



March 30, 2024

Schwab Wealth Advisory, Inc. Disclosure Brochure

**(formerly known as Schwab Private Client Investment Advisory, Inc.
Disclosure Brochure)**

Schwab Wealth Advisory, Inc.
211 Main Street
San Francisco, CA 94105
Tel: 1-888-672-4922
www.schwab.com

This brochure provides information about the qualifications and business practices of Schwab Wealth Advisory, Inc. ("SWAI"). If you have any questions about the contents of this brochure, please contact us at 1-888-672-4922. 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. SWAI's description of itself in this brochure as a registered investment adviser does not imply a certain level of skill or training on the part of SWAI or its representatives.

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

Contents

Advisory Business	3
Fees and Compensation	4
Performance-Based Fees and Side-by-Side Management	4
Types of Clients	4
Methods of Analysis, Investment Strategies and Risk of Loss	4
Disciplinary Information	9
Other Financial Industry Activities and Affiliations	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
Brokerage Practices	15
Review of Accounts	15
Client Referrals and Other Compensation	15
Investment Discretion	15
Voting Client Securities	15
Custody	15
Financial Information	15
Fiduciary Advisor Disclosure	15

Advisory Business

SWAI

Schwab Wealth Advisory, Inc. ("SWAI" or "we") (formerly known as Schwab Private Client Investment Advisory, Inc. ["SPCIA"]) is a wholly owned subsidiary of The Charles Schwab Corporation ("CSCorp"), a Delaware corporation that is publicly traded and listed on the NYSE (symbol: SCHW). SWAI has been registered as an investment adviser since January 1, 2012. This document contains important information about SWAI and how it is compensated for the investment advice it provides under the Schwab Wealth Advisory™ ("SWA") program ("SWA Program"). Charles Schwab & Co., Inc. ("Schwab"), an affiliate of SWAI, is the sponsor of the SWA Program. You should carefully consider this information in your evaluation of the SWA Program and the advice you receive in the SWA Program.

Schwab

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.

The SWA Program

Schwab sponsors the SWA Program, which is an investment advisory fee-based program that offers periodic non-discretionary investment advice by investment representatives of SWAI based on your overall financial picture developed through analysis and discussion of various wealth management topics. SWAI provides periodic recommendations in your SWA account about how to allocate assets and which securities to buy, sell, and hold. You may indicate a preference to avoid investing in certain securities or types of securities but since the SWA Program is a non-discretionary program, you decide whether to implement the recommendations you receive through the SWA Program. In addition, the SWA Program includes trade execution, asset custody and other brokerage services as well as access to financial planning.

Wealth Advisors, Associate Wealth Advisors, Fixed Income and Options Specialists, Financial Planners and other representatives who provide investment advice to SWA accounts are employees of SWAI ("SWAI Representatives"). SWAI Representatives, in particular phone-based Wealth Advisors, provide periodic recommendations in SWA accounts about how to allocate assets and which securities to buy, sell and hold. Associate Wealth Advisors support the SWAI Wealth Advisors and assist clients as they join the SWA Program, and provide periodic support related to planning and advice interactions. In addition, a team of Service Associates assists clients with service needs, such as requests to move money, orientations to Schwab.com, and answering general questions about Schwab services.

Neither SWAI, nor any SWAI Representative exercises investment discretion or control of any kind over your accounts. This means that you make all investment and trading decisions, and that you may decline to take SWAI Representatives' recommendations. You may place trades on your own without consulting your SWAI Representatives. You are responsible for monitoring your own accounts and determining when and if to buy, hold or sell securities based on changes in your circumstances, in your portfolio, and in the market. We will not stop or change any trade orders that you place on your own, nor will we actively monitor your trading in between portfolio reviews, or your use of margin, cash management, banking, bill pay, or other account features offered as a convenience to you in your enrolled accounts.

Although the SWA Program is not a discretionary investment advisory service, it can encompass assets in Separately Managed Accounts (SMA), which are managed on a discretionary basis by affiliated or unaffiliated money managers. Specifically, SWAI Representatives are permitted to recommend another managed account program which does provide discretionary investment management by either affiliated or unaffiliated money managers. In those cases, the money manager and not SWAI is responsible for portfolio management and trading in the SMA, and the SWAI Representative's role is limited to recommendations of SMAs and periodic reviews of those SMAs for continued appropriateness in the SWA portfolio. The investment manager of your chosen program and not SWAI will exercise discretionary investment services, as we describe in their respective disclosure brochure and as agreed to under the terms of that program's advisory agreement. While SWAI Representative compensation will not differ depending on recommendations to Schwab-sponsored managed account programs, Schwab and its affiliates will earn additional revenue. For more information on affiliated and third-party money managers, reference the applicable Disclosure Brochure, such as the Schwab Managed Account Services™ Disclosure Brochure for strategies in the Schwab Managed Account Services program. Not all clients enrolled in the SWA Program ("SWA Clients") will have SMAs, and SMAs are not appropriate for all clients. SWAI and Schwab do not act as investment managers within the meaning of the Employee Retirement Income Security Act ("ERISA") with respect to any individual retirement account ("IRA") or other retirement account that you enroll in the SWA Program. Although SWAI will make investment recommendations, you are free to disregard those recommendations. You may place trade orders and invest on your own, choosing to follow SWAI's advice, your own views, or any other advice or information you receive from others. You are under no obligation to execute any buy or sell recommendations through Schwab.

