FREQUENTLY ASKED QUESTIONS REGARDING EXCESS OF SIPC INSURANCE

The following frequently asked questions help explain the role the Securities Investor Protection Corporation (SIPC) plays in protecting investors' assets at securities firms.

How does SIPC protection work?

Customer assets are protected by SIPC.

Congress created SIPC to protect customers of member broker/dealers that may fail financially, be liquidated, or are otherwise unable to meet obligations to securities clients. If any securities or cash are missing from eligible customer accounts, SIPC steps in and, within certain limitations, works to return customers' cash, stock, and other securities held at the firm. SIPC does not protect customers against losses from the rise and fall in the market value of investments.

The SIPC limit of $500,000 ($250,000 of this amount may be claims for cash) per account does not mean that the account will receive only up to $500,000.

Rather, in an SIPC customer proceeding, the account will receive a pro-rata share of all client assets recovered in liquidation and will then will receive up to $500,000 from SIPC to make up any difference that may still exist.

SIPC funds are used to make investors whole after all customer assets held at the brokerage firm have been recovered.

I am an investor with an account value at a broker/dealer that is higher than $500,000. What should I do?

Ask your brokerage firm representative to explain the protection that is available for your account above the SIPC limits and to discuss the firm's internal controls and financial strength. Knowing that you are with a financially stable firm is your best assurance that your assets are safe and protected.

To illustrate an SIPC liquidation:

- Assume a firm fails, resulting in $5 billion of client claims on assets.
- Assume a recover rate of assets in liquidation of 90% or $4.5 billion.
- Assume a client with an account of $5 million.
- In a customer proceeding, the client would receive $4.5 million from recovered assets and $500,000 from SIPC. The loss on a $5 million client account would be zero.

SIPC reports that, although not every investor or transaction is protected by SIPC, no fewer than 99% of persons who are eligible get their investments back with the help of SIPC. From its creation by Congress in 1970 through December 2020, SIPC advanced $3.1 billion in order to make possible the recovery of $141.8 billion in assets for an estimated 773,000 investors.

How are customer assets held at securities firms protected?

Customer assets are separate from firm assets. Securities regulations protect your funds and your securities when you keep them at a broker/dealer. The Securities and Exchange Commission (SEC) requires broker/dealers to deposit customer funds into a separate account, distinct from the firm's own money.

Securities held by clients in "street name" are kept securely with the Depository Trust Company, separate and distinct from the assets of securities firms. Regulated by the SEC and the Federal Reserve, the depository is a national clearinghouse for settling trades and a custodian of securities.

Regulators and independent auditors periodically review firms' financial records to ensure that clients' assets are accurately tracked and held separately from the firms' own holdings.

How does SIPC protection compare with Federal Deposit Insurance Corporation (FDIC) insurance?
The Federal Deposit Insurance Corporation (FDIC) protects deposits of up to $250,000 per depositor. FDIC covers most, but not all, U.S. banks and savings associations in the event that the institution becomes insolvent. FDIC does not cover securities, mutual funds, or similar types of investments. For more information about FDIC insurance, visit www.fdic.gov.

What is Excess of SIPC Coverage and does LPL provide this coverage?
Customer assets may be protected by "Excess of SIPC Coverage." Most securities firms offer additional account protection beyond SIPC's limits (commonly referred to as "Excess of SIPC Coverage"). This coverage is provided through private arrangements between securities firms and insurance companies.

LPL Financial has Excess of SIPC protection from London Insurers to cover the net equity of customer accounts up to an overall aggregate firm limit of $600,000,000, subject to conditions and limitations.

For an explanatory brochure, and other information regarding SIPC, please visit www.sipc.org.

At LPL Financial, Your Account Carries SIPC and Excess of SIPC Coverage

The LPL network of more than 18,000 independent investment professionals provides financial services, products, and objective advice to individuals nationwide. LPL has the highest annual revenues* of any independent broker/dealer and is a member firm of the Securities Investor Protection Corporation (SIPC).

This SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $250,000 may be claims for cash. An explanatory brochure is available at www.sipc.org. Moreover, LPL accounts have additional securities protection through London Insurers to cover net equity of customer accounts up to an overall aggregate firm limit of $600 million, subject to conditions and limitations. London Insurers rely on SIPC to determine the extent of losses incurred by individual LPL account holders. This additional protection covers losses above limits available from SIPC and would be payable up to a total of $600 million. Please contact your registered representative or refer to www.lpl.com for further information.

Account protection applies when an SIPC member firm fails financially and is unable to meet obligations to securities clients, but it doesn't protect against losses from the rise and fall in the market value of investments.

This extensive coverage reflects a strong commitment to serving your investment needs.

*Based on total revenues as reported by Financial Planning magazine (June 1996-2020).