reflect that Betterment Securities, Betterment's broker-dealer affiliate, earns revenue for facilitating the processing and delivery of proxies.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Wrap Fee Brochure Table of Contents

ITEM 2: SUMMARY OF MATERIAL CHANGES 2

WRAP FEE BROCHURE TABLE OF CONTENTS 3

ITEM 4: SERVICES, FEES, AND COMPENSATION 5

GENERAL INFORMATION 5

PROGRAM DESCRIPTION AND INVESTMENT STRATEGY 5

FEES 7

ITEM 5: ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS 10

ITEM 6: PORTFOLIO MANAGER SELECTION AND EVALUATION 11

SUMMARY OF BETTERMENT'S ADVISORY SERVICES 11

TRADE EXECUTION, ACCOUNT MAINTENANCE, AND ASSET CUSTODY 15

SERVICES SPECIFIC TO EMPLOYER-SPONSORED RETIREMENT PLAN CLIENTS 17

THIRD-PARTY MODEL AND CUSTOM PORTFOLIOS 17

OTHER INFORMATION ABOUT BETTERMENT'S PORTFOLIO MANAGEMENT 18

ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS 19

ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS 20

ITEM 9: ADDITIONAL INFORMATION 21

BETTERMENT'S DISCIPLINARY HISTORY 21

BETTERMENT'S FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS 21

BETTERMENT'S CODE OF ETHICS 21

PARTICIPATION IN CLIENT TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST 21

REVIEW OF ACCOUNTS 21

CLIENT REFERRALS 22

TERMINATION OF ADVISORY RELATIONSHIP 22

VOTING CLIENT SECURITIES 22

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

PRIVACY POLICY 23

FINANCIAL INFORMATION 23

SUBJECT TO CHANGE 23

FORM ADV PART 2B..... 24

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Item 4: Services, Fees, and Compensation

General Information

Betterment offers the Betterment Wrap Fee Program to prospective and current clients. Betterment, a limited liability company organized under Delaware law, is an SEC-registered investment adviser that maintains its principal office at 61 West 23rd Street, 4th Floor, New York, NY 10010. Betterment is a sponsor of the Betterment Wrap Fee Program. Betterment Securities, an affiliate of Betterment, is a sponsor of the Betterment Wrap Fee Program. If you have questions regarding the material contained herein, please contact Betterment at **support@betterment.com**.

Program Description and Investment Strategy

Betterment is a smart, simple way of managing savings and investments. Betterment generally offers investment advisory services over the internet and, for clients receiving Supplementary Services (as defined below), via phone, electronic chat, or email communications with Betterment's financial consultants. This Wrap Fee Brochure is meant to help you understand the nature of the advisory services offered by Betterment, whether the advisory services offered by Betterment are right for you, and the potential conflicts of interest associated with your participation in the Betterment Wrap Fee Program. You should review it carefully.

Betterment offers investment advice to clients and manages assets through the Betterment Wrap Fee Program. A wrap fee program has a fee structure that provides clients with advisory and brokerage services for one all-inclusive bundled fee with no additional account activity charges for execution of trades. As such, Betterment charges clients (defined below) a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services provided by its affiliated broker-dealer, Betterment Securities. Please see Item 6 for additional information on brokerage considerations.

Betterment offers its advisory services through a Wrap Fee Program because we believe it best allows us to achieve our mission of simplifying smart saving and investing for our clients. For example, the wrap fee gives clients the freedom to add to or withdraw money from their accounts and provide investment direction that impacts their account holdings without incurring any separate expenses for resulting trades.

Betterment's Wrap Fee Program offers services to three types of clients: (1) a retail service whereby individuals, trusts, and other legal entities receive advisory services from Betterment (such clients are referred to as "Retail Clients"); (2) an institutional platform whereby individuals, trusts, and other legal entities receive advisory services from Betterment, as well as services from an unaffiliated registered investment adviser or other provider of investment advice ("Advisor"), subject to Betterment's approval, with which the individual, trust or legal entity has an independent relationship (such clients are referred to as "Institutional Clients" and such business collectively as "Betterment for Advisors"); and (3) a platform whereby employer-sponsored retirement plans and plan participants ("Participants") receive advisory services from Betterment, acting in an ERISA 3(38) fiduciary capacity, as well as recordkeeping and/or

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

administrative services from our affiliate, Betterment for Business LLC (collectively, the "Betterment for Business Service") (such clients are referred to as "Retirement Clients"). Retail Clients, Institutional Clients, and Retirement Clients are collectively referred to in this brochure as "clients."

All clients receive Betterment's discretionary advisory services over the internet. Betterment additionally offers Retail Clients with a balance of at least $100,000 in Betterment accounts ("Account Balance Threshold") the opportunity to receive non-discretionary advisory services over the phone, email, or electronic chat through participation in Betterment's "Betterment Premium" plan. Clients who do not participate in the Betterment Premium plan are referred to as participants in the "Betterment Digital" plan. Betterment may, in its sole discretion, reduce or waive the Account Balance Threshold.