If you select SWAI to provide investment advisory services for your IRA (as defined in 29 C.F.R. 2550.408g-1(i)(4), which, for example, includes Simplified Employee Pension IRAs and SIMPLE retirement accounts enrolled in the SWA Program [collectively, "Retirement Accounts"]), SWAI will be providing these services as a fiduciary adviser, as defined in the Internal Revenue Code ("IRC") section 4975(f)(8)(J)(i) and, to the extent applicable, as a fiduciary under ERISA. Through your enrollment of your Retirement Account in the SWA Program, you will have expressly authorized the investment advice arrangement we describe in this document and as we detail in the "Fiduciary Advisor Disclosure" section below. For important information about SWAI and how it is compensated for the investment advice provided on Retirement Accounts, please refer to the disclosures throughout this document, including the "Fiduciary Advisor Disclosure" section. At the client's request or the SWAI Representatives' discretion, the client can access financial planning services from either SWAI Representatives or Schwab, a registered investment adviser and affiliate. This service relies on the information you provide about your circumstances and is typically provided at a point in time and does not involve ongoing monitoring. The SWAI Representative relies on this information without independent verification. As such, it is the client's responsibility to ensure that it is accurate and complete. The SWAI Representative will review the plan/analysis with the client, help prioritize next steps, and assist in developing an action plan.

While the SWAI Representatives provide guidance to clients on wealth management considerations, the advice is dependent on the client to provide updates that may require additional considerations and/or changes to the previously provided plan/analysis. Therefore, it is important for you to monitor your personal situation and current events, such as changes in tax laws and financial markets. SWAI does not provide legal or tax advice. You should consult with your tax advisor or CPA on all tax-related matters and with your attorney on all legal matters before taking any action. Neither SWAI nor Schwab have discretionary authority or assume responsibility with respect to your brokerage accounts as a result of your use of financial planning services or discussions regarding the analysis. You should carefully consider all relevant factors before deciding how or whether to implement recommendations contained in your analysis or financial plan. You are not obligated to use SWAI or Schwab to implement your plan.

SWAI will periodically, but no less than annually, review SWA accounts of clients who reside in the U.S. to identify mutual fund shares that may be eligible for a tax-free exchange with a lower-cost share class of the same fund and may initiate such exchanges as detailed in the advisory agreement with Schwab. Schwab will provide trade confirmations to clients for any inter-class exchanges that SWAI performs for the SWA Clients who reside in the U.S.

SWAI Representatives deliver investment advice in periodic, but no less than annually, conversations in which they review the client's financial situation and SWA accounts, and make investment recommendations. The compensation of SWAI Representatives does not vary based on the securities or SMAs that are recommended to clients.

In addition to being employees and investment advisor representatives of SWAI, SWAI Representatives are also associated persons and registered broker-dealer representatives of Schwab in order to access Schwab order-entry and other systems in connection with the investment advice delivered to SWA accounts. SWAI Representatives that access the Schwab order-entry and other systems to execute transactions do so in their capacity as registered representatives of Schwab.

As of December 31, 2023, the assets enrolled in the SWA Program amounted to approximately \$153,106,155,494. SWAI acts as a non-discretionary portfolio manager for these assets. SWAI does not manage any assets on a discretionary basis. More information about the SWA Program is available in the SWA Disclosure Brochure provided to SWA Clients.

Fees and Compensation

Pursuant to an agreement between SWAI and Schwab, Schwab pays SWAI a fee for the investment advice provided to SWA accounts equal to: (1) the costs and expenses incurred by SWAI in connection with the SWA Program; plus (2) an additional amount of 10% of those costs and expenses.

Pursuant to an agreement between SWAI and Charles Schwab Trust Company ("CSTC"), SWAI provides sub-advisory services to CSTC. Specifically, upon CSTC's request, SWAI provides non-discretionary investment recommendations to CSTC on securities held in trust accounts.

Pursuant to a consulting agreement between SWAI and Charles Schwab, Hong Kong, Limited ("CSHK"), SWAI provides research services and related materials to CSHK upon request, for which CSHK pays SWAI a designated recurring fee (which is subject to change upon written agreement).

SWAI does not enter into agreements directly with the SWA Clients, Schwab clients, CSHK clients or CSTC clients and accordingly does not receive direct compensation from them or negotiate fees with them.

Performance-Based Fees and Side-by-Side Management

SWAI does not receive performance-based fees.

Types of Clients

SWAI provides non-discretionary periodic investment advice to the SWA Program. Schwab, as sponsor of the SWA Program, determines the types of clients and accounts that are eligible to participate in the SWA Program. Please see Schwab's SWA Program Disclosure Brochure for detailed information on the types of clients that are eligible to participate and a complete list of eligible accounts in the SWA Program.

Schwab, as the sponsor of the SWA Program, currently imposes an initial enrollment minimum of \$500,000. Schwab may reduce or waive this minimum in certain situations, including on the basis of individual negotiations or business considerations.

Schwab may allow portfolio groups with lower enrolled assets (e.g., due to withdrawals or enrollment in the SWA Program during a time when a lower asset minimum was in place) to remain in the SWA Program.

Methods of Analysis, Investment Strategies and Risk of Loss

SWAI bases its non-discretionary investment advice on principles of asset allocation, risk tolerance and diversification, taking into account individual clients' circumstances and needs. Investment advice is based on Schwab's standard asset allocation models that take into account the historic risks and returns of various asset classes over defined periods of time. SWAI Representatives may recommend investment strategies that include a combination of long-term (in which securities are held for at least five years), intermediate-term (in which securities are held for three to five years), and short-term (in which securities are held for less than three years) strategies. SWAI Representatives may recommend investments that include, but are not limited to, individual equities, equity and fixed income mutual funds, ETFs, individual fixed income securities, options, and separately managed accounts. Accounts enrolled in the SWA Program will not purchase any securities during initial public offering periods. As we detail in the SWA Disclosure Brochure, not all investments are available to clients who reside outside of the U.S. As we detail in the SWA Disclosure Brochure, unless otherwise requested by the client, SWA Clients who reside in the U.S. will have their uninvested cash, or "free credit balances," automatically swept into the Schwab Government Money Fund™ (SWGXX), a money market fund. Other cash sweep options, including the Schwab One® Interest and the Bank Sweep are also available. The SWGXX Sweep and Bank Sweep options are only available to clients who reside in the U.S. SWA Clients who reside outside of the U.S. will have their uninvested cash, or free credit balances, automatically deposited into

the Schwab One Interest sweep feature. We describe the various cash sweep features in SWA Disclosure Brochure. The specific cash sweep options can be found in the SWA Program Brochure.

