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Charles Schwab & Co., Inc. Advice Services with Morningstar Investment Management LLC Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Charles Schwab & Co., Inc. ("Schwab"). If you have any questions about the contents of this brochure, please contact us at the phone number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Schwab's description of itself in this brochure as a registered investment advisor does not imply a certain level of skill or training on the part of Schwab or its representatives.

Additional information about Schwab is also available on the SEC's website at www.adviserinfo.sec.gov.

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Introduction

Charles Schwab & Co., Inc. ("Schwab," "we," or "us") is a dual registrant investment adviser and broker-dealer. Schwab is registered as an investment adviser with the Securities and Exchange Commission (SEC). Schwab is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

Schwab is organized as a California corporation formed in 1971. Schwab is an indirect, wholly owned subsidiary of The Charles Schwab Corporation ("CSCorp."), a Delaware corporation that is publicly traded and listed on the New York Stock Exchange (symbol: SCHW). Schwab's principal place of business for its investment adviser is in San Francisco, California and the principal place of business for its broker-dealer is in Westlake, Texas.

Schwab sponsors wrap fee programs and provides referral services described in separate disclosure brochures which are available upon request.

Services, Fees, and Compensation

Services

Schwab Retirement Plan Services, Inc. ("SRPS"), an affiliate of Schwab, offers two different types of investment advisory services ("Advice Services"). The first Advice Service is the managed account service ("Managed Account Service") where the Plan sponsor or other named fiduciary ("Sponsor") has appointed Morningstar Investment Management LLC ("Morningstar®") as the independent investment advisor to manage assets on a discretionary basis in the Plan accounts of Plan participants ("Participants"). The second Advice Service is a non-discretionary advice service ("Non-Discretionary Advice Service"), where the Sponsor has appointed Morningstar as the independent investment advisor to provide investment advice on a non-discretionary basis for the Plan accounts of Participants. These Advice Services are available as features to certain defined contribution plans (each, a "Plan," and collectively, "Plans") where SRPS acts as Plan recordkeeper.

There are two different Advice Services variations: Platform 1 ("Platform 1") and Platform 2 ("Platform 2") (collectively "Platforms").

The Platforms

The key difference between the two Managed Account Services we describe in this disclosure brochure relates to the type of investments available in each Platform and to whether the Managed Account Services are a required feature of the Platform. In Platform 1, a Sponsor must elect to make the Managed Account Service available to Participants. In Platform 2, a Sponsor may elect to make available either or both the (1) Managed Account Service and/or (2) Non-Discretionary Advice Service to Participants within the same Plan. Participants in Plans using Platform 2, where the Sponsor has selected both the Managed Account Service and the Non-Discretionary Advice Service within the same Plan, may elect to receive either the Managed Account Service or the Non-Discretionary Advice Service, but a Participant may not elect both services at the same time. The key difference between the Managed Account Service and the Non-Discretionary Advice Service available in Platform 2 is the type of investment advisory services that Morningstar provides to Participants and the respective costs of the services, as we describe later in this brochure.

Based on information SRPS collects about a Participant, Morningstar presents the Participant with a portfolio that allocates the Participant's account balance among the investment options available through the Plan that the Sponsor has selected. The Participant may accept or reject the Managed Account Service recommendation. If the Participant accepts the Managed Account Service recommendation, Morningstar will instruct Schwab to place the trades necessary to affect that recommendation. For plans that offer an employee deferral contribution, the Managed Account Service will also recommend a savings rate. It is the Participant's responsibility to monitor the Managed Account received through the Managed Account Service and to review the investment performance of the account.

Participants may terminate their use of the Non-Discretionary Advice or the Managed Account Service available in Platform 2 at any time by making their own independent investment elections online through their account at workplace.schwab.com or by calling SRPS at 1-800-724-7526.

Platform 1

The Sponsor has selected both Platform 1 and the Managed Account Service on behalf of one or more Plans.

Important Information About the Managed Account Service in Platform 1

The Sponsor directs Schwab and SRPS to make the Managed Account Service available to Participants. The investment options ("Funds") available for the Managed Account Service in Platform 1 are eligible investments that the Sponsor has selected from a list ("List") of either index mutual funds or exchange-traded funds ("ETFs"), which SRPS prepares and makes available through Platform 1. Schwab does not select Funds for the List. SRPS provides the List and makes it available through Platform 1, independent of the Managed Account Service.

Funds that the Sponsor selects for the Plan form the Plan's Fund lineup ("Plan's Fund Lineup"). Morningstar uses the Plan's Fund Lineup for purposes of constructing the portfolios for the Plan as part of the Managed Account Service. The Sponsor may make other investment options available in the core lineup to Participants under the Plan, with certain restrictions; however, Morningstar will not use these other investment options for purposes of constructing the portfolios for the Plan as part of the Managed Account Service for Platform 1, unless on an exception basis. SRPS, Morningstar, and the Sponsor must agree on the exception in advance.

