

## Commonly Used Terms & Definitions

### **ACAT**

Automated Customer Account Transfer, a system used when transferring securities from one brokerage firm to another. Operated by the National Securities Clearing Corporation, rules require firms to complete various stages of the transfer process within a limited period of time. If the transfer is made through ACATS, and there are no problems, the transfer should take no more than six business days to complete, starting when your new firm submits your transfer requests into the ACAT system.

### **ACH (Moneylink)**

ACH transfers are electronic, bank-to-bank money transfers processed through the Automated Clearing House Network.

### **AGGREGATION**

Account aggregation is a process in which data from an individual's or household's financial accounts are collected in one place. At BlueSky, we offer clients the ability to aggregate data from certain outside institutions to help manage and advise personal finances. Our software allows us to access balance information, transaction records, and in some cases, reallocate portfolios at the client's request.

### **CUSTODIAN**

A custodian is a financial institution that holds customers' securities for safekeeping to prevent them from being stolen or lost.

### **BANK SWEEP**

Charles Schwab brokerage accounts are sweep accounts. These accounts are designed to maximize funds sitting idly by automatically transferring or "sweeping" them into a higher-yield investment option. For example, your sweep account may push unused cash into a money market mutual fund or money market deposit account. The bank sweep accounts are FDIC-insured.

### **FDIC**

An FDIC-insured account is a bank or thrift account covered by the Federal Deposit Insurance Corporation (FDIC), an independent federal agency responsible for safeguarding client deposits in the event of bank failures. The maximum insurable amount in a qualified account is \$250,000 per depositor, per FDIC-insured bank, and per ownership category.

### **SIPC**

The Securities Investor Protection Corporation (SIPC) is a nonprofit corporation created by an act of Congress to protect the clients of brokerage firms that are forced into bankruptcy. It is not an agency, nor is it part of the United States government. It is an insurance that provides brokerage customers with up to \$500,000 coverage for cash and securities held by the firm, with a limit of up to \$250,000 for cash.

### **MANUAL TRANSFERS**

Sometimes, a transfer is made manually. This occurs when your assets are with a bank, mutual fund, credit union, insurance company, or limited partnership that does not participate in ACATS. This also may occur if you request a liquidation of assets other than the standard money market fund in your account. There are no set time frames for completing a manual transfer with these financial institutions.

## **MARGIN**

The margin feature is a BlueSky standard on all taxable brokerage accounts. This feature allows an investor the ability to use the current cash or securities in their account as collateral for a loan. At BlueSky, we do not deliberately trade on margin. We recommend having the margin feature available for the rare scenario of significant price fluctuations from when the trades are placed to when they are executed. The other reason is that if you need emergency cash the same day, we will send the cash on margin, sell the securities (which takes 2-3 days to settle), and then pay off the margin immediately. Again, both circumstances are rare but possible, so we mitigate the risks in any way possible.

## **POA**

Power of attorney (POA) refers to a legal authorization that gives a designated person the power to act for someone else.

## **SCHWAB ALLIANCE**

An online and mobile platform designed exclusively for clients of independent advisors.

## **SLOA**

A standing letter of authorization (SLOA) that a client has fully executed allows BlueSky Wealth Advisors to take specific actions on a client's behalf. If creating a SLOA, all account holders' signatures are required.

## **Account Terms**

### **BROKERAGE/TAXABLE**

A type of investment account that allows investors to use after-tax dollars to buy various securities, such as stocks, bonds, mutual funds, and ETFs. Schwab has proprietary terms for these types of accounts (i.e., Schwab One).

### **CONTRIBUTORY IRA**

A contributory IRA, or contributory individual retirement account, is another name for a traditional IRA. It's technically an investment account that is designed specifically for retirement. One of the most common types of retirement accounts, primarily for the attractive tax benefits it offers.

### **GRANTOR**

A person who transfers property by deed or grants property rights by means of a trust instrument or other document. Also known as a trustor or settlor.

### **INHERITED IRA/ROTH IRA**

An inherited IRA/Roth IRA, also known as a beneficiary IRA/Roth IRA, is an account opened when an individual inherits an IRA/Roth IRA or employer-sponsored retirement plan after the original owner's death.

### **INVESTOR CHECKING**

Schwab Bank Investor Checking is an FDIC-insured checking account linked to a Schwab One brokerage account. It can be used to hold everyday cash while keeping checking transactions separate from a client's brokerage account.

### **JTWROS**

Joint Tenancy with Right of Survivorship is a type of ownership of real or personal property where two or more people each hold an undivided interest. Under common law, joint tenancy with a right of survivorship requires that the ownership interests are held equally by all the joint tenants.

### **PAL**

A Pledged Asset Line (PAL) from Charles Schwab Bank is a flexible, non-purpose line of credit that lets a client leverage the value of their portfolio.

### **ROLLOVER IRA**

Rollover IRA is another name for a Traditional IRA. It is a process that allows you to move funds from your previous employer-sponsored retirement plan, a 401 (k), for example, into an IRA.

### **ROTH IRA**

A Roth IRA is an Individual Retirement Account to which you contribute after-tax dollars. While there are no current-year tax benefits, your contributions and earnings can grow tax-free, and you can withdraw them tax-free and penalty-free after age 59½ and once the account has been open for five years.

### **SCHWAB ONE**

The Schwab One account is a single investment account that offers easy access to a wide range of investments and built-in cash management features, with the flexibility to add margin and option features.

### **SOLO 401k**

Solo 401(k)s are a retirement savings option for small businesses whose only eligible participants in the plan are the business owners (and their spouses if the business also employs them).

### **TOD/POD**

Transfer on Death/Paid on Death. The transfer on death (TOD) designation lets someone receive assets at the time of their benefactor's death without going through probate. A TOD designation also lets the account holder or security owner specify the percentage of assets each person receives, which helps the executor distribute the person's assets after death.

### **TRUST**

A trust account is a legal arrangement in which the grantor allows a third party, the trustee, to manage assets on behalf of the beneficiaries of the trust. A trust can provide legal protection for your assets and make sure those assets are distributed according to your wishes.

- **Revocable Trust:** A trust that, by its terms, may be altered, amended, or terminated by the grantor (also known as the settlor or trustor).
- **Irrevocable Trust:** A trust that cannot be revoked and from which assets cannot be removed once they are contributed to the trust. It may be possible to amend some provisions of such a trust.

### **TRUST HELD AS TIC**

Tenancy in Common (TIC) is a legal arrangement in which two or more parties share ownership rights in a real estate property or parcel of land. Owners as tenants in common share interests and privileges in all areas of the property. However, each tenant can own a different percentage or proportional financial share of the property.

### **TRUSTEE**

The person in a trust relationship who holds title to property for the benefit of another.