SWAI employees are required to follow SWAI's advice policies and guidelines. Schwab, relying upon research done both internally and by certain affiliates, provides substantial input into the advice policies and guidelines followed by SWAI Representatives. The research is based on quantitative, qualitative, technical, and fundamental analysis. This includes, for example, Schwab's methods for evaluating and rating stocks, mutual funds, and ETFs. Schwab has selection parameters for mutual funds and ETFs to establish Schwab's recommendable lists. Eligible funds, including Schwab mutual funds and ETFs, pay fees to Schwab that are described in "Participation or Interest in Client Transactions" below. The analysis underlying the advice policies and guidelines and the evaluation and rating of various investments considers the evaluation of both risk and return and maintaining minimum levels of diversification.

SWAI also uses Schwab Equity Ratings® in making recommendations to buy or sell individual stocks. Schwab Equity Ratings is Schwab's proprietary stock evaluation system and evaluates securities on the basis of multiple factors that currently fall into five categories: sentiment, valuation, growth, stability, and quality. The parameters and criteria used in evaluating investments are subject to change without notice. An SWAI committee reviews, approves, and amends the advice policies and guidelines that SWAI Representatives follow.

Consistent with the advice policies and guidelines, SWAI Representatives may supplement their advice with their own sources of information, which may include financial newspapers, periodicals and/or research reports prepared by third parties.

Potential conflict exists in SWAI Representatives recommending products or offers on the recommendable list to clients because some products or offers may be affiliated with SWAI such as Schwab funds. There is an additional potential conflict with SWAI Representatives recommending advisory services sponsored by Schwab.

The use of affiliated services providers financially benefits Schwab. The SWA Program may hold affiliated service providers to a lower level of requirements and oversight than external service providers, which may negatively impact clients.

Schwab and its affiliates earn more revenue when its representatives recommend Schwab proprietary products and services.

Due to the nature of these conflicts of interest, the following measures have been taken to address and mitigate them:

- SWAI employees are required to follow SWAI's advice policies and guidelines, in addition to the SWAI Policies and Procedures;
- SWAI established Pattern Based Oversight for Supervisors, which includes oversight of advisory activities; and
- Schwab adopted a SWA Monitoring Program to review accounts enrolled in the SWA Program.

Further, SWAI Representatives will not earn additional compensation when they recommend an affiliated security/product or one that compensates Schwab and its affiliates, but Schwab and other affiliates will. This additional compensation creates a conflict of interest. Please refer to the "Participation or Interest in Client Transactions" section of this document for important information on the compensation Schwab and its affiliates earn.

Investments in securities, including equities, mutual funds, ETFs, bonds, and other fixed income securities, involve various risks, including, but not limited to, those we summarize below. As a client's investment profile develops and changes over time, the client may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Tax Gain/Loss Harvesting Risks

The client is responsible for notifying SWAI each time they want to engage in tax harvesting activity. SWAI does not consider tax gain or loss harvesting when providing investment advice and does not provide ongoing tax gain or loss harvesting monitoring. You should consult with your tax advisor or certified public accountant on all tax-related matters before taking any action.

There is no guarantee that a client's tax gain/loss harvesting request will reduce, defer, or eliminate the tax liability generated by the client's investment portfolio in any given tax year. Clients should consult a tax professional to help determine the potential impact of a tax harvesting request on their tax situation.

There are several investment-related risks associated with client-requested tax gain/loss harvesting. There is potential that the gain/loss request may: (i) negatively affect the overall performance of a client's portfolio; (ii) result in a temporary overweighting and/or underweighting of certain sectors, securities, and/or cash in a client's portfolio; and/or (iii) have negative tax consequences resulting from the recognition of additional capital gains or by having a capital loss disallowed/deferred (also known as a wash sale).

A wash sale is the sale at a loss and purchase of the same or substantially similar security within 30 days of each other. If a wash sale transaction occurs, the Internal Revenue Service may disallow or defer the loss for current tax-reporting purposes. More specifically, the wash sale period for any sale at a loss consists of 61 calendar days: the day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule typically disallows losses on a sale if substantially identical replacement shares are bought during the 61-day period for current income tax purposes.

General Risks

Financial Planning Risks

The methods of analysis used to produce the analysis, and to inform the SWAI Representative's discussion of the analysis, include the creation of personal financial statements (i.e., current net worth, projected net worth statement, and Monte Carlo analysis, which is described below) based on the information the client provides through statements and conversations. The accuracy of the information the client provides is crucial to the usefulness of the analysis. The analysis is based on the information provided by the client and on the static assumptions—e.g., fixed return rates and fixed life expectancies. In reality, these variables will not be static—market fluctuations will affect overall asset performance, and uncertain life expectancies may cause clients to outlive their resources or fail to accumulate necessary resources. Monte Carlo analysis is a statistical method that helps assess the effect of these risks by randomizing return rates, which helps analyze the risk of market fluctuations. Monte Carlo analysis is a projection of the future that attempts to represent the majority of all possible outcomes under a given set of inputs and does not represent the full universe of all possible futures. Monte Carlo analysis is not a guarantee of future outcomes. The results using Monte Carlo Simulations indicate the projected likelihood of achieving a goal. In analyzing this information, please note that the analysis does not take into

account actual market conditions, which may severely affect the outcome of goals over the long-term. Exercising and/or selling equity compensation may create additional tax consequences. The client should consult with their tax advisor or CPA on all tax-related matters. Failure to exercise options prior to expiration may result in forfeiture of value. Equity compensation, such as stock options and restricted stock, is subject to market fluctuation, which could lead to loss of value.