Also, as part of Platform 1, the Sponsor may select Schwab Bank Savings (“SBS”), a capital preservation feature for investment of capital preservation allocations within the Managed Account Service. For Plan Sponsors selecting ETFs for their Plan’s Fund Lineup, SBS is a required feature of Platform 1. When a Sponsor selects SBS, a money market deposit account (“MMDA”), a type of savings deposit, is established at Charles Schwab Trust Bank (“Trust Bank”). The MMDA bears interest at a reasonable rate that Trust Bank determines prior to the last business day of each calendar month. For additional information, please refer to the SBS Terms and Conditions section of your Fee and Investment Notice, available in the Statement & Reports section of workplace.schwab.com.

As part of Platform 1, the Program requires the Sponsor to select a minimum of ten asset categories for its Plan’s Fund Lineup. Of these ten asset categories, Managed Account Service mandates five categories (“Managed Account Service Categories”). Out of these five Managed Account Service Categories, one is a capital preservation category where the Sponsor may select SBS as the capital preservation vehicle under Platform 1. Three or more of the remaining Managed Account Service Categories will be comprised solely of Funds managed by an affiliate of Schwab, Schwab Funds® (“Schwab Funds”).

Neither Schwab nor SRPS advise Plans on the selection of Funds from the List for a Plan’s Fund Lineup, but SRPS will provide the Sponsor with tools and information. In each category, if a Schwab Fund is available and the Schwab Fund otherwise meets the eligibility criteria, that Schwab Fund is an available Fund under the List for that category. In some categories under the List, a Schwab Fund is one option along with one or more unaffiliated Funds; in other categories under the List, the Schwab Fund is the sole Fund option.

Platform 1 features an automatic savings increase for Plans that offer an employee deferral contribution. This feature increases annually in incremental percentages the Participants’ Plan contribution rates and results in more assets invested within the Participant’s Managed Account. The Sponsor determines the annual savings adjustment, up to the Internal Revenue Code limit or a lesser percentage. Participants may opt out of the automatic savings increase feature or elect an alternative savings increase schedule without opting out of the Managed Account Service in its entirety. As part of the Plan’s conversion to Platform 1, the Sponsor must provide direction to SRPS to default Participants into the Managed Account Service as provided for under Section 404(c)(5) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and relevant Department of Labor regulations. However, prior to finalizing the conversion to Platform 1, existing Participants may elect to make their own investment selections thereby opting out of the Managed Account Service.

Once a Plan converts to Platform 1, for Plans using an automatic enrollment feature (newly eligible employees are automatically enrolled as part of the Plan), the Managed Accounts in the Plan are structured to be consistent with the qualified default investment alternative (“QDIA”) provisions under ERISA. As such, Participants subject to automatic enrollment will default into the Managed Account Service unless they elect otherwise. However, if the Plan does not use an automatic enrollment feature, then once a Plan converts to Platform 1, newly eligible Participants will not default into the Managed Account Service. In that event, participation in the Managed Account Service will only occur if the newly eligible Participant affirmatively elects it. Any Participant not using the Managed Account Service may select the Managed Account Service at any time.

Because the Managed Account Service is a mandatory feature of Platform 1, if the Sponsor terminates the Plan’s participation in either Platform 1 or the Managed Account Service, the Sponsor must also terminate the Plan’s participation in the other.

Platform 2

SRPS offers both the Managed Account Service and the Non- Discretionary Advice Service as optional features to Plans for which it serves as recordkeeper within Platform 2. The Sponsor selects:

- SRPS as Plan recordkeeper,
- Platform 2,
- Managed Account Service, and/or
- Non-Discretionary Advice Service

on behalf of one or more Plans. If the Sponsor terminates the Plan’s participation in the Managed Account Service or the Non-Discretionary Advice Service, the other features and options of Platform 2, including the provision of Plan recordkeeping services by SRPS, continue to be available.

As part of Platform 2, the Sponsor may select SBS, a capital preservation feature for investment of capital preservation allocations within the Managed Account Service. When selected, SBS provides Participants with the ability to deposit all or a portion of the funds in their Plan account into a MMDA established by the Plan at Trust Bank.

Important Information About the Managed Account Service and Non-Discretionary Advice Service Available in Platform 2

The Sponsor directs Schwab and SRPS to make either or both the Managed Account Service and the Non-Discretionary Advice Service available to Plan Participants. SRPS prepares a list of available Funds in Platform 2, which includes a wider range of investments (the “Fund Universe”) than Funds available under Platform 1. The Fund Universe is comprised of Schwab Funds, unaffiliated actively and passively managed mutual funds and collective trust funds, and one or more capital preservation options, including SBS. ETFs are not available within the Fund Universe.

Schwab does not select Funds for the Fund Universe, the Sponsor makes the selection based on the list of options SRPS has provided. The Fund Universe is available in Platform 2, independent of the Advice Services. The Sponsor may request Morningstar to not use certain Funds otherwise available for purposes of constructing the portfolios for the Advice Services, subject to a prior agreement with Morningstar. Neither Schwab nor SRPS advise Plans on the selection of funds for a Plan’s Fund Universe, but SRPS may assist the Sponsor with tools and information.