Betterment Premium plan clients are eligible to schedule telephone consultations with a financial consultant, employed by Betterment, who will provide personalized financial planning advice, including advice relating to debt, such as student loans and credit card debt, mortgages, savings, and retirement (including pensions and social security) and tax-related advice that does not constitute legal advice or advice requiring licensure as a Certified Public Accountant (such advice, collectively is referred to as "Supplementary Services," whether delivered via a telephone consultation or another medium). Supplementary Services are designed to help clients articulate and quantify goals, organize financial data, identify needs and opportunities, evaluate alternative courses of actions, and determine whether and how Betterment can fit into clients' broader financial plans. Betterment will base any such advice on information provided by clients regarding, among other things, their age, marital and family status, annual income, employment status, liquid net worth, debt and other investments, investment goals and investment experience during the financial consultation call. Information provided by Clients to Betterment's financial consultants will not typically be considered in the future provision of Betterment's discretionary advisory services unless Client also enters such information into Betterment's online interface. Betterment financial consultants will not monitor, or provide continuing advice on, accounts held at institutions other than Betterment. Supplementary Services will not include, among other things, a comprehensive financial plan and certain investment topics, such as investments in real estate, may fall outside the scope of the Supplementary Services. Any tax information provided by Betterment is not a substitute for the advice of a qualified tax advisor. You should consult with your tax advisor to discuss tax-related concerns.

There can be no assurances that any client's financial goals and objectives will be met through receipt of Supplementary Services. Betterment uses a team-based approach to providing Supplementary Services—if clients receive Supplementary Services on multiple occasions, they are likely to interact with multiple financial consultants. In addition, Betterment may, in its sole discretion, offer any client, without charge, certain Supplementary Services through email, electronic chat, or telephone communications, subject to the conditions and limitations described above. Clients are under no obligation to accept or follow any recommendations made by a financial consultant as part of the Supplementary Services and neither Betterment nor the financial consultant will have any discretion over client assets or accounts with respect to implementing any such recommendations. Clients who receive Supplementary Services will

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

continue to receive Betterment's discretionary advisory services over the internet, with the exception of Clients who only receive non-discretionary Supplementary Services and thus do not have a Betterment account.

Participation in the Betterment Premium plan will entitle a Retail Client to an unlimited (subject to scheduling availability) number of telephone consultations per year with a licensed Betterment financial consultant. In addition, Retail Clients who are in the Betterment Premium plan will generally receive periodic updates, reminders, and other messages from a Betterment financial consultant to assist such clients in staying on track to meet their investment goals. These periodic updates, reminders, and messages will not be part of any Supplementary Services that Betterment offers outside of a Betterment Premium plan.

In addition, Betterment offers Betterment Digital plan Clients the opportunity to receive for a fixed fee packages of financial advice ("Advice Packages"), each covering a particular financial topic and including a combination of time with a financial professional and access to written materials customized to the client. A detailed description of each Advice Package is available at https://www.betterment.com/advice-packages/.

Betterment also offers Retirement Clients the opportunity to receive certain additional advisory services in the form of both (1) phone consultation sessions between Plan Participants and a Betterment financial consultant and (2) day-long educational sessions led by a Betterment financial consultant and directed at Plan Participants (such services, "Retirement Client Additional Services"), in each case subject to the scheduling availability of Betterment financial consultants.

Betterment also offers all Retail Clients, regardless of account size, a matching service whereby Betterment provides such clients with the contact information of a dedicated third-party registered investment advisor through Betterment's Advisor Network program. If a client elects to participate in the Advisor Network program, the client will receive the names and contact information of one or more third-party advisors in the Advisor Network. After an initial phone call with such advisor(s), the client may enter into a separate agreement on such terms, including fee terms, as mutually agreed between such client and such advisor. Betterment receives no compensation from the client or the third-party advisor for providing this matching service.

Before investing with Betterment, or in any investment account, potential clients should consider paying off high-interest debt. Potential clients should also consider the options that are available to them through workplace savings plans provided by their employers. Additional guidance regarding these considerations is available at https://www.betterment.com/resources/personal-finance/goals-and-advice/invest-or-pay-off-debt/.

Fees

New Retail Clients typically pay an annualized wrap fee of 0.25% of their account balance for participation in the Betterment Digital plan. Retail Clients who participate in the Betterment Premium plan pay a wrap fee of 0.40% in annualized fees. These fees are subject to the Discount, as defined below. Retail Clients who elect to receive Advice Packages will pay for them by credit card on a fixed fee basis pursuant to the schedule available at:

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

https://www.betterment.com/advice-packages/.

Institutional Clients typically pay a wrap fee generally equal to 0.25% of their account balance for participation in the Wrap Fee Program, subject to the Discount.

All of Betterment's asset-based fees for Retail and Institutional Clients, with the exception of Clients who receive specific fee discounts, are subject to a 0.10% discount ("the Discount") on the portions of their balances above $2 million. If a Retail or Institutional Client also has a 401(k) account through Betterment for Business, the balance of that account is not included for purposes of calculating which assets are eligible for the Discount.

Institutional Clients, and Retail Clients participating in the Advisor Network program, may pay a separate fee directly to their unaffiliated Advisor. Betterment does not receive any portion of the fees paid to an Advisor.

New Retirement Clients as of January 1, 2017 typically pay an all-inclusive annualized fee of 0.25% for participation in the Wrap Fee Program. A plan sponsor may choose to allocate this fee to itself or to Participants. Betterment for Business' recordkeeping services are subject to a separate fee schedule. Betterment does not typically accept Retirement Clients unless they also engage Betterment for Business for recordkeeping services. Retirement Clients that receive the Retirement Client Additional Services described above will pay an additional fee for such services, as further described in the side letter pertaining to such services. General fee information is available for review on www.bettermentforbusiness.com, although the specific fees charged to individual Retirement Clients may vary.

Retirement Clients who engaged Betterment before January 1, 2017 generally pay different fees, which are sometimes lower than those paid by new Retirement Clients, for the services provided by Betterment and Betterment for Business.