Investment Risks

Investments in securities, including ETFs and mutual funds and the securities that they in turn invest in, involve various risks, including those summarized below. In addition, each ETF and mutual fund has its own investment style, which may involve risks different from those described below. Clients and prospective clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

Market/Systemic Risks

Financial markets rise and fall in response to a variety of factors, sometimes rapidly and unpredictably. Economic, political, regulatory, and other conditions, including economic sanctions and other government actions may impact markets. In addition, the occurrence of global events, such as war, terrorism, environmental disasters, natural disasters, and epidemics, may also negatively affect the financial markets. As with any investment whose performance is tied to these markets, the value of an investment will fluctuate, which means that an investor could lose money over short or long periods.

Geographic Concentration Risks

Investments concentrated in any one geographic region can be more susceptible to that region's political and economic risk. For example, a portfolio that is concentrated in the United States (U.S.) will be more susceptible to the U.S.'s political and economic risk, as compared to a more globally diversified portfolio.

Custodian Risks

Schwab is a Securities Investor Protection Corporation (SIPC) member brokerage firm and maintains SIPC protection. SIPC offers protection of up to \$500,000, including a \$250,000 limit for cash, if a member brokerage firm fails. SIPC covers most securities, such as stocks, bonds, ETFs, and mutual funds, but does not protect against market loss.

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, ransomware, 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 implement effective preventive measures against all 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 Risks

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.

Tax Risks

Ongoing investment income, capital gains, capital losses, and miscellaneous deductions for some ETFs, including, but not limited to, certain commodity and currency ETFs, are reported annually on the Schedule K-1, and when certain commodity ETFs are sold in a taxable account, proceeds will be reported on Form 1099-B. For those limited ETFs (e.g., commodity and currency), the Schedule K-1 is mailed separately to clients each year and needs to be included in the clients' income tax returns. In cases where the entity generating the Schedule K-1 files for a tax extension beyond April 15, clients may receive their Schedule K-1 after the due date for their income tax return. Individual taxpayers who do not request a filing extension may need to file an amended federal and/or state tax return if they receive their Schedule K-1 after filing their original return. Also, gains and losses associated with some commodities may be taxed differently than standard short-term and long-term capital gains and losses. Clients should consult a professional tax advisor for help with their unique situations.

ETF Risks

ETFs may invest in certain inherent risks associated with investments in a portfolio of underlying securities, including the risk that the general level of underlying security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain securities in the secondary market or discrepancies between the ETF and the benchmark index with respect to the weighting of securities or the number of securities held. Investing in ETFs carries the risk of capital loss. ETFs are not guaranteed or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. You can lose money investing in ETFs. ETFs have their own fees and expenses as set forth in the ETF prospectuses. These fees and expenses lower investment returns. Although ETFs themselves are generally classified as equities, the underlying holdings of ETFs can include a variety of asset classes, including, but not limited to, equities, bonds, foreign currencies, physical commodities, and derivatives. A full disclosure of the specific risks of ETFs is located in the respective prospectus of each fund. ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative; or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so.

Active Semi-Transparent ETF Risks

Active semi-transparent (also known as non-transparent) ETFs operate differently from other ETFs. Unlike other ETFs, an active semi-transparent ETF does not publicly disclose its entire portfolio composition each business day, which may affect the price at which shares of the ETF trade in the secondary market. There is a risk that the market price of an active semi-transparent ETF may vary significantly from the ETF's net asset

value and that its shares may trade at a wider bid/ask spread and, therefore, cost investors more to trade than shares of other ETFs. These risks are heightened during periods of market disruption or volatility.

Schwab ETFs™ Risks

Some of the ETFs managed by Charles Schwab Investment Management, Inc. (“CSIM”) may have been recently launched. Accordingly, there is limited data available when assessing investment risk associated with some of these ETFs. As a result, one or more of the following may occur: (1) poor liquidity in or limited availability of the ETFs or (2) lack of market depth, causing the ETFs to trade at large premiums or discounts.

Mutual Fund Risks

Mutual fund managers may base investment decisions for funds on historical information. There is no guarantee that a strategy based on historical information will produce the desired results in the future. In addition, if market dynamics change, the effectiveness of that kind of strategy may be limited. Either of these risks may cause the investment strategy of a particular fund to underperform its benchmark or similar funds. Mutual funds in which the strategies invest have their own fees and expenses as set forth in the fund prospectuses. These fees and expenses lower investment returns. Mutual funds may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk of derivatives is that some types of derivatives can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the fund. Use of these instruments may also involve certain costs and risks, such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that a fund could not close out a position when it would be most advantageous to do so. The value of mutual funds can be impacted by the movement of large positions in and out of a particular fund. Clients may collectively account for a large portion of the assets in certain mutual funds.

Mutual Fund Risks—Money Market Funds

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund. In addition, some money market funds may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if a fund’s liquidity falls below required minimums because of market conditions or other factors. SWGXX, the default cash sweep fund for domestic clients, does not currently impose fees on the sale of your shares, nor does it intend to limit fund redemptions, but may do so only after prior notice to shareholders. Investors in money market funds should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses.

