

## CLIENT DISCLOSURE DOCUMENT

### Costs Associated with “Step-out Trading” in Fee-Based Investment Advisory Programs

When you choose to purchase products and services through Lincoln Financial Advisors Corporation (“LFA”) or Lincoln Financial Securities Corporation (“LFS” and, together with LFA, “LFN”), you have the option of investing through a fee-based investment advisory program. In a fee-based investment advisory program that may be managed by a third-party, you generally pay an ongoing investment advisory fee based on the value of the assets held in your account (the “Program Fee”) and, except as otherwise disclosed in the applicable program’s Form ADV, Part 2A, will not incur brokerage costs for each transaction.<sup>1</sup>

While the Program Fee is the primary expense you will incur in LFN’s fee-based investment advisory programs, you may incur other fees and expenses as disclosed in the applicable program’s Form ADV, Part 2A. One category of additional expenses that you may incur is expenses associated with “step-out trading.” Step-out trading occurs when your trades are executed through broker-dealers whose commissions or other fees are not assumed within the Program Fee and, as a result, you incur additional commissions or other fees.

The Program Fee assumes a certain level of brokerage costs and generally covers brokerage costs when trades are executed through the broker-dealer or clearing firm associated with the third-party investment adviser for the applicable LFN program (each, a “Third-Party Manager”). However, the Program Fee generally does not cover brokerage costs resulting from step-out trades.

Each Third-Party Manager is free to consider its associated broker-dealers’ or clearing firms’ trading capabilities versus other broker-dealers’ trading capabilities as part of its duty to obtain best-execution for your orders. LFN anticipates that most trades for your accounts will be executed through the Third-Party Managers’ associated broker-dealers or clearing firms because of their execution capabilities and because the Program Fee covers their costs. However, the Third-Party Managers periodically may believe that they are able to obtain better execution utilizing step-out trades. ***You will incur additional brokerage costs in addition to the Program Fee when step-out trades are executed for your account. Additional brokerage costs are reflected in the net purchase or sale price shown on the trade confirmation you receive for the particular step-out trade but are not disclosed separately in the trade confirmation.***

While your LFN representative will work with you to ensure you understand all of the fees and expenses associated with a particular program, to further assist you in understanding the additional costs you may incur as a result of step-out trades, a list of the Third-Party Managers’ strategies that we are currently aware of that utilize step-out trades and a general description of the additional costs associated with step-out trading can be found at: <https://www.lfg.com/public/individual/adv> (the “Disclosure Website”). Please review and discuss the information on the Disclosure Website with your LFN representative in making your ultimate investment decision with respect to a program. Additionally, you should review LFN’s and the Third-Party Managers’ Forms ADV, Part 2A to learn more about whether the Third-Party Managers execute step-out trades and, if so, the criteria they use in selecting broker-dealers to do so. Copies of LFN’s and the Third-Party Managers’ Forms ADV, Part 2A can be obtained, without charge, from the Disclosure Website or the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You also may request

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<sup>1</sup> For a discussion of the differences between transaction-based accounts and fee-based investment advisory programs, please see LFN’s “*Guide to Understanding Investment Advisory and Brokerage Relationships*,” which is available on LFN’s website at: <https://www.lfg.com/public/individual/adv>.



copies of these documents, without charge, by contacting your LFN representative, LFA directly at (800) 237-3813 or [lfaria@lfg.com](mailto:lfaria@lfg.com) or LFS directly at (800) 258-3648 or [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

LFN is currently working with its strategic partners to obtain additional information regarding how frequently they engage in step-out trading and the costs you incur when they do so. The Disclosure Website will be updated as LFN receives this additional information. You should periodically review the Disclosure Website and discuss the information provided therein with your LFN representative to ensure that you have current information regarding the Third-Party Managers' step-out trading practices and the impact of such practices on the costs you incur.

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If you have any questions or would like additional information, please contact your LFN representative. Alternatively, you may contact LFA directly at (800) 237-3813 or [lfaria@lfg.com](mailto:lfaria@lfg.com) or LFS directly at (800) 258-3648 or [LFSAdvisoryServices@lfg.com](mailto:LFSAdvisoryServices@lfg.com).

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