Clients should consider that, depending on the amount of activity in a client's account and the value of custodial, trade execution, advisory, and other services that are provided under the arrangement, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately or by others. Clients should also consider that Betterment receives different amounts of revenue (and incurs different costs) from clients participating in each Betterment service plan (i.e., Betterment Digital and Betterment Premium) and, as a result, if you seek our advice on the appropriate plan, Betterment has a financial incentive to recommend the higher priced plan (i.e., Betterment Premium). Clients also should consider whether paying for the Betterment Premium plan or paying for Advice Packages is most appropriate for their needs. Betterment may, at its sole discretion, waive portions of its fees or offer fees to some accounts that differ from the standard fee schedules referenced above. You should also be aware that Betterment may offer clients free-of-charge Supplementary Services that are similar to the services received by Betterment Premium clients. Clients should therefore inquire about what Supplementary Services Betterment is making available free of charge before deciding to become a Betterment Premium client or to pay for an Advice Package.

Betterment's asset-based fees are calculated as a prorated amount of a client's average daily

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

balance over a quarter and charged near the end of each quarter. Other than as described above, fees are not charged on the basis of a share of capital gains upon or capital appreciation of the Funds (as defined below) or any portion of the assets of a client. In certain circumstances disclosed in the advisory agreement between each client and Betterment (an "Advisory Agreement"), Betterment reserves the right to charge a client for special requests or other irregular services.

Betterment will automatically debit the prorated amounts of the fees from the assets in a client's account on a quarterly basis in arrears.

All fees paid to Betterment for investment advisory services are separate and distinct from the fees and expenses charged by Funds to their shareholders. These fees and expenses are described in each Fund's prospectus, which are available in the "Portfolio" tab of the online interface, and are embedded in the securities purchased on clients' behalf. These fees are generally composed of a management fee and other Fund expenses. Betterment does not earn or receive a portion of such fees.

As noted above, Institutional Clients, and Retail Clients participating in the Advisor Network program, may pay their Advisor a separate fee; Betterment does not receive any portion of this fee. As part of the Betterment for Business Service, Betterment for Business LLC may charge Retirement Clients separate fees for certain administrative tasks and services related to plan administration (e.g., Participant loans), some of which may depend on the size of the plan. As noted above, Retirement Clients may also pay a third-party administrator to perform certain services. Betterment does not receive any portion of these fees.

Clients who only receive Supplementary Services and do not have a Betterment account do not pay a fee to Betterment.

Betterment periodically enters into arrangements with third-party providers of goods and services under which Betterment receives payments in exchange for referring Clients to such third-party providers. Betterment will disclose the existence of any such payments, as well as any conflicts of interest, at the time that Betterment refers a Client to the third-party provider.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Item 5: Account Requirements and Types of Clients

Betterment's Clients include individuals, trusts, employer-sponsored plans (and their Participants) and other legal entities (subject to Betterment's approval) who are U.S. residents and maintain a checking account with a U.S. bank. There is no minimum account size to maintain an account with the Betterment Digital plan. A balance of at least $100,000 is required to be eligible to participate in the Betterment Premium plan. The minimum initial deposit is $10. Institutional Clients have an independent contractual relationship with an Advisor. Retirement Clients must also execute an Administrative Services Agreement with Betterment for Business LLC.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Item 6: Portfolio Manager Selection and Evaluation

Betterment directly manages the portfolios of Retail Clients pursuant to each client's Advisory Agreement. Betterment directly manages the portfolios of Institutional Clients pursuant to the Betterment for Advisors Advisory Agreement and in conjunction with an Advisor's instructions, as applicable. Investments in employer-sponsored retirement plans are directly managed by Betterment as a 3(38) fiduciary, pursuant to an Investment Advisory Agreement specific to the Betterment for Business Service (see below for specific employer-sponsored retirement plan services).

Summary of Betterment's Advisory Services

Clients should carefully consider Betterment's services before determining whether to engage Betterment. To use Betterment's investment services, clients and/or their Advisors inform Betterment of a client's financial goals and personal information through Betterment's online applications, and Betterment's algorithm then recommends and builds a portfolio of exchange traded funds ("ETFs," or the "Funds") for each of the client's financial goals and account types. Betterment also provides Clients the opportunity to receive advice regarding the identification of financial goals. Each portfolio is associated with a target allocation (the "Allocation") of investment types and/or asset classes. Retail and Institutional Clients may invest in a Smart Saver goal, which is set at a fixed Allocation of 100% bond ETFs.

Betterment's Investment Committee oversees this process and has approved each potential portfolio and the Funds in such portfolio. Betterment may change the specific Funds that comprise a particular Allocation without notice to clients, and clients cannot exclude specific Funds from inclusion. As described below, Advisors serving clients on the Betterment for Advisors and Advisor Network are responsible for the determination to use third-party model portfolios and custom portfolios with particular clients.

