Structured products

Ameriprise Financial offers several types of structured products: principal-protected notes, structured CDs and principal-at-risk notes, including reverse convertibles. Investing in structured products is more complex than purchasing a traditional debt security and involves a degree of risk. Such risks include, but are not limited to the following:

**Structured products risks**

**How your return is determined.** Your return is determined by a formula disclosed in the offering documents and is paid only on a specified date(s). Your payment at maturity may be lower than your payment on a comparable traditional debt security. You may be sacrificing higher returns in exchange for FDIC and/or principal protection. Principal-at-risk notes may return less than your original investment at maturity. Refer to the “Costs” section below for additional information on potential impacts to your performance.

**Lack of liquidity.** Generally, structured products are not listed on an exchange, do not trade and are not liquid. Broker-dealers affiliated with the issuers often make a market in structured products, but may not be able to offer liquidity or the price may be substantially less than your original payment. You should be able and willing to hold your structured product investment until maturity.

**Be aware of call risk.** Call risk refers to the possibility that the issuer could call or redeem your structured product investment before maturity. This generally happens when it is in the issuer’s – rather than your – best interest to do so, such as when interest rates fall.

**Consult your tax adviser.** You should bring the term sheet and prospectus to your tax adviser for consultation. Some structured products may require you to pay taxes even though you will not receive payment until maturity. Accrual in excess of the actual amounts you receive at maturity will likely be treated as ordinary loss. Below is a general description of the tax treatment:

- **Structured products with full principal protection**
  
  Typically, fully principal-protected products in a non-qualified, taxable account will receive a Form 1099 - Original Issue Discount (OID). You may accrue income at a rate equal to the issuer’s “comparable yield.” This may be referred to as “phantom income” which is income that you have not yet actually received, but that you must declare and upon which you must pay income tax. The comparable yield and OID tax reporting and liability that may apply each year will be in the final term sheet that you receive for this investment.

  Fully principal-protected products in a qualified account will not be affected by these tax considerations, though your yield may be affected if you sell the product prior to maturity.

- **Structured products with principal-at-risk**
  
  Typically, OID tax reporting and liability does not apply to structured products where principal is at risk. The issuer will likely characterize any gain or loss on partially-protected notes as long-term capital gains or losses upon disposition or maturity if you hold the notes for more than a year. However, the IRS has not offered guidance that this characterization is accurate. In the event the IRS does not respect this characterization, the timing and character of any income or loss on the notes could be significantly and adversely affected, including tax penalties.
**Costs**
The initial issue price of your purchase includes the underwriter’s commissions, the issuer’s cost of hedging its obligations for the investment, and possibly other costs and expenses. Not all of your investment will be used to purchase principal protection and the performance component. The issuer will use part of your investment to fund hedging activity, which means less of your investment is working for a performance return and your performance return may be adversely impacted. To the extent the issuer generates proceeds from hedging activity, the proceeds are retained by the issuer.

**No obligation to fill orders**
The issuer is not obligated to fill your order. Financial or other circumstances of the issuer may result in an order not being executed on its scheduled date, or not at all.

**Potential conflicts of interest**
In exchange for certain services, (such as distribution, marketing and customer service), distributors pay Ameriprise a portion of the proceeds generated from the sale of structured products. The fee Ameriprise may receive consists of selling commissions, selected dealer fees and/or marketing support fees at the time of sale. In addition, distributors pay for sales and training seminars for clients and Ameriprise financial advisors, and reimburse the cost of technology and other expenses associated with the offering.

The issuer may also pay certain fixed amounts as agreed by issuer and Ameriprise in connection with the cost of implementing systems to support the sale and distribution of the structured products by Ameriprise. Specific arrangements vary from distributor to distributor and may be subject to change at any time and will be provided to you upon request. To the extent that fees paid to a financial advisor in connection with the sale of structured products are more than the fees paid for the sale of other investments or products, an advisor may have an incentive to recommend structured products, which may pay a higher fee.

**General market risk.** General market and economic factors, some of which may be unpredictable, will affect the underlying instruments or the value of the structured product investment.

**Additional representations for certain qualified accounts.** If the structured product is being purchased in an Individual Retirement Account (IRA) or an account maintained under an employer sponsored retirement plan qualified under Internal Revenue Code of 1986 (the “Code”) section 401(a) or 403(b) (collectively referred to as a “qualified account”), then you make the following additional representations: no prohibited transaction. You represent that the issuer of each structured product investment purchased in your qualified account is not a party in interest or disqualified person to your qualified account as those terms are defined under the Employee Retirement Income Security Act of 1974 (“ERISA”) or the Code. In general, a service provider, fiduciary or an entity affiliated with either would be considered to be a party in interest or disqualified person.

**Additional risks associated with structured notes**
- **Potential loss of principal.** You may lose your entire investment.
- **Issuer creditworthiness.** Protection of your principal is subject to the creditworthiness of the issuer. Structured notes holders may lose up to 100% of their investment upon the bankruptcy of the issuer, even if the value of the referenced asset is favorable. Because structured notes are treated as the senior unsecured debt of the issuer, payment of any amount at maturity is subject to the issuer’s ability to pay its obligations as they become due. Creditworthiness of the issuer may change at any time during the term of the note. Even if you become aware that the creditworthiness of the issuer has declined, you may not be able to sell your investment, or the sale of your investment may result in a significant loss to you. Credit ratings of the issuer may not represent the potential performance of the structured product.
- **No FDIC insurance.** Structured notes are not FDIC insured.
Additional risks pertaining to reverse convertible notes

- The value of the reverse convertible at maturity will not exceed the value of the original amount invested. If the value of the underlying equity or index increases, you will not benefit from the increase in price that you may receive from a direct investment in the underlying equity or index.

- If the value of the underlying equity or index declines below the exchange value and closes at a price below its protection level, the issuer has the right to deliver the underlying asset to you. In exchange for a higher coupon, you must be prepared to accept the risk of losing some or your entire investment amount, and you must be willing to receive a depressed asset at maturity.

- Consult your tax adviser. You should bring the term sheet and prospectus to your tax adviser for consultation. For reverse convertibles, there are additional tax considerations that do not apply to other structured products. Specifically, you should seek guidance from your tax adviser on the timing and character of income or loss on coupons, premiums and principal you receive.

- Ameriprise will only consider reverse convertible notes whose reference assets are individual equities for retail distribution if the individual equity is included on the firm’s focus list.

Additional risks/acknowledgements associated with structured CDs

- FDIC insurance. Although CDs are generally FDIC insured up to the applicable limits (currently $250,000), the FDIC insurance applies only to your deposit and will not cover any potential performance. FDIC thresholds are limited to all deposits held in the same insurable capacity at any one issuer. You are responsible for monitoring the total amount of deposits you hold with any one issuer, either directly or through an intermediary, in order for you to determine the extent of deposit insurance coverage available to you.

- No obligation to accept deposits. The issuer is not obligated to accept your deposit. Financial or other circumstances of the issuer may result in your deposit not being accepted on its scheduled date, or at all.

Prior to investing in structured products, carefully read the issuer’s prospectus or disclosure document, supplements and term sheets, including “Risk Factors” described therein. Consult your Ameriprise financial advisor for any questions.