As in Platform 1, if the Sponsor chooses to use the Managed Account Service as the QDIA, the Sponsor must provide direction to SRPS to default Participants into the Managed Account Service. Prior to finalizing the use of the Managed Account Service as the QDIA, existing Participants may elect to make their own investment selections and thereby opting out of the Managed Account Service.

Non-Advisory Services Provided by Schwab for the Platforms

Under both Platforms 1 and 2, the Sponsor selected Trust Bank to provide directed trustee or custodial services to the Plan. Schwab will affect transactions (including purchase and sale of Fund shares as we define below) with respect to the Plan through an arrangement with Trust Bank as directed trustee or custodian to the Plan. Schwab, as a registered broker-dealer, will affect transactions only at the direction of Morningstar. Schwab also facilitates Platform 1 ETFs by participating in fractional share orders so that any investment direction Morningstar institutes that requires the purchase or sale of less than a whole ETF share may be routed for execution as part of a whole share order.

Schwab as broker-dealer has contracted with SRPS to perform certain non-advisory, ministerial services in the two Platforms. Pursuant to this agreement, Schwab registered representatives collect information about Participants on behalf of Morningstar and provide information to Participants about Morningstar to facilitate delivery of Morningstar's Advice Services.

Neither Schwab nor any of its registered representatives or affiliates acts as an investment advisor by virtue of effecting Fund share transactions or trades. Schwab does not provide investment recommendations or discretionary asset management for the Advice Services. Schwab does not engage in ongoing review of, nor does it change or otherwise affect, Morningstar's investment management methodologies. Schwab does not undertake any duty to screen or monitor the investment performance of either the portfolio recommendations in the Non-Discretionary Advice Service or any Managed Accounts, or to supervise any services that Morningstar provides. Schwab does not prepare, verify, or endorse information or materials that Morningstar prepares or distributes. The Sponsor, and not Schwab, is responsible for selecting and monitoring Morningstar with respect to its investment advisory services provided in the Advice Services to the Plan and Participants.

Neither Schwab nor any of its registered representatives or affiliates acts as an investment advisor by virtue of gathering information for, or facilitating enrollment in, the Advice Services. Schwab does not, through the Advice Services, render any advice as to the value of, or the advisability of, investing in securities or other property on a regular basis, pursuant to an arrangement or understanding that such advice shall serve as a primary basis for investment decisions in the Advice Services.

Schwab is not an "investment manager" and does not provide "investment advice" within the meaning of ERISA with respect to the Plan or a Participant's account as a result of making the Advice Services available to the Platforms. A fiduciary of the Plan, independent of Schwab, is responsible for selecting and monitoring the investment options available to Participants in the Plan. If the Participant is participating in a Plan that Schwab or one of its affiliates sponsors, then Schwab or one of its affiliates is responsible for selecting and monitoring investment options available under the Plan.

Schwab will not render any advice to Participants as to the value of, or the advisability of, investing in securities or other property on a regular basis, pursuant to an arrangement or understanding that such advice shall serve as a primary basis for investment decisions for the Participant's account.

Schwab's Investment Advisory Role in the Advice Services

Schwab, together with SRPS, has selected Morningstar as an independent investment advisor to provide the Advice Services with respect to the Platforms. The Sponsor appoints Morningstar as the independent investment advisor for either or both of the Managed Account Service and/or Non-Discretionary Advice Service with respect to the Plan, and Participants can also appoint Morningstar as the investment manager under ERISA Section 3(38) with respect to the Managed Account Service and under ERISA Section 3(21) with respect to the Non-Discretionary Advice Service. Schwab, together with SRPS, also performs an initial and ongoing review of Morningstar's ability to deliver the Advice Services under the Platforms through which a Plan may participate. This review is not Plan- or Participant-specific. This is the only investment advisory service Schwab provides in the Advice Services.

In the case of either Platform, the Sponsor is Schwab's client with respect to the Managed Account Service for Participants who default into Managed Account Services. All Participants in either Platform 1 or Platform 2 who affirmatively elect to use either the Managed Account Service or the Non-Discretionary Advice Service, with respect to their Plan accounts, are clients of Schwab with respect to the Advice Services.

Fees and Compensation

Managed Account Services Under Platform 1 and Platform 2

SRPS charges an asset-based fee ("Fee") for the Managed Account Services under the Platforms, which is up to 50 basis points (0.50%). SRPS calculates the Fee rate on an annual basis, based on the Participant's average daily net assets invested in the Managed Account Service. SRPS charges the Fee on a 90-day cycle, starting from the date the Plan begins to use the Managed Account Services. The Sponsor may negotiate the Fee's annualized rate as either a tiered fee schedule, whereby the Fee declines as the Participant's Managed Account balance increases, or as a flat rate that stays the same regardless of the amount of the Participant's account invested in the Managed Account Service. The Fee amount the Sponsor negotiates is based on factors including, but not limited to, total plan assets, the number of Participants in the Plan, and expected assets under management in the Managed Account Service. More information regarding fees applicable for each Plan utilizing the Managed Account Service is available in the applicable fee agreements and other disclosures for the respective Managed Account Service. Participants that enroll in the Managed Service by means of automatic enrollment will receive a 90-day grace period during which the Fee will not apply.