Master Limited Partnership Risks

Master Limited Partnerships (“MLPs”) are limited partnerships that are publicly traded and have the tax benefits of a limited partnership. Investments in MLP securities (units) involve risks that differ from an investment in common stock. Holders of the units of MLPs have more limited control and limited rights to vote on matters affecting the partnership. For example, unit holders may not elect the general partner or the directors of the general partner, and they have limited ability to remove a MLP’s general partner. MLPs may issue additional common units without unit holder approval, which would dilute existing unit holders. In addition, conflicts of interest may exist between common unit holders, subordinated unit holders, and the general partner of a MLP, including a conflict arising as a result of incentive distribution payments. As an income producing investment, MLPs could be affected by increases in interest rates and inflation. There are also certain tax and related risks associated with an investment in units of MLPs, including that MLPs may convert to a C-Corporation. This conversion could cause a cut in distributions as well as an adverse tax event for long-time owners of the MLP.

Environmental, Social and Governance Strategy Risks

Because environmental, social and governance (“ESG”) strategies exclude some securities, ESG-focused products may not be able to take advantage of the same opportunities or market trends as products that do not use such strategies. Additionally, the criteria used to select companies for investment may result in investing in securities, industries, or sectors that underperform the market as a whole. ESG is not a uniformly defined characteristic, and applying ESG criteria involves a subjective assessment.

Asset Allocation/Strategy/Diversification Risks

The asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform expectations. The more aggressive the strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities. The asset classes in which the strategy seeks investment exposure can perform differently at any given time (as well as over the long term), so the strategy will be affected by its allocation among the various asset classes. Depending on market conditions, there may be times where diversified portfolios perform worse than less-diversified portfolios.

Liquidity Risks

A particular investment, such as an alternative investment or thinly traded securities, may be difficult to purchase or sell or may become difficult to sell after being purchased. Clients may be unable to sell securities at an advantageous time and/or price due to then-existing trading market conditions.

Equity Investment–Related Risks

General Risks

The prices of equity securities, along with the value of mutual funds and ETFs that invest in them, rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

Schwab Equity Ratings® Risks

Given that systematic stock evaluation approaches cannot capture all the dynamics that affect individual stock returns, Schwab Equity Ratings may not capture more subjective, qualitative influences on return and risk such as management changes and pending lawsuits. Furthermore, the ratings may not reflect the possible impact of late-breaking news. The quality of the ratings depends on the accuracy of financial data provided by third parties, including the companies rated through the approach, as well as the extent to which there is a correlation between the factors used by Schwab Equity Ratings with future returns on the individual stocks rated.

Large- and Mid-Cap Risks

Large- and/or mid-cap segments of the stock market (as well as mutual funds and ETFs that focus on these segments) bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies. During a period when large- and mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

Small-Cap Risks

Historically, small-cap stocks have been riskier than large- and mid-cap stocks. Stock prices of smaller companies may be based in substantial part on future expectations rather than current achievements and may move sharply, especially during market upturns and downturns. Small-cap companies themselves may be more vulnerable to adverse business or economic events than larger, more established companies. During a period when small-cap and/or international stocks fall behind other types of investments—bonds or large-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks (or mutual funds or ETFs investing in small-cap or international stocks) will lag the performance of these other investments.

Fixed Income Investment–Related Risks

General Risks

Bond markets rise and fall daily, and fixed income investments, which also include instruments with variable or floating rates (including cash and cash-like investments), are subject to various risks. As with any investment whose performance is tied to bond markets, the value of a fixed income security (along with mutual funds or ETFs invested in such securities) will fluctuate, which means that you could lose money.

Interest Rate Risks

When interest rates rise, bond prices usually fall, and with them the value of a mutual fund or ETF holding the bonds. A decline in interest rates generally raises bond prices, and with them potentially the value of a bond (along with mutual funds or ETFs invested in such securities), but could also hurt the investment performance by lowering its yield. The longer the duration of the bond, the more sensitive to interest rate movements its value is likely to be.

Government Securities Risks

Treasuries, like all bonds, are subject to interest rate risk. While treasuries are backed by the full faith and credit of the U.S. government, and the U.S. government has never defaulted on its debt, there is no guarantee that it will not do so in the future.

Many U.S. government securities are not backed by the full faith and credit of the U.S. government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks (“FHLB”), maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation (“FFCB”), are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

State and Regional Factors

The value and performance of fixed income securities issued by a given state or geographic region (along with mutual funds or ETFs invested in such securities) could be affected by local, state and regional factors, including erosion of the tax base and changes in the economic climate. National governmental actions, such as the elimination of tax-exempt status, also could affect performance. In addition, investments (along with mutual funds or ETFs invested in such securities) may be more sensitive to adverse economic, business or political developments if a substantial portion is invested in securities that are financing similar projects.

Credit Risks

A decline in the credit quality of a fixed income security, whether real or perceived, could cause the value of that security (or a mutual fund or ETF invested in the security) to fall if the issuer or guarantor fails, or it’s suspected that the issuer or guarantor will fail, to make a timely principal or interest payment or otherwise honor its obligations. The emphasis of a fixed income strategy on quality and preservation of capital also could cause a mutual fund or ETF to underperform certain other types of bond investments, particularly those that take greater maturity and credit risks.

High Yield Risks

High yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks than investment-grade bonds. High yield securities and the ETFs or mutual funds that invest in them may be considered speculative.

Certificate of Deposit Risks

Certificates of Deposit (“CDs”) are issued by banks and subject to the credit risk of the bank. This risk is mitigated by the amount held that qualifies for FDIC insurance. If CDs are sold in the secondary market, then they are subject to liquidity risk and interest risk, like any other bond.

Foreign Investment–Related Risks

General Risks

Investments in securities of foreign issuers or ETFs or mutual funds that hold securities of foreign issuers may involve certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory, and other conditions; changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); differing accounting, auditing, financial reporting, foreign taxes, and legal standards and practices; differing securities market structures; differing trading and settlement practices; ownership restrictions; and higher transaction costs.

Emerging Markets Risks

These and other risks (e.g., nationalization, expropriation, or other confiscation of assets of foreign issuers) are greater for investments (including ETFs or mutual funds investing in such securities) in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

Frontier Markets Risks

The risks associated with investing in foreign or emerging markets are magnified in frontier markets, also known as “next emerging markets.” Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption of markets risks.