Betterment currently offers five portfolio strategies to Retail, Retirement, and Institutional Clients, subject to certain limitations on availability as described below. Betterment's core portfolio, referred to as the Betterment Portfolio strategy, offers a set of globally diversified stock and bond allocations with a U.S. value and small capitalization tilt, comprised of low-cost, liquid, index-tracking ETFs from diverse providers. Betterment's Socially Responsible Investing Portfolio strategy reduces exposure to stocks of U.S. large capitalization companies that do not meet certain environmental, social, and governance criteria, relative to the core portfolio. Betterment's BlackRock Target Income Portfolio strategy is comprised entirely of bond ETFs managed by BlackRock and allows investors to choose between four yield/risk profiles. Betterment's Smart Beta portfolio strategy is designed by Goldman Sachs Asset Management and offers investors the opportunity to seek outperformance by taking more systematic risk at a given allocation of stocks and bonds than is possible with the Betterment Portfolio strategy. Betterment's Flexible Portfolio strategy allows Clients to choose their own individual asset class weights using the same asset classes that comprise the Betterment Portfolio strategy. Except for Betterment's Smart Saver goal, which uses only the Betterment Portfolio strategy, Clients may elect any portfolio strategy for which they are eligible for any goal. Clients and/or their Advisers,

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

and not Betterment, are responsible for determining whether the portfolio strategies that they select are consistent with Clients' goals and tolerance for risk and volatility. The online interface provides information about each portfolio strategy to facilitate this decision. Betterment does not collect information from Clients that would allow Betterment to determine whether a portfolio strategy managed by a third-party provider is suitable for a Client's individual investment objectives.

Betterment periodically reviews the portfolio strategies managed by third-party providers to ensure that the portfolios remain consistent with the portfolio objectives identified by the third-party providers.

Investing in securities involves risk of loss that clients should be prepared to bear. You can learn more about Betterment's investment advice and methodologies on Betterment's website, which includes, but is not limited to, the following articles:

- "Our Financial Planning Model: An Overview," available at https://www.betterment.com/resources/research/financial-planning-model-overview/
- "Our Goals and Advice Explained," available at https://www.betterment.com/resources/research/goals-advice-explained/
- "Our Stock Allocation Advice," available at https://www.betterment.com/resources/research/stock-allocation-advice/
- The Betterment Portfolio Strategy, available at https://www.betterment.com/resources/research/betterment-portfolio-strategy/
- "Our Investment Selection Methodology," available at https://www.betterment.com/resources/research/etf-portfolio-selection-methodology/

Except for the Flexible Portfolio strategy, each Allocation corresponds to a specific set of asset classes and distribution of Funds among those asset classes (which may differ depending on whether the account is taxable or non-taxable). Except for Betterment's Smart Saver goal, which has a fixed Allocation, Clients and/or their Advisors are free to accept a Betterment-recommended Allocation or choose their own Allocation based on their own preferences or risk tolerance. Betterment will manage a client's account according to the Allocation the client sets and the type of goal the client selects.

Clients should consider that the Betterment Digital plan is not designed to provide clients with a comprehensive financial plan and instead is built to advise Clients on how to achieve discrete financial goals. Betterment's recommendations are highly dependent on receiving accurate information from clients. If clients provide Betterment with inaccurate information or fail to update promptly the information provided to Betterment when it changes, it could materially impact the quality and applicability of Betterment's recommendations. There may also be other information that is not elicited by Betterment that could inform Betterment's advice if it were provided to Betterment, even in cases where Supplementary Services are provided via phone, electronic chat, or email communications with Betterment's financial consultants.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Betterment provides Clients the opportunity to sync external accounts to their Betterment account via Betterment's online interface. Betterment will not base its recommendations on synced external accounts except as specifically disclosed in the interface. Synced external accounts with debt are reflected in the presentation of a client's net worth in Betterment's interface but are not associated with any financial goal that client identifies. Betterment does not collect information that would allow it to provide advice on synced external accounts with debt.

Clients should also understand that entries made in Betterment's Investing Journal feature, which allows clients to record notations concerning the context for specific transactions, are not directly incorporated into Betterment's advice to individual clients. The Investing Journal feature is instead designed to provide clients with a place to create notations for their own reference and to allow Betterment to collect information that can be used to improve its overall offering.

For some financial goals and portfolios, Betterment's recommendations to clients will shift over time, with the recommended Allocation gradually shifting as the term of the goal approaches (i.e., a "glide path"). Betterment offers a feature that automatically adjusts clients' Allocations to conform to the glide path. For customers who elect not to enable this feature, Betterment will not automatically adjust the applicable Allocations based on the passage of time. Betterment will, however, automatically and periodically adjust the Allocations of Participants who have not exercised control over their employer-sponsored accounts to match Betterment's recommendations for those accounts.

When clients deposit to or withdraw money from their Betterment account, they are requesting that Betterment purchase or sell available Funds within their account in amounts that reflect their desired Allocation. Similarly, when clients and/or their Advisors adjust a client's Allocation, Betterment will buy and sell Funds to approach the desired Allocation. Clients with taxable accounts who live in California or New York who have a balance of, or intent to fund, at least $100,000 to their account, are provided the option to further customize their portfolios by adding exposure to California or New York municipal bonds, respectively, in lieu of national municipal bonds. The benefits and risks of adding state-specific municipal bond exposures are described on Betterment's website.

In the absence of a contrary direction, Betterment rebalances client portfolios so that in the face of fluctuating market prices each client's portfolio remains controlled to within a narrow range of the Allocation. Betterment typically rebalances a client's account when a portfolio is identified as having drifted by 3% or more and cash flows are not sufficient to enable Betterment to reduce such drift, provided that rebalancing will not result in short-term capital gains for a client, although clients can request to have Betterment only rebalance their accounts in response to cash flows. To participate in Betterment's offerings, clients agree to have their dividends automatically reinvested in accordance with their Allocation.