The Sponsor may direct SRPS to deduct the Fee from Participants' Managed Accounts or may pay the Fee, in whole or in part, from unallocated Plan assets or corporate assets. SRPS deducts the Fee from the Participant's account in the Plan or bills it, in whole or in part, to the Participant after the close of the 90-day cycle. The Fee calculation does not include the following assets: assets in a self-directed brokerage option, which includes Schwab Personal Choice Retirement Account[®], company stock, loan funds, frozen funds, or other investment options available in the core lineup that Morningstar does not use for purposes of constructing the Managed Accounts for the Managed Account Services. Fund trade restrictions do not affect this Fee. SRPS pays Morningstar a level asset-based fee for its provision of investment advisory services. SRPS may also pay additional flat-dollar amounts to Morningstar as a fee for infrastructure services and ongoing maintenance of the systems required to support the Advice Services. More information about Morningstar is available in the Morningstar Form ADV Part 2A disclosure brochure. SRPS will also provide to the Sponsor and any Participant electing the Managed Account Service the investment advisory agreement between Schwab's client, as described above, and Morningstar.

Services Covered by the Managed Account Service Fee Under the Platforms

The Fee covers Morningstar's Managed Account Service as well as Schwab's and SRPS's roles within the Advice Services we described earlier. Trade orders in Fund shares do not carry a transaction fee for the Managed Account Service. The waiver of such transaction fees in the Managed Account Service is not a feature of the Managed Account Service or the Platforms. In addition to the Fee, each Fund is subject to investment advisory, administrative, distribution, transfer agent, custodial, legal, audit, and other customary fees and expenses related to investments in the Funds, as set forth in the Funds' prospectuses. Funds pay these fees and expenses out of fund assets. Participants may invest in the Funds available through the Managed Account Service and the Platforms outside of the Managed Account Service without paying the Fee. The Fee also may be higher or lower than the fees charged by other firms for comparable services.

Non-Discretionary Advice Service Platform 2 Fees and Compensation

The flat-dollar amount fee we reference above includes the fee SRPS pays to Morningstar.

SRPS does not charge an additional fee for the Non-Discretionary Advice Service. The Sponsor has entered into a services agreement with SRPS, under which SRPS has agreed that it and its affiliate, Trust Bank, will provide certain recordkeeping and trustee/custodial services, as applicable, to the Plan for a fee. As part of these services, SRPS also offers access to the Non-Discretionary Advice Service to Participants where the Sponsor has elected this service. The Non-Discretionary Advice Service is optional and is available entirely at the election of the Sponsor. Participants and Sponsors do not pay an additional fee for the use of the Non-Discretionary Advice Service. More information about Morningstar Investment Management is available in Form ADV Part 2A disclosure brochure for Morningstar.

As we discuss in "Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading" below, when at Morningstar's direction Schwab executes transactions as part of the Advice Services in a Fund, Schwab may receive compensation from the Fund based on the amount a Participant invests. If any Fund assets cover this compensation, a Participant will pay any such amounts indirectly as part of the operating expense ratio the Fund charges.

Schwab may also receive compensation from Fund companies and their affiliates on a per-Participant basis. Schwab (or its affiliates) retains these fees and does not share them with Morningstar.

Performance-Based Fees and Side-by-Side Management

Schwab does not charge any performance-based fees (fees based on a share of capital gains on, or appreciation of, the assets of accounts) in the Advice Services.

Types of Clients

The Advice Services in the Platforms are open to Participants of defined contribution Plans. There is no minimum for the Advice Services in the Platforms. The Sponsor has made the selection of:

- SRPS as Plan recordkeeper,
- either Platform 1 or Platform 2 as the Platform of its Plan, and
- the Advice Services as the investment advisory services for its Plan.

The respective Advice Services are available to all Participants in each such Plan.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Schwab does not formulate investment recommendations either on a discretionary or non-discretionary basis with respect to the Advice Services. Please see Form ADV Part 2A disclosure brochure for Morningstar for details on the methods of analysis and investment strategies Morningstar employs. Schwab, together with SRPS, selected Morningstar, an independent investment adviser, for its experience providing investment advisory services. Schwab, together with SRPS, performs initial and ongoing due diligence and provider review of Morningstar as an independent registered investment advice provider available under the Platforms, including review of Morningstar's ability to deliver the Advice Services. This review is not Plan- or Participant-specific.

As with any investment whose performance is tied to the markets, the value of any portion of the Participant's account in the Advice Service's investment in Funds involves the risk of loss that Participants should be prepared to bear. This means that Participants could lose money invested in their Plan accounts.

The value of the portion of a Participant's account balance in the Advice Services is based primarily on the prices of the underlying Funds Morningstar purchases as part of the Advice Services. In turn, the price of each underlying Fund is based on the value of its securities. Before investing in the Managed Account Service or before receiving the Non-Discretionary Advice portfolio recommendation, Participants should assess the risks associated with the management of the Advice Services recommendation by Morningstar, with the underlying Funds in which the Managed Accounts or Non-Discretionary Advice portfolio invest, and with the types of investments the Funds make and the underlying Fund allocation. Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market. There is no guarantee any portion of the Participant's Plan account in the Advice Services will provide adequate income at or through such Participant's retirement (or the retirement of a designated beneficiary).