Geopolitical/Disruption-of-Markets Risks

Geopolitical events may adversely affect global economies and markets and thereby decrease the value of and/or the ease of trading those securities (including ETFs or mutual funds investing in such securities) invested in those affected markets. Those events as well as other changes in foreign and domestic economic and political conditions could adversely affect the value of a strategy's investments.

Currency Risks

Fluctuations in exchange rates may adversely affect the value of a strategy's foreign currency holdings and investments denominated in foreign currencies.

Other Asset Class Investment–Related Risks

Commodities Risks

Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing. Commodities investments may also involve unique risks inherent to investing in derivatives, which may include basis, roll, liquidity, and regulatory risks. A detailed explanation of the risks is available in the prospectus of the respective commodity fund. Commodity pools may be subject to different regulatory requirements than traditional funds governed by the Investment Company Act of 1940, as amended.

Real Estate Risks

Factors affecting the real estate industry, which may include changes in interest rates and social and economic trends may adversely affect real estate–related investments. Real Estate Investment Trusts (“REITs”) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs’ manager, prepayments and defaults by borrowers, adverse changes in tax laws, and, with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under IRC and/or to maintain exempt status under the Investment Company Act of 1940, as amended.

Options Risks

Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. Please read the options disclosure document titled “Characteristics and Risks of Standardized Options” by calling Schwab at 1-800-435-4000 for a current copy or by visiting www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document. Supporting documentation for any claims or statistical data is available on request.

Covered calls provide downside protection only to the extent of premiums received, and prevent any profitability above the strike price of the call. Hedging and protective strategies involve additional costs and do not assure a profit or guarantee against loss. Please contact a tax advisor for the tax implications involved in these strategies. Multiple-leg option strategies will involve multiple commissions. Commissions, taxes and transactions costs should be considered.

Disciplinary Information

SWAI has no legal or disciplinary events that it is required to report.

Other Financial Industry Activities and Affiliations

Certain arrangements we describe below may create conflicts of interest, so we outline the steps we take to address those conflicts, as we describe in “Participation or Interest in Client Transactions.” Please refer to the SWA Disclosure Brochure for additional detail on how Schwab earns compensation.

CSCorp.

CSCorp. provides services to retirement and other employee benefit plans and participants through its separate but affiliated companies and subsidiaries: Charles Schwab Trust Bank, Schwab, and Schwab Retirement Plan Services, Inc. Trust, custody and deposit products and services for retirement and employee benefit plans are available through Charles Schwab Trust Bank, Member FDIC. Brokerage products and services are offered by Charles Schwab & Co., Inc. (Member SIPC). Schwab Retirement Plan Services, Inc. provides recordkeeping and related services with respect to retirement plans. Charles Schwab Bank, SSB, and Charles Schwab Premier Bank, SSB (collectively, the “Affiliated Banks”) also offers deposit accounts and lending products to both Schwab brokerage clients and others who have no relationship with Schwab.

Schwab

Schwab (SWAI's affiliate) holds dual registrations to act as both a broker-dealer and a registered investment adviser.

Schwab is registered as a broker-dealer under the Exchange Act and is a member of FINRA and SIPC. Schwab provides brokerage services to clients located throughout the United States and, in some circumstances, outside the United States. Incidental to Schwab's broker-dealer business, Schwab offers its 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. Schwab also provides certain online data and financial reporting services.

Schwab is also registered as an Investment Adviser under the Investment Advisers Act of 1940 (“Advisers Act”). In addition to sponsoring the SWA Program, Schwab also acts as a registered investment adviser for other programs, including:

- Managed Account Select®,
- Managed Account Connection®,

- SMP (a mutual fund and ETF wrap fee program),
- Schwab Intelligent Portfolios Solutions (automated discretionary managed account programs),
- Schwab Advisor Network® (a referral program of investment advisers 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 advisers pay a fee to participate in the Schwab Advisor Network program,
- Retirement Plan Services (discretionary and non-discretionary advice services with Morningstar Investment Management LLC offered by Schwab Retirement Plan Services, Inc.),
- Financial Planning Services (through the Schwab Personal Financial Plan™, Schwab Retirement Consultation, and Schwab Equity Compensation Consultation), and
- Schwab Managed Account Services™ (for clients of independent investment advisors).

The disclosure brochures for these Schwab programs and services are available upon request. In its role as sponsor of the SWA Program, Schwab provides trade execution, asset custody and other brokerage services to SWA accounts. Please see the SWA Disclosure Brochure for more information on Schwab's role in the SWA Program. Due to its affiliation with Schwab, SWAI may receive certain benefits from Schwab. These benefits may include, but are not limited to, facilities; equipment; internal analysis, including Schwab Equity Ratings; human resources; and other support services that assist the firm in managing and administering client accounts.

SWAI Representatives may also periodically assist non-SWA Schwab brokerage clients with service requests, which could include assisting during times of high market activity.

Other wholly owned subsidiaries of CSCorp. are engaged in investment advisory, brokerage, trust, custody, or banking services. CSCorp. has adopted policies and procedures reasonably designed to protect against the misuse of information, whether among CSCorp.-affiliated entities or entities or individuals outside of CSCorp. and its affiliates.

Charles Schwab Futures and Forex LLC

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 Futures Association forex dealer member and offers futures and forex trading to qualified clients.

CSTC

Schwab Personal Trust Services are offered to individual investors through CSTC, a Nevada state-chartered retail trust company based in Henderson, Nevada.

