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

The LPL Financial network of more than 12,000 independent investment professionals provides financial services, products and objective advice to individuals nationwide. LPL Financial 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. Additionally, through London Insurers, LPL Financial accounts have additional securities protection to cover net equity of customer accounts up to an overall aggregate firm limit of $575 million, subject to conditions and limitations. Please contact your registered representative or refer to www.lpl.com for further information.

The account protection applies when an SIPC member firm fails financially and is unable to meet obligations to securities clients, but it does not 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 1996-2011.

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4. 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.

5. What is LPL Financial Excess of SIPC Coverage, and who is the carrier?

LPL Financial has Excess of SIPC protection from London Insurers. The firm's coverage limit is $575 million in the aggregate.

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Frequently Asked Questions Regarding Excess of SIPC Insurance

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

1. How are customer assets held at securities firms protected?

Customers 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.

Customer assets are protected by SIPC

Congress created SIPC in 1970 to protect customers of member broker/dealers that may fail or be liquidated. If any securities or cash are missing from eligible customer accounts, the corporation steps in to replace those securities and cash. This protection is limited to $500,000 per customer, including up to $250,000 in claims for cash. SIPC does not protect customers against market risk. (Losses resulting from a fall in a security's value are not covered.) See www.sipc.org for more information about SIPC.

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. Since the protections vary from firm to firm, clients should talk with their broker/dealer to learn about what is provided.

2. How does SIPC protection work?

Customers can have confidence that, given the very high percentage of client assets that are recovered during liquidation, SIPC coverage is adequate for nearly all customer accounts. Consider:

First: Federal securities law require that customer assets be segregated from a firm's own assets. The law is backed by internal and external audits and regulatory examinations.

Second: Most customer assets are held in book-entry form at industry depositories and not in physical possession by the firms themselves.

Third: SIPC reports that although not every investor is protected by SIPC, no fewer than 99% of persons who are eligible get their investments back from SIPC. From 1970 through December 2008, SIPC advanced $520 million in order to make possible the recovery of $160 billion in assets for an estimated 761,000 investors.

Fourth: SIPC funds are used to make investors whole after all customer assets held at the brokerage firm have been recovered. The SIPC limit of $500,000 ($250,000 of this amount in 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 then will receive up to $500,000 from SIPC to make up any difference that may still exist.

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 percent 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.

3. How does SIPC protection compare with FDIC insurance?

The Federal Deposit Insurance Corporation (FDIC) protects deposits 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, see www.fdic.gov.