With respect to either Platform 1 or Platform 2 and SBS, the intention of the interest rate set by Trust Bank on the MMDA the Plan established is to be a reasonable rate for capital preservation bank deposit vehicles. Trust Bank does not guarantee the interest rate and it may be higher or lower than the interest rates available to Participants making deposits directly with Trust Bank or other depository institutions on comparable accounts, or the yields available with other investments through the Plan. The portion of a Participant's account allocation in SBS is eligible for Federal Deposit Insurance Corporation insurance up to \$250,000, subject to the rules concerning aggregation of deposit accounts that the Participant holds in the same capacity with Trust Bank. Participants are responsible for monitoring the total amount of deposits that they hold with Trust Bank in self-directed retirement accounts, either directly or through an intermediary such as Schwab., in order to determine the extent of deposit insurance coverage available to them.

Cybersecurity Risk

Information security risks for financial institutions are increasing, in part because of the use of the internet and mobile technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, activists, hackers and other external parties, including foreign state actors. Schwab's systems and those of other financial institutions have been and will continue to be the target of cyber-attacks, malicious code, computer viruses, ransom-ware, and denial of service attacks that could result in unauthorized access, misuse, loss or destruction of data (including confidential client information), account takeovers, and the unavailability of service or other events. We seek to reduce these risks through controls and procedures we believe are reasonably designed to address these risks. Despite all efforts to ensure the integrity of Schwab's systems, we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, and security breaches of these types, and security breaches that would halt or impair our ability to provide advisory services could still occur. We will respond to breaches with appropriate resources to contain and remediate the cause of the breach and restore operations.

System Outages

System interruptions, errors or downtime can result from a variety of causes, including changes in client use patterns, technological failure, changes to the systems, linkages with third-party systems and power failures and can have a significant impact on Schwab's business and operations. It could take an extended period of time to restore full functionality to the technology or other operating systems in the event of an unforeseen occurrence, which could affect Schwab's ability to manage client assets and deliver advisory services.

Disciplinary Information

The SEC and other regulatory agencies and organizations have taken certain disciplinary actions against Schwab for violations of investment-related statutes, regulations, and rules. The parties settled these matters and Schwab paid fines with respect to certain violations.

1. In June 2022, Schwab and its former affiliate Charles Schwab Investment Advisory, Inc. settled a matter with the SEC related to historical disclosures and marketing of the Schwab Intelligent Portfolios® advisory program (the "SIP Program").

The SEC found that Schwab, along with its former affiliate, Schwab Wealth Investment Advisory, Inc., violated certain provisions of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the rules thereunder, from March 2015 through November 2018. The SEC found that Schwab made false and misleading statements in Form ADV Part 2A disclosure brochures about the cash allocations in the SIP Program accounts, in particular about:

- Schwab's conflict of interest in setting the cash allocations;
- the influence of this conflict of interest on the size of the cash allocations; and
- the negative effect of the cash allocations on performance in the SIP Program accounts under market conditions where other assets such as equities outperform cash.

The SEC also found that Schwab failed to sufficiently implement compliance policies designed to prevent the publication of misleading statements. Finally, the SEC found that Schwab made similarly misleading statements in advertisements for the SIP Program.

Without admitting or denying these findings, Schwab agreed to pay a total of \$186,536,861 in disgorgement, pre-judgment interest, and civil penalties. Schwab also agreed to engage an independent consultant to:

- review Schwab's supervisory, compliance, and other policies and procedures designed to ensure that the SIP Program-related disclosures, advertising, and marketing communications comply with the requirements of the Advisers Act, and the rules thereunder, and with other applicable federal securities laws with respect to the SIP Program; and
- submit a report to both Schwab and the SEC describing the independent consultant's findings and making recommendations. Schwab may identify any recommendations that it considers to be unduly burdensome, impractical, or inappropriate and attempt to reach agreement over such recommendations with the independent consultant, and Schwab must ultimately adopt and implement the independent consultant's final recommendations.

Other Financial Industry Activities and Affiliations

Schwab holds dual registrations to act as both a broker-dealer and a registered investment advisor.

Schwab is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of FINRA and SIPC. We provide brokerage services to clients located throughout the United States and, in some circumstances, outside the United States. Incidental to our broker-dealer business, we offer our clients a variety of investment information services and products, including seminars, periodicals, reports, guides, planning tools, brochures, and other publications about securities and investment techniques and insurance. We also provide certain online data and financial reporting services.

Schwab is also registered as an investment adviser under the Advisers Act. Schwab also acts as a registered investment adviser for other programs, including:

- Managed Account Connection® (“Connection”),
- Schwab Managed Portfolios™ (SMP),
- Schwab Intelligent Portfolios Solutions (automated discretionary managed account programs),
- Schwab Wealth Advisory™ (investment advisory and brokerage services),
- Schwab Advisor Network® (a referral program of investment advisors to investors who are looking for assistance in managing their assets and/or other financial planning activities. Advisors participating in Schwab Advisor Network are independent and not affiliated with Schwab. Investment advisors pay a fee to participate in the Schwab Advisor Network program, and

The disclosure brochures for these Schwab programs and services are available upon request.