Betterment also offers optional tax loss harvesting and automated asset location ("Tax Coordinated Portfolio") services. The value provided by these optional services will vary depending on each investor's personal circumstances, and clients should carefully read Betterment's disclosures for each of these services, and the documents linked therein, before enabling them. The Tax Loss Harvesting Disclosure Statement is available at

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

https://www.betterment.com/tlh-disclosure/ and the Tax Coordinated Portfolio Disclosure Statement is available at https://www.betterment.com/tcp-disclosures/.

For the avoidance of doubt, Betterment's tax loss harvesting and Tax Coordinated Portfolio services are not designed to, and do not, provide comprehensive tax advice to clients. Clients are solely responsible for the determination of whether, and when, to enable these features in their accounts, as well as any tax consequences arising from any transaction associated with these features.

Betterment implements its advisory services by investing in ETFs. For information regarding the structure, fees, and risks associated with investing in ETFs, see the SEC's Investor Bulletin on ETFs: https://www.sec.gov/servlet/sec/investor/alerts/etfs.pdf.

Betterment is currently able to accept the transfer of certain securities into client accounts. Betterment currently supports in kind transfers of securities to other brokerages or banks only for transfers of all securities in a Betterment client account and not for partial transfers. Additional considerations related to the transfer of outside securities into a Betterment account will be disclosed in Betterment's online interface before any such transfer takes place.

Betterment offers clients with taxable accounts the opportunity to make charitable contributions by donating shares with long-term capital gains. Clients can donate to a select group of charities that have opened Betterment accounts. The charities pay a wrap fee only on the balance in their accounts above $1 million and can withdraw funds at any time to maintain a balance that does not incur any fee. The charitable giving disclosure statement is available at https://www.betterment.com/legal/charitable-giving.

Betterment uses algorithms to advise clients and manage their accounts. These algorithms are developed, overseen, and monitored by Betterment's investment advisory personnel. When clients sign up for a Betterment account, an algorithm, developed by Betterment's investment advisory personnel, determines Betterment's recommended Allocation based on inputs from the client. Algorithms also generate advice regarding other investment decisions, including but not limited to Allocation selection, savings and withdrawal rates, automatic rebalancing, account type selection, and the amount of cash Betterment recommends that Retail and Institutional Clients maintain in the bank account they have linked to their Betterment account. If clients enable Betterment's Two-Way Sweep feature, an algorithm will determine the timing and amount of deposits to and/or withdrawals from their Smart Saver goal based on the amount of cash Betterment recommends they maintain in their linked bank account. When determining whether to enable Betterment's Two-Way Sweep feature, clients should consider that Betterment has an incentive to sweep funds to Betterment because Betterment charges its wrap fee on funds managed in Smart Saver goals but not on funds in clients' linked checking accounts.

When clients make deposits or withdrawals from their accounts or donate shares, an algorithm determines the specific securities to trade based on a client's Allocation, current tax lots, and other directions that they have provided to Betterment. If clients opt in to Betterment's tax loss harvesting and/or Tax Coordinated Portfolio services, algorithms also determine the specific trades that are made in a client's account to effect such services. Further details on each of

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

these services, including the operation of the underlying algorithms, are available on Betterment's website. These algorithms may not perform as intended for a variety of reasons, including but not limited to incorrect assumptions, changes in the market, and/or changes to data inputs. Betterment may modify periodically these algorithms, or a computer system's code or underlying assumptions, and these changes may have unintended consequences. Additional information regarding relevant considerations for Clients considering an automated digital investment advisory program (sometimes referred to as a "robo advisor") is contained in the Investor Bulletin from the Securities and Exchange Commission available at https://www.sec.gov/oiea/investor-alerts-bulletins/ib_robo-advisers.html.

Clients should be aware that, when Betterment makes changes to its online applications, not all Clients may see such changes at the same time. This may be because Betterment is testing particular changes or because Betterment has determined that it would be prudent to roll out a particular feature on a more gradual basis. Clients should also be aware that there will typically be different services and tools available to them depending on the means by which they are interacting with Betterment over the internet. For example, the services available on a mobile phone (or a particular mobile phone operating system) will be different than the services and tools available via a web-based interface.

Investment Tools

In addition, Betterment's online applications provide tools to help clients and/or their Advisors project clients' expected returns, plan for retirement, select account types, understand their risks, access information related to transactions, and review their account's prior performance. As with Betterment's services more generally, these tools are not designed to provide clients with a comprehensive financial plan.

Trade Execution, Account Maintenance, and Asset Custody

In order to open a Wrap Fee Program account with Betterment, Clients must establish a brokerage relationship with our affiliated broker-dealer, Betterment Securities, a FINRA member broker-dealer. By entering into an Advisory Agreement with Betterment, Clients authorize and direct Betterment to place all trades in Clients' accounts through Betterment Securities. As such, Betterment Securities will maintain all client accounts and execute all securities transactions in client accounts without separate commission costs or other fees. Betterment Securities exercises no discretion in determining if and when trades are placed; it places trades only at the direction of Betterment. Betterment Securities's procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should understand that the appointment of Betterment Securities as the sole broker for their accounts under this Wrap Fee Program may result in disadvantages to the client as a possible result of less favorable executions than may be available through the use of a different broker-dealer.

Clients should understand the Betterment Wrap Fee Program is a discretionary investment advisory program (except for advice provided through Supplementary Services, which is non-discretionary), and not a self-directed brokerage service. Unlike self-directed brokerage

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

accounts, Betterment clients do not enter individual buy and sell orders for specific securities to be executed at particular times. Rather, Betterment places orders to buy and/or sell securities with Betterment Securities consistent with the discretionary authority granted to it by Clients, which includes, among other things, the authority to select which securities to buy and sell and when to place orders for the execution of securities. If you want to control the specific time during the day that securities are bought and sold in your account (e.g., you want the ability to "time the market"), you should not use Betterment's service.