CSIM

CSIM, doing business as Schwab Asset Management, is an affiliate of Schwab that manages various wrap fee programs and provides advisory and/or administrative services to certain affiliated mutual funds and exchange-traded funds marketed under the Schwab Funds® and Schwab ETFs™ names, which may be recommended to you as part of the SWA Program. CSIM acts as investment manager for Schwab Managed Portfolios—Mutual Funds and Schwab Managed Portfolios—ETFs, and for other strategies in the Managed Account Connection® (“Connection”) program.

SRPS

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

Charles Schwab Trust Bank

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

Charles Schwab Bank, SSB

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.

TD Ameritrade Holding Corporation

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 and 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 business. 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.

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

Code of Ethics

SWAI has a code of ethics (the “Code”) adopted pursuant to Rule 204A-1 under the Advisers Act. The Code reflects the fiduciary principles that govern the conduct of SWAI and its Representatives—such as when we make recommendations in the SWA Program. The Code requires that SWAI Representatives comply with applicable federal securities laws and report violations of the Code. All SWAI Representatives are deemed “access

persons” by virtue of providing investment advice or having access to certain related information. The Code requires all “access persons” to report their personal transactions and holdings in certain securities periodically. SWAI Representatives 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.

You can get a copy of the Code by asking your SWAI Representatives or calling SWAI at 1-888-672-4922.

Gifts and Business Entertainment

SWAI Representatives may not give or accept gifts or business entertainment that violate applicable laws or create a conflict of interest or the appearance of impropriety.

Material Non-Public Information

The Code prohibits SWAI Representatives from disclosing confidential and material non-public information to anyone outside of SWAI, except as required to effect securities transactions for clients, and from using material non-public information for personal profit or to cause others to profit.

Participation or Interest in Client Transactions

SWAI's affiliate, Schwab, sponsors the SWA Program and receives compensation from certain mutual funds, fixed income securities, and other investments held in SWA accounts. This compensation is in addition to the explicit asset-based fee that SWA Clients pay to Schwab. As disclosed under the Fees and Compensation section of this document, SWAI is paid by Schwab and its affiliates for its services. The compensation of SWAI Representatives does not vary based on the securities they recommend to clients, nor do they receive compensation for any referrals.

Schwab and its affiliates (with the exception of SWAI) earn money or receive benefits in other ways when executing or effecting recommendations that you may choose to implement as a result of advice you receive in the SWA Program. This compensation is in addition to the SWA Program fee and creates a potential conflict of interest. In some cases, compensation is paid to Schwab by a third party, and you may ultimately bear these fees as a shareholder or investor.

When an SWAI Representative recommends/refers one of the following securities or products, Schwab and its affiliates receive compensation. SWAI Representatives will not earn additional compensation when they recommend an affiliated security/product or one that compensates Schwab affiliates, but Schwab and other affiliates will. The compensation Schwab and its affiliates receive creates a conflict of interest when a SWAI Representative recommends to you or discusses with you one of these securities or products as part of the SWA Program.

Schwab addresses these conflicts in a variety of ways, including monitoring for compliance with the Code and establishing security- and product-specific advice policies and guidelines that SWAI Representatives must follow when making recommendations. SWAI Representatives' recommendations, including recommendations to enroll in the SWA Program and to buy or sell securities, are supervised by SWAI Representatives' direct managers and by a Central Supervision Team for compliance with Schwab's advice policies and guidelines. Supervisors who oversee SWAI Representatives review a variety of factors once per quarter, including, but not limited to, client appropriateness, asset allocation data and internal notes to verify that both the SWA Program itself and the security recommendations made within the SWA Program are suitable. Supervisory functions, including review of trading activity, portfolio construction, communication review of recommendations in to advised offers are conducted by a Central Supervision Team.

Broker-Dealer Order Routing and Execution

In arranging for the execution of 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 maker or manage execution of the orders in other market venues, and also 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, and service levels and the cost of executing orders at a particular market or firm. Price improvement occurs when an order is executed 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.

Schwab receives payment, such as liquidity or order flow rebates, from market venues to which orders are routed, and also pays fees for execution of certain orders. Quarterly information regarding the market venues to which we route orders and payment received is available on our website at schwab.com/legal/order-routing-1 or in written form upon request.

In the bond market, there is no centralized exchange or quotation service for most fixed income products. Prices reflect activity by market participants or dealers linked to various trading systems. A small number of corporate bonds are listed on national exchanges. Although Schwab seeks access to major trading systems, exchanges, and dealer markets in an effort to obtain competitive pricing, at any given time it is possible that securities could be available through other trading systems, exchanges, or dealers at superior or inferior prices compared to those available at Schwab. All prices are subject to change without prior notice.

Schwab does not act as principal for equity securities except in limited circumstances such as when executing fractional shares. As an accommodation, Schwab will facilitate the sale of fractional shares of equity securities within your account by purchasing share(s) from you on a principal basis at prevailing market rates. Fractional shares, for example, can be created as a result of dividend reinvestment and cannot be sold directly into the market or transferred via an automatic clearinghouse. The Program Fee covers execution of fractional shares, which will be liquidated at no additional cost to you. Acting as principal on a trade is a conflict of interest because Schwab is on the other side of the transaction from the customer; however, Schwab seeks to mitigate this conflict by not charging additional fees on fractional share trades.

