



# Alternative Income

Go beyond traditional stocks and bonds.



**Diversify your portfolio for potentially stronger returns — and reach your financial goals.**

Break free from the limitations of traditional investments traded on public stock exchanges. Alternative income opens doors to exclusive investment opportunities in private markets, like private loans and real estate focused on areas like apartments and warehouses.

Investing is a powerful way to bring your financial goals to life. Alternatives offer the benefits of diversification and the potential for enhanced returns, when added to a portfolio of stocks and bonds.



## Potential for stronger returns

Our strategy provides access to private credit and private real estate, with potentially superior returns.



## Access exclusive private market opportunities

Leverage our expertise in selecting and accessing high-quality alternative investments. This isn't an investing strategy that can be done on your own.



## Reduced volatility compared to public markets

Historically, these types of investments have shown fewer ups and downs than the stock market, and can be a buffer during market downturns.

## How Alternative Income works at Facet.

1

### Review your strategy recommendations.

Based on your situation, we'll create an investing strategy as part of your roadmap. This may include Alternative Income, to help you reach your goals.

2

### Confirm you're accredited.

You'll sign a form confirming you're an "accredited investor," which is an SEC requirement, meeting the income and asset requirements.

3

### Open and fund your account.

If needed, you'll be given steps to open and fund a new investment account with Facet, and you'll choose from available customization options.

## Our approach to investing is alternative, too.

At Facet, we don't just invest your money – we take a full-picture approach to your entire financial life. Your investments work in unison with your roadmap, considering your goals, cash flow, debts, taxes, and how much risk you're comfortable with. We tailor portfolios for growth potential, market resilience, and tax savings.

Our professional investment team takes care of everything: making your investments tax-efficient, monitoring the market, and seeking out the best possible balance of return and risk.



We build portfolios with exchange-traded funds (ETFs), and depending on your plan and goals, we also offer advanced investment strategies like Direct Indexing and Alternative Income investments.

For more diversification and to potentially boost returns beyond traditional stocks and bonds, we offer access to a carefully curated Alternative Income (Alts) strategy. Our Alts strategy enables you to explore the world of alternative investments with confidence, potentially unlocking new avenues for portfolio growth and diversification.

## Alternative Income FAQs

### What are the benefits of Facet's Alternative Income strategy?

Alternative Income investing can be a powerful tool for diversifying your portfolio beyond traditional stocks and bonds, potentially leading to stronger returns. Opening doors to exclusive investment opportunities in private markets, such as private loans and real estate focused on areas like apartments and warehouses.

It can also be effective for reducing sequence risk, providing another option in retirement to withdraw money if the stock market is down. These types of investments tend to be less affected by market swings.

### What is Alternative Income Investing?

It's about generating income from investments that aren't your typical stocks and bonds. These "alternatives" can include things like real estate, private debt (lending to companies). Historically, most of the funds in the strategy are only available in complex vehicles that generally required very high minimum investment levels.

### How has this strategy performed in the past?

As of March 31, 2025, the investments we've chosen are paying approximately 9% of their value as income, after all fees are taken out.\* You can talk with your planner about using the income to buy more of the investments or having it sent to you as cash. (There may be withdrawal penalties, depending on your age.)

### Is an Alternative Income strategy right for me? What's an accredited investor?

The strategy is available to Plus and Complete members who qualify as "accredited investors." This is an SEC requirement and typically means an annual income of at least \$200,000 (\$300,000 for a couple) or \$1 million in investable assets (excluding your residence). It's not necessary that these assets be at Facet. Alternative Income strategy can also be effective for those nearing retirement to reduce sequence risk.

### How does Facet choose fund managers and investments?

At Facet, we believe that alternative investments are only worth doing if they're done right. The fund managers we selected for the Alternative Income strategy are the same managers that the world's largest investors, such as big state pension funds and university endowments, use. In this strategy, members will be investing alongside these highly sophisticated investors. Specific investments were selected based on a wide range of criteria, including performance, portfolio stability, manager experience, investment process, and team depth.

### How does it differ from traditional income investing?

Traditional investing often focuses on dividends from stocks or interest from bonds. Alternative income investing seeks income from a wider range of assets, often in private markets. Alternative investments tend to be less liquid (harder to quickly sell) than stocks and bonds.

### Can I buy this group of funds on my own?

Most of the funds in the strategy are only available for purchase through registered advisors.

### What are the types of investments in Facet's Alternative Income strategy?

The strategy will include three major asset categories:

- Private credit: These are direct loans made to businesses or projects. The loans do not trade, and investors will generally hold these loans to maturity. These are similar to the kinds of loans banks make, but in this case made directly by one of our funds.
- Private real estate: This will include mostly industrial buildings, such as warehouses, or multi-family residential buildings. The fund will directly hold the real estate.
- Public credit: These are bonds and loans that trade in the public markets that present especially attractive opportunities for income generation.

The strategy will be made up of 6-8 funds, each carefully selected by the Facet team based on historic performance, risk characteristics, manager experience, and quality of the firm behind the fund.

The strategy should be thought of as a long-term investment, with a high income stream but limited ability to liquidate. Successful investors in private assets typically make a ten year (or more) commitment to the investment.

### Can I take my money out of my Alternative Income investments?

The funds are "interval funds" meaning withdrawals happen on a quarterly basis (or other periodic cycle). You can request a withdrawal at any time from these funds, but the money will be withdrawn at the next window of opportunity. Keep in mind there may be a limit on the amount you can withdraw at one time.

### Are there risks to an Alternative Income strategy?

Yes, we believe the risk profile of this strategy is similar to a 50% equity/50% bond allocation. This implies that the strategy probably outperforms stocks in down years and underperforms in up years. Specifically, in a recession, it is likely that the strategy will produce a negative return, but we would expect it to perform significantly better than stocks. The strategy also has limited interest rate risk, so in a period of Fed rate hikes and/or high inflation, the strategy is likely to perform better than bonds.



### Is there a fee for the Alternative Income strategy?

Facet does not charge any fees for investing in the strategy, beyond your normal planning fee. However the funds themselves do charge fees.

Because these are private assets, the fees are considerably higher than the ETFs (exchange-traded funds) Facet uses in our primary investment strategy. The weighted average management fee for this strategy is 1%. In addition, the funds incur costs related to borrowings. Including these costs, the expense ratio on the strategy is approximately 2.5%.

Note that these fees do not go to Facet. It simply pays for the cost of the third-party to operate the fund.

### How is the money I make from this strategy taxed?

The vast majority of the return of this strategy will be taxed as ordinary income. Therefore Facet will generally recommend this strategy be housed in a non-taxable account.

### What is the right allocation of Alternative Income investments for me?

Facet believes this strategy may be an important diversifier to traditional portfolios for members who qualify. Our recommendations are always based on a member's particular situation and planning goals, and if suitable, we'll typically recommend setting an allocation of 5-15% of your overall asset allocation into this strategy, with the remainder of your allocation set in traditional stocks and bonds.



\* The Facet Alternative Income Strategy was started in 2025. The payout figure quoted was calculated based on the actual dividends of the funds selected in the strategy. In addition, this figure was quoted net of any fees charged by the underlying fund products and does not include the Facet planning fee. This is intended to be illustrative of how the underlying investments in this strategy have performed. Past performance is not a guarantee of future performance.

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An investment in Facet's strategies involves various risks. Only investors who can bear this type of economic risk for an indefinite period of time; and, the risk of loss of their entire investment should invest in Facet's investment strategies.