Betterment trades in Client accounts for any number of reasons, including in response to Client actions such as asset Allocation changes, deposits, or withdrawals. Betterment also trades in order to rebalance Client accounts, to change investment options, or otherwise to further the investment objectives that Clients specify via Betterment's website.

Subject to Betterment's trading policies, described in this section, Betterment generally trades on the same business day. However, transactions will be subject to processing delays in certain circumstances. For example, orders initiated on non-business days and after markets close generally will not transact until the next business day. Betterment maintains a general approach of not placing securities orders during approximately the first thirty minutes after the opening of any market session to avoid periods of market instability, which are common during this time. Betterment generally stops placing orders arising from Allocation changes in existing portfolios approximately thirty minutes before the close of any market session. Betterment continues placing orders associated with deposit and withdrawal requests until market close. Betterment maintains a general approach of not placing orders around the time of scheduled Federal Reserve interest rate announcements. This time period, during which markets often exhibit instability, is typically fifteen to thirty minutes before and after such announcements. Betterment may also postpone trades in order to modulate its overall trading volume on a particular business day. Further, account deposits are automatically subject to a processing period that may be up to five business days or longer; deposit-related transactions will not occur until the next business day after this processing period is complete.

In addition, Betterment reserves the right, at any time and without notice, to delay or manage trading in response to market instability. Betterment may do so where it determines it is appropriate to respond to extraordinary circumstances of market instability, as evidenced by extreme instances of elevated localized volatility (i.e., minute-to-minute spikes in implied volatility), insufficient or unstable market depth, price dislocation, incomplete execution, fast markets, and rapidly widening bid-ask spreads. In the event Betterment delays placing orders in response to extraordinary market volatility for greater than sixty consecutive minutes during Betterment's typical trading hours of 10:00 a.m. to 4:00 p.m., Betterment will undertake to provide notice of such delay to Clients (Retail and Institutional) and Participants by posting a message via Betterment's online interface and, separately, to advisors on the Betterment for Advisors platform via email. For the avoidance of doubt, Betterment does not delay or manage trading based on any view about whether markets are likely to rise or fall.

Clients' access to their funds are generally not affected by Betterment's trade management practices, including decisions to delay intra-day trading during extraordinary circumstances of

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

market instability. This is because withdrawals from (as well as deposits into) Betterment accounts are subject to the timing of the ACH network, which functions as a batch process on a 24-hour cycle, and is independent of the time of day a trade occurs.

Betterment places aggregated orders involving multiple Betterment accounts trading in the same securities. In conducting these transactions no client is favored over any other client and each client that participates in an aggregated transaction will participate at the average share price for transactions in the aggregated order.

There are never any separate fees for any trade execution or custody service.

Services Specific to Employer-sponsored Retirement Plan Clients

In addition to the above services, Betterment offers plan sponsors assistance with the development of an Investment Policy Statement ("IPS"). Under the Retirement Investment Advisory Agreement, Betterment provides individual plan Participants with personalized advice. Plan Participants are not required to, but have the option of, entering into an agreement with Betterment directly. Betterment also provides Retirement Clients the opportunity to elect to receive the Retirement Client Additional Services directed at Plan Participants, as further described above in Item 4.

Third-Party and Custom Portfolios

As described above, Betterment may offer certain portfolios designed and/or managed by third-parties to its Retail and Retirement Clients. Betterment also offers a range of third-party model portfolios, as well as certain advisor-designed "custom portfolios" in order to provide Advisors on the Betterment for Advisors platform and in the Advisor Network with greater flexibility in serving their clients. The Flexible Portfolio strategy is available to Institutional Clients and includes the option to allocate to certain asset classes in addition to those that comprise the Betterment core portfolio strategy. Additionally, the Vanguard Portfolio strategy is available only to Institutional Clients and offers broad market equity and investment grade fixed income exposure based on global market capitalization weights. Advisors are responsible for determining that particular third-party portfolios and custom portfolios are suitable for their clients.

Third-party portfolios are likely to include exchange-traded funds sponsored by such third party or an affiliate thereof, for which the third-party manager receives fees. Each such third-party manager is therefore subject to a conflict of interest in that it may be incentivized to include such affiliated exchange-traded funds in constructing such portfolios. Furthermore, to the extent any third-party portfolio is updated by the applicable third-party provider, such updates may be delivered to Betterment and updated after such updates are delivered to other users of such third-party portfolio (including affiliates of the relevant provider). Clients should also understand that certain of Betterment's services will be more limited or operate differently for clients who are in a third-party portfolio or custom portfolio and should consult their Advisory Agreement for additional details.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Other Information about Betterment's Portfolio Management

Except in connection with Supplementary Services, Betterment manages all client assets on a discretionary basis.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Item 7: Client Information Provided to Portfolio Managers

Because Betterment manages all client portfolios directly, there are no portfolio managers with whom Betterment could share client information. However, for Institutional Clients on the Betterment for Advisors Service, Betterment provides certain client information to clients' Advisors that clients explicitly request Betterment provide via the Betterment for Advisors Advisory Agreement.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Item 8: Client Contact with Portfolio Managers

Clients should consider that Betterment primarily uses electronic rather than telephonic means to provide customer support. To receive customer support, Clients may contact Betterment via email or through the online interface, and prospective clients should be comfortable communicating through those channels. Clients should consider that such customer support is educational in nature only, and that although the algorithms that manage client accounts are overseen, monitored, and updated by investment advisory personnel, clients participating in the Betterment Digital plan will generally not interact directly with such investment advisory personnel, except as described elsewhere in this document.