Schwab Affiliates

Schwab is a wholly owned subsidiary of CSCorp.

Other wholly owned subsidiaries of CSCorp. are engaged in investment advisory, brokerage, trust, custody, or banking services.

CSIM is an affiliate of Schwab that we describe under the heading “About CSIM” above. In addition to managing certain strategies in the Connection wrap fee program, CSIM also manages the SMP wrap fee program and provides advisory and administrative services to certain Schwab Affiliate Funds marketed under the Schwab Funds® and Schwab ETFs™ names.

TD Ameritrade Holding Corporation is a wholly owned subsidiary of CSCorp. TD Ameritrade, Inc. and TD Ameritrade Clearing, Inc., SEC-registered broker-dealers, and members FINRA/SIPC are separate but affiliated companies and subsidiaries of TD Ameritrade Holding Corporation. TD Ameritrade, Inc. is a registered broker-dealer. TD Ameritrade Clearing, Inc., an SEC-registered clearing broker-dealer, provides clearing and execution services for securities brokerage businesses. TD Ameritrade Singapore Pte. Ltd. enables retail investors in Singapore to trade the U.S. markets. Clients can trade stocks, ETFs, options, futures, and options on futures using the thinkorswim® trading platform.

CSCorp. provides services to retirement and other employee benefit plans and participants through its separate but affiliated companies and subsidiaries: Charles Schwab Bank, SSB and Charles Schwab Premier Bank, SSB; Charles Schwab & Co., Inc.; and Schwab Retirement Plan Services, Inc.

Charles Schwab Trust Bank offers trust and custody products and services.

Schwab Retirement Plan Services, Inc. provides recordkeeping and related services with respect to retirement plans.

Charles Schwab Futures and Forex LLC is a Commodities Futures Trading Commission-registered futures commission merchant, a member of the Municipal Securities Rulemaking Board, and National Future Association forex dealer member and offers futures and forex trading to qualified clients.

Charles Schwab Bank, SSB is a subsidiary of CSCorp. that offers deposit accounts, mortgage and home equity line of credit lending products, and credit card products to both Schwab brokerage clients and other clients who have no relationship with Schwab.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Schwab has a code of ethics adopted pursuant to SEC Rule 204A-1 under the Advisers Act (the “Code”). The Code reflects the fiduciary principles that govern the conduct of Schwab employees when Schwab acts as an investment adviser as defined under the Advisers Act. The Code requires that Schwab’s covered representatives comply with applicable federal securities laws, report violations of the Code, and for those deemed “access persons” by virtue of providing investment advice or having access to certain related information, report their personal transactions and holdings in certain securities periodically. The Code prohibits access persons from disclosing portfolio transactions or any other non-public information to anyone outside of Schwab, except as required to effect securities transactions for clients, or from using the information for personal profit or to cause others to profit. Access persons are also prohibited from engaging in deceptive conduct in connection with the purchase or sale of securities for client accounts. The Code is subject to change as necessary to remain current with regulatory requirements and internal business policies and procedures. A copy of the Code is available upon request.

Participation or Interest in Client Transactions

Schwab may receive compensation from the Funds on the amount invested in the Funds the Advice Services have selected. When the Participant accounts in the Advice Services invest in unaffiliated Funds, Schwab may receive compensation from the Fund for shareholder and related services (which may include recordkeeping), which Schwab provides on the amount the Advice Services invests. The amounts the unaffiliated Funds pay to Schwab will vary depending on the particular Fund in which the Advice Services invests and on the Platform. For Platform 1, the fees typically range from 0.00% to 0.40% of assets annually, but may range up to 0.45% in rare cases. For Platform 2, the fees typically range from 0.00% to 0.50% of assets annually, but may range up to 1.08% in rare cases. Because Fund assets cover these fees as part of the operating expense ratio ("OER") of the unaffiliated Fund, the Participant's accounts indirectly pay them.

Schwab may pay or credit a portion of the compensation described above to its affiliates, including Trust Bank and SRPS, the recordkeeping affiliate providing services for the Plan, which use a portion of the compensation they receive to cover custody, trustee, and recordkeeping fees that would otherwise be charged to the Plans by Trust Bank and SRPS, as applicable.

Schwab may also pay such compensation directly to SRPS, as applicable, and Trust Bank from such mutual funds and their affiliates, calculated pursuant to the terms of the applicable agreements. Trade orders for the Funds are routed to Schwab for handling and execution by Trust Bank, which provides trust or custodial services to the Plan. As compensation for the services Trust Bank provides to the Plan, Trust Bank may retain credit, interest, or other earnings on aggregate cash balances (collectively, "float") held on deposit at Trust Bank or any third-party bank or other financial institution to facilitate Plan investments or distributions. Trust Bank and SRPS, as applicable, also may receive other compensation as agreed upon with the Sponsor.