Mutual Funds

Schwab's Mutual Fund Marketplace (MFMP) gives investors access to a wide range of funds and share classes from different mutual fund companies. When clients invest in a mutual fund in a Schwab account, Schwab receives compensation from certain mutual fund companies for

the recordkeeping, shareholder services and other administrative services that Schwab provides to shareholders of the funds. These shareholder services include transaction processing, settlement of trades, dividend distribution, record maintenance, and distribution of statements, confirmations, prospectuses, and other regulatory shareholder documents. To the extent that any part of the fees described below are paid out of fund assets, those amounts are included in the fund's operating expense ratio ("OER"), which means they are indirectly borne by the fund's shareholders. Certain funds or fund families pay a flat platform fee, an asset-based platform fee or a combination of these fee structures to compensate Schwab for activities related to Schwab's sponsorship of the MFMP. This payment to Schwab can be based on any number of factors, such as the level of assets invested in the funds, purchases of the funds over the period, net flows into the funds (gross purchases less redemptions), or other qualitative factors such as Schwab's assessment of the quality of the relationship with fund companies. These platform fees are paid to Schwab in addition to the other shareholder services fee discussed elsewhere in this document. These platform fees equate to an annual fee of 0.10% or less of the average fund assets at Schwab (assuming the flat or tiered platform fee were converted from dollars to an annual asset-based fee.). This platform fee is generally paid by the fund advisor or another fund affiliate out of its own resources, and not directly out of fund assets. Fund companies are segmented into relationship tiers based on a combination of their fund assets held at Schwab and the asset-based and flat fee paid to Schwab. This tiered structure creates conflicts of interest, as fund companies that are in the top tiers will have greater access to Schwab representatives and advisors that custody their clients' assets at Schwab, who in turn may be more likely to recommend funds that are familiar to them. However, these tiers will not impact or influence selection of any fund on the Mutual Fund Select List® or other tools and lists prepared by Schwab and used by Schwab representatives to make recommendations and provide advice.

Schwab's Strategic Provider Relationship

Schwab has a long-term strategic relationship with T. Rowe Price and under this arrangement, T. Rowe Price makes payments to Schwab. The payments are in exchange for Schwab promoting certain actively managed T. Rowe Price mutual funds and ETFs to SWA Clients, and for providing additional mutual fund and ETF marketing support to T. Rowe Price ("Strategic Provider Relationship"). This payment is significant and will increase over each year of the relationship if Schwab is successful in promoting T. Rowe Price funds, based upon asset growth in the T. Rowe Price Funds at Schwab. Schwab received payments of \$12.4 million from T. Rowe Price for these promotional services during 2023. Payment in 2024 may be higher or lower depending on growth of T. Rowe Price assets at Schwab. This strategic relationship payment is in addition to and separate from payments T. Rowe Price makes to Schwab for shareholder and administrative services.

The terms of the arrangement provide a considerable financial benefit to Schwab., This creates conflict of interest as T. Rowe Price will have greater access to Schwab representatives and advisors that custody their clients' assets at Schwab, and Schwab will promote T. Rowe Price mutual funds and ETFs to our clients on Schwab.com and other digital properties. SWA Clients may be more likely to select, and Schwab representatives or advisors that custody their clients' assets at Schwab may be more likely to recommend, funds that are familiar to them and that receive greater promotional support from Schwab. The Strategic Provider Relationship will not impact selection of any fund on the Schwab lists used by Schwab representatives to make recommendations to clients. In addition, the compensation received by Schwab representatives will not differ based on whether the fund is from a Schwab affiliate, third-party fund sponsor, or T. Rowe Price.

Schwab Mutual Fund OneSource® Service and Other No-Transaction-Fee Funds

Through its Mutual Fund OneSource® service and other NTF funds, Schwab offers a selection of no-load and load-waived retail and non-retail share classes of mutual funds, including certain institutional share classes that are available with no transaction fee to investors. The compensation Schwab receives from mutual fund companies for shareholder services for OneSource/NTF funds may differ based on when the fund first became available at Schwab or other factors. If a retail, non-retail or institutional share class was first made available on OneSource/NTF, the asset-based annual fee for shareholder services could be up to 0.45%, but typically is 0.40%, which is higher than other share classes. At this standard rate, the fund or fund affiliate pays Schwab \$40 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. The fee may be subject to a monthly minimum that does not exceed US\$2,000. The fee applies starting with the first or seventh full month, depending on when the fund family was added to the platform, after the fund is made available for purchase at Schwab and only if the asset-based fee calculated for the month is less than the minimum monthly fee. When adding a new fund to Schwab's NTF platform, NTF Funds also pay Schwab establishment fees. The fee for the first fund that Schwab adds does not exceed US\$25,000 and the fee for each additional fund within a fund family that Schwab adds is US\$3,000.

Outside of the OneSource/NTF service, certain fund companies pay an asset-based fee for shareholder services on institutional share classes made available with no transaction fee ("Institutional NTF" or "INTF") and held by clients of investment advisors and other institutional investors, including certain large retail investors. Fees on new institutional class shares acquired or held at Schwab, are typically 0.17% per year but can range up to 0.19%. At a rate of 0.19%, the fund or fund affiliate pays Schwab \$19 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. The asset-based annual shareholder services fee on existing assets converted from transaction fee funds could be up to 0.15%, but typically is 0.12%, while shareholder services fees on existing assets that converted from Schwab Mutual Fund OneSource to INTF could be up to 0.45%, but typically are 0.40%. At rates of 0.12% and 0.40%, the fund or fund affiliate pays Schwab \$12 or \$40 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. When adding new INTF funds, the funds also pay Schwab establishment fees. The fee for the first fund that Schwab adds does not exceed US\$25,000 and the fee for each additional fund within a fund family that Schwab adds as NTF is US\$1,000 or US\$2,000 if added transaction fee. Schwab, as a broker-dealer, has set the initial investment minimum for NTF Funds and Fee Funds (defined below) in the SWA Program at \$1. The fund investment minimums applicable to purchases in SWA accounts may differ from the fund investment minimums in Schwab brokerage accounts not enrolled in the SWA Program. Fund companies may request a higher initial investment minimum, in which case that higher minimum will apply to initial purchases in SWA accounts. This means that for the first purchase of a NTF or Fee Fund (as defined below) in an SWA account, the investment minimum will be the higher of either \$1 or the fund company-imposed investment minimum, if any. Keep in mind that there are no transaction fee charges on any funds purchased in SWA accounts. A transaction fee is