In addition to the availability of Betterment's customer service personnel to each client, Betterment provides a multitude of materials prepared by investment professionals relating to client portfolios and the investment decisions made for client accounts on its publicly-available website, including a frequently asked questions site and the "Resource Center," available at https://help.betterment.com/hc/en-us and https://www.betterment.com/resources/, respectively. This information is designed to address commonly asked questions clients have about their accounts and the management of their accounts, and customer service personnel may provide clients links to such material. Clients receiving Supplementary Services may schedule telephone consultations with a financial consultant via an online scheduling link. Clients should be aware that they may not be able to speak to a person during market events, such as periods of exceptional volatility or downturns.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Item 9: Additional Information

Betterment's Disciplinary History

Betterment has not been subject to any disciplinary events by regulators nor is it party to any legal events that are material to client evaluation of our advisory business.

Betterment's Financial Industry Activities and Affiliations

Betterment CEO Jon Stein is an officer of Betterment Securities (a FINRA member broker-dealer), and Betterment VP of Operations Boris Khentov is registered principal of Betterment Securities.

Betterment is a wholly-owned subsidiary of Betterment Holdings, Inc., which is also the parent company of Betterment Securities and Betterment for Business LLC.

Betterment's Code of Ethics

Betterment maintains a code of ethics that requires all officers and employees to conduct themselves with the highest standards of honest conduct and business ethics in all aspects of their activities concerning Betterment and Betterment clients. A copy of Betterment's Code of Ethics is available to clients and prospective clients upon request.

Participation in Client Transactions and Potential Conflicts of Interest

Betterment or individuals associated with Betterment may buy or sell securities identical to or different than those recommended to clients for their personal accounts. Individuals associated with Betterment may also be Betterment clients. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client. In such instances, Betterment or its related persons may have a financial incentive to buy or sell such securities for client accounts, although this incentive is limited because Betterment generally recommends highly liquid index funds to its clients and because client activity in such funds is unlikely to materially impact their price.

It is the express policy of Betterment that no person employed by Betterment may use material, non-public information obtained during the course of his or her work in deciding whether to purchase or sell any security prior to any pending transaction(s) being executed for an advisory account. This policy is intended to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

Review of Accounts

Betterment's investment tools are designed to provide clients with continuous access to account information through Betterment's online interface. Clients can utilize various tools on the interface to review their account and better understand their holdings and performance information. Clients also receive periodic emails from Betterment with information about their accounts as well as links to account statements.

As described above in Item 6, and subject to the limitations for custom portfolios and third-party portfolios referenced there, Betterment's algorithms continuously reviews clients' accounts to

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

ensure their portfolios are within a set range of their Allocation. If a client's portfolio deviates from this range, Betterment will rebalance such portfolio back to its target Allocation in certain circumstances. Furthermore, Betterment monitors accounts to determine whether a client is on or off track to meet a particular goal or whether, in Betterment's judgment, client's chosen Allocation is too aggressive or conservative for a goal, and indicates the result of that monitoring through the online interface. Betterment personnel further conduct limited reviews of accounts when triggered by certain account activity, although Clients should be aware that their individual accounts are generally not actively monitored directly by investment advisory personnel.

Clients are directed on at least a quarterly basis to update their information via the online interface.

For clients using the Betterment for Advisors Service or receiving sub-advisory services from an Advisor through the Advisor Network matching service, clients' agreements with their Advisors govern any additional responsibilities for conducting reviews of clients' accounts that the Advisors may have.

Client Referrals

Betterment offers compensation to current clients, affiliate marketers, solicitors, and other strategic partners who recommend Betterment and refer new clients. New clients are advised of such compensation prior to opening an account. Betterment supervises the referral activities of current customers, affiliate marketers (including "bloggers"), solicitors, and other strategic partners. Clients are not charged any fee nor do they incur any additional costs for being referred to Betterment by a current client, affiliate marketer, solicitor, or other strategic partner. In addition, Betterment personnel are eligible for variable compensation based on the firm's growth. This compensation is based on firm-wide targets, individual targets, or both. Certain Betterment personnel are also compensated based on assets that they personally attract to the firm. The marketing and solicitation activities of these individuals are supervised by Betterment.

Termination of Advisory Relationship

Retail and institutional client agreements may be canceled at any time, by either party, for any reason upon notice in accordance with the applicable Advisory Agreement. Retirement client agreements may be cancelled by the client at any time and by Betterment after a specific notice period, in both cases in accordance with the applicable Advisory Agreement. Upon termination of any account any earned, unpaid fees will be due and payable.

Voting Client Securities

Betterment clients delegate to Betterment the authority to receive and vote all proxies and related materials for any security held in Betterment accounts. Betterment will do so in a way that is reasonably expected to ensure that proxy matters are conducted in the best interest of clients. Betterment will only vote on proxies and respond to corporate actions associated with securities that Betterment recommends be purchased for client accounts. Clients may request information regarding how Betterment voted a client's proxies, and clients may request a copy

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

of Betterment's proxy policies and procedures, which may be updated from time to time, by emailing support@betterment.com.

Betterment Securities earns revenue from companies that issue proxies, for facilitating the processing and delivery of the proxies to Betterment's clients. The revenue earned by Betterment Securities is not contingent on whether or how proxies are voted by Betterment or its clients, and the identity of funds and other securities that Betterment includes in client accounts is not influenced by these payments.

Privacy Policy

Betterment is committed to protecting our clients' private information. Betterment and Betterment Securities have instituted policies and procedures to ensure that customer information is kept private and secure. Betterment does not disclose any non-public personal information about its customers or former customers to any non-affiliated third parties except as required by or permitted by law or agreed to by the client or as otherwise disclosed in Betterment's Privacy Policy. In the course of servicing a client account, Betterment may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and attorneys; with an Advisor in the case of Institutional Clients; and with the employer or plan sponsor in the case of Participants. Betterment restricts internal access to non-public personal information to those employees who need access to such information in order to provide products or services to a particular client. Betterment also maintains physical, electronic, and procedural safeguards to protect client information.

A copy of the Betterment's Privacy Policy is available on the Betterment website at http://www.betterment.com/privacypolicy.

Financial Information

To the best of Betterment's knowledge, we are not aware of any financial condition that is reasonably likely to impair Betterment's ability to meet its contractual commitments to its Clients.

Subject to Change

From time to time Betterment may adjust its wrap fee program and policies. In the event of such adjustments this brochure will be modified as needed and an updated copy will be made available on the Betterment website.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

Form ADV Part 2B

CLIENT BROCHURE SUPPLEMENT

Betterment
61 West 23rd Street
4th Floor
New York, NY 10010
646-600-8263
www.betterment.com

May 23, 2019

This Brochure Supplement provides information about certain Betterment employees listed below that supplements the Wrap Fee Brochure you received above. If you have any questions about the contents of this brochure, please contact us at support@betterment.com. Additional information about Betterment is available on the SEC's website at www.adviserinfo.sec.gov.

Betterment's discretionary investment advice is formulated by a team comprised of more than nine Supervised Persons, and Betterment has provided group supplementary information below for the nine Supervised Persons with the most significant responsibility for the day-to-day advice provided to Clients.

Many of the Supervised Persons listed below hold the Certified Financial Planner™ (CFP) certification. Obtaining that certification requires that candidates meet the following criteria as set forth by the Certified Financial Planner Board of Standards:

- Hold a bachelor's degree or higher;
- Complete course training in financial planning;
- Pass a 6-hour multiple choice examination requiring the application of financial planning knowledge;
- Receive approval by the CFP Board, which requires passing an extensive background check and that the certificant adhere to a code of ethics.

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

DANIEL P. EGAN

Vice President of Behavioral Finance & Investing
Born 1981
Education
B.A. Boston University, 2003
M.Sc. London School of Economics and Political Science, 2006
Business Background
Barclays Wealth and Investment Management, Americas, Behavioral Finance Specialist, 2007 – 2012
Chiliogon LTD, Economist, 2006
University of Pennsylvania, Economic Data Analyst, 2004 – 2005
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Mr. Egan is supervised by Dustin Lucien

NICHOLAS HOLEMAN, CFP®

Senior Financial Planner
Born 1991
Education
B.S. San Diego State University, 2013
MSBA, San Diego State University, 2015
Business Background
Pure Financial Advisors; Planning Support Specialist, 2014 – 2016
Mass Mutual Financial Group; Financial Advising Assistant, 2013 – 2014
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Mr. Holeman is supervised by Julia Lowd

CHRISTINE ANN CELAYA, CFP®

Customer Insights Supervisor
Born 1989
Education
B.S., Texas Tech University, 2011
Business Background
Bank of America Merrill Lynch; Financial Solutions Advisor; 2014 – 2015
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Ms. Celaya is supervised by Mr. Holeman

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

ANDREW WESTLIN, CFP®

Financial Planner
Born 1993
Education
Bachelor's in Finance, Virginia Polytechnic Institute and State University, 2015
Business Background
Vanguard; Flagship Associate, 2015 – 2016
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Mr. Westlin is supervised by Mr. Holeman

FREDERICK EGLER

Financial Professional
Born 1992
Education
B.B.A, The George Washington University, 2015
Business Background
PNC Financial Services; Associate, 2015 – 2016
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Mr. Egler is supervised by Mr. Holeman

JOHN S. WITTIG

Customer Insights Associate
Born 1992
Education
B.S. B.A, University at Buffalo, 2015
Business Background
Financial Consultant Academy; Charles Schwab & Co., 2016 – 2017
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Mr. Wittig is supervised by Mr. Holeman

ANNE CORBIN BLACKWELL, CFP®

Financial Planner
Born 1990
Education

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.

B.A., Denison University, 2013.
Business Background
Financial Advisor, United Income; 2017 – 2018
Business Development; Farr Miller and Washington; 2016 – 2017
Client Services Associate; Morgan Stanley; 2013 – 2016
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Ms. Blackwell is supervised by Mr. Holeman

ROBERT JOHN GLOTFELTY

Customer Insights Associate
Born 1991
Education
Bachelor's in Economics, Mathematics, University of Wisconsin – Milwaukee, 2012
Master's in Financial Analytics, Investment Management, University of Wisconsin - Milwaukee, 2015
Business Background
Advisory and Brokerage Senior Product Specialist, Northwestern Mutual, 2015-2017
Disciplinary Information
None
Other Business Activity
None
Additional Compensation
None
Supervision
Mr. Glotfelty is supervised by Mr. Holeman

Updated: May 23, 2019. Copyright © Betterment LLC and Betterment Securities 2010 – 2019. All rights reserved.