When Participant accounts in the Advice Services invest in Schwab Funds[®], CSIM receives a management and/or administrative fee from the Fund on the amount of such investment. The management and/or administrative fees CSIM receives for Schwab Funds will vary depending on the particular Schwab Fund in which Advice Services invests and will vary depending on the Platform. For Platform 1, fees typically range from 0.02% to 0.50% of assets annually. For Platform 2, the management and/or administrative fees typically range from 0.02% to 1.27% of assets annually. In addition, Schwab receives compensation from certain Schwab Funds for recordkeeping, shareholder servicing and other administrative servicing that Schwab provides to Fund shareholders. The amounts Schwab receives for certain Schwab Funds will vary depending on the particular Fund in which the Managed Accounts invest and on the Platform. For Platform 1, the amounts may range from 0.00% to 0.10% of assets. For Platform 2, the amounts may range from 0.00% to 0.44%. Fund assets cover these fees as part of the OER, and therefore Participants' accounts indirectly pay them.

Schwab may pay or credit a portion of the compensation described above to its affiliates, including Trust Bank and the recordkeeping affiliate providing services for the Plan, SRPS, as applicable, which use a portion of the compensation received to cover custody, trustee, and recordkeeping fees that would otherwise be charged to the Plans by Trust Bank and SRPS, respectively.

As noted in "Advisory Business," neither Schwab nor SRPS recommends purchasing or selling securities pursuant to the Advice Services. The investment options offered through the Plan and recommended by Morningstar may include Schwab Funds. The remuneration that Schwab receives for the shareholder servicing generally is calculated based on the daily aggregate net asset value of certain shares held in Schwab's customers' accounts. Schwab may also receive compensation from Fund companies and their affiliates on a per-Participant basis. Schwab receives no compensation as principal underwriter of the Schwab Funds[®] but receives reimbursement from CSIM (and not from the Funds) for certain corporate, marketing, and sales expenses provided by Schwab personnel.

Trade orders for the Funds are routed to Schwab for handling and execution by Trust Bank, which provides trust or custodial services to the Plan. As compensation for the services provided to the Plan, Trust Bank may retain credit, interest, or other earnings on aggregate cash balances (collectively, "float") held on deposit at Trust Bank or any third-party bank or other financial institution to facilitate plan investments or distributions. Trust Bank also may receive other compensation as agreed upon with the Sponsor.

In addition to the fees described above, Schwab and its affiliates may earn additional compensation from certain exchange-traded funds, mutual funds, and collective investment trusts for the administrative services that Schwab and its affiliates provide in connection with various opportunities to sponsor educational events and conferences. The amount of such fees varies depending on the type and number of opportunities in which the fund participates. More information about these particular fees may be obtained from www.schwab.com or, with respect to the collective trust funds, from the funds directly.

Schwab does not select the Non-Discretionary Advice portfolios or Managed Accounts and has no discretion or authority to trade in Plan accounts. The Sponsor determines the funds available in the Plan, which may include both Schwab Funds and Non-Affiliated Funds. Morningstar Investment Management, in turn, must select Funds for the Non-Discretionary Advice portfolios or Managed Accounts from among those made available by the Sponsor. The Funds made available by the Sponsor will thus influence the compensation received by Schwab from the Funds for shareholder servicing and other services. The Funds chosen by the Sponsor may also affect the amount a Participant or the Sponsor pays to Schwab for Plan recordkeeping and related services.

Equity, ETF, and Option Trade Execution

In arranging for the execution of non-directed orders for equities and listed options, Schwab seeks out industry-leading execution services and access to the best-performing markets. Schwab routes orders for execution to unaffiliated broker-dealers, who may act as market makers or manage execution of the orders in other market venues, and routes orders directly to major exchanges.

Schwab considers a number of factors in evaluating execution quality among markets and firms, including execution price and opportunities for price improvement, market depth and order size, the trading characteristics of the security, speed and accuracy of executions, the availability of efficient and reliable order-handling systems, liquidity and automatic execution guarantees, the likelihood of execution when limit orders become marketable, service levels, and the cost of executing orders at a particular market or firm. Price improvement occurs when an order execution is at a price more favorable than the displayed national best bid or offer. Schwab regularly monitors the execution quality obtained to ensure orders are routed to market venues that have provided high-quality executions over time.

Addressing Potential Conflicts

Morningstar, not Schwab or SRPS, develop and apply the discretionary and non-discretionary advice recommendations in the Advice Services. Morningstar determines the amount it allocates to a particular mix of Funds and SBS, as applicable in any Advice Service. Moreover, the portion of the Fee Morningstar receives does not depend on the particular mix of Funds in any Non-Discretionary Advice portfolio or Managed Account, or any group of Managed Accounts or Non-Discretionary Advice portfolios.

Specific to Platform 1 and 2, Trust Bank has no discretion or authority to determine the percentage of Managed Account assets deposited into SBS. SBS is required to bear a reasonable rate of return under Section 408(b)(4) of ERISA.

Trust Bank intends to use the cash balances in the MMDA to fund current and new lending activities and investments. The measurement of the profitability on such loans and investments is generally the difference, or “spread,” between the interest rate paid on the MMDA and other costs of maintaining the MMDA, and the interest rate and other income earned by Trust Bank on the loans and investments made with the funds in the MMDA. The expectation is that the income Trust Bank will have the opportunity to earn through its lending and investing activities will be greater than the fees Trust Bank and its affiliates earn from managing and distributing money market funds, collective trust funds, or other stable value investment options. Trust Bank’s discretion to determine the interest rate payable on deposits creates a potential conflict of interest if Trust Bank acts solely in its own self-interest in establishing such interest rate.

Personal Trading

Schwab monitors the personal securities holdings and trading of its employees, including its registered representatives involved in the Advisory Services. Schwab reviews employee accounts custodied at Schwab and applicable accounts custodied at other firms. The surveillance program monitors holdings and trades against the Code, Schwab’s Compliance Manual, and other applicable policies. Additionally, Schwab representatives must disclose all securities accounts they own or control after their hire date and must review and confirm the accuracy of those accounts on an annual basis during their employment.

Schwab prohibits representatives from engaging in activities that violate federal or state securities laws, or rules and regulations of the exchanges or regulatory agencies. These prohibitions include rules against frontrunning customer orders—which is when a Schwab representative buys or sells a security to possibly capitalize on advance knowledge of an imminent customer transaction that is expected to influence the market price, or passing such information to others for that purpose; so-called “shadowing”—which means misusing confidential customer trade information for possible personal benefit; and purchasing shares in initial public offerings.

Brokerage Practices

Schwab does not select or recommend third-party broker-dealers as part of the Platforms. Pursuant to its agreement with Trust Bank, Schwab acts as broker in connection with processing transactions in Fund shares in the Platforms but this service is not included in the Fee charged with respect to the Managed Account Service. Participants will not pay transaction fees for purchases and sales of Funds appearing on the List or available in the Fund Universe regardless of whether the Participants use the Advice Services. As we note in “Participation or Interest in Client Transactions” above, Schwab and its affiliates receive compensation from third-party Funds or their affiliates and Schwab Funds® for various services.

Review of Accounts

Managed Account Services in Platform 1 and Platform 2

Specific to the Managed Account Service, Morningstar reviews and may provide instructions and directions to rebalance Participant accounts every 90 days, pursuant to its discretionary authority. Additionally, at least annually, Morningstar updates and provides Participants portfolio recommendations to account for being one year closer to retirement.

Non-Discretionary Advice in Platform 2

There is no ongoing review or rebalancing of accounts that receive a Non-Discretionary Advice portfolio on Platform 2.

As we note above, neither Schwab nor SRPS, as applicable, is responsible for the advice or recommendations provided by Morningstar. Schwab and its affiliates do not supervise, nor do they monitor, the advice provided by Morningstar. The quarterly account statements and periodic trade notices received by Participants in the Advice Services from SRPS reflect the trades made per the instructions provided by Morningstar.

Please see Form ADV Part 2A disclosure brochure for Morningstar for details on the review of the Advice Services.

Client Referrals and Other Compensation

The Advice Services do not rely upon client referrals from any non-Schwab entity or person. Schwab receives direct compensation from the Plan or the Sponsor, as we describe in “Fees and Compensation.” We describe the indirect compensation Schwab and its affiliates receive in “Advisory Business” and “Participation or Interest in Client Transactions.” Schwab pays a fee to Morningstar Investment Management in connection with the Advice Services, as we also describe in “Fees and Compensation.”

Custody

Trust Bank, a qualified custodian, provides directed trustee or custodial services to Plans that SRPS services. Sponsors will receive trust or custody statements from Trust Bank and should carefully review those statements.

Investment Discretion

Schwab does not have or accept investment discretion with respect to the Advice Services.

Voting Client Securities

Schwab does not have or accept authority to vote clients' securities (i.e., proxy voting) as part of the Platforms or the Advice Services.

Financial Information

Schwab does not require or solicit prepayment of any fees and is therefore not required to include a balance sheet for its most recent fiscal year. Schwab is not the subject of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its clients. Schwab is not the subject of any bankruptcy petition, nor has it been the subject of any bankruptcy petition at any time during the past 10 years.





March 30, 2024

Summary of Material Changes to the Charles Schwab & Co., Inc. Advice Services with Morningstar Investment Management LLC Disclosure Brochure (Form ADV, Part 2A)

Since March 31, 2023

Introduction

Charles Schwab & Co., Inc. ("Schwab") is required under the Investment Advisers Act of 1940 (the "Advisers Act") to create and provide to clients like you disclosure brochures for the investment advisory services we provide, including the Schwab Advisor Network. The Advisers Act also requires that we update our disclosure brochures annually. This document summarizes the material changes to the Charles Schwab & Co., Inc. Advice Services with Morningstar Investment Management LLC Disclosure Brochure. If you'd like to receive a copy of the updated disclosure brochure, please call 1-800-724-7526. You can also find copies of our latest disclosure brochures on the website of the United States Securities and Exchange Commission ("SEC") at www.adviserinfo.sec.gov.

This brochure has undergone various non-material changes since the last annual revisions were made. Such changes—normally edits made to enhance clarity or minor updates to numerical values that vary from year to year—are not described below.

This brochure has undergone no material changes since March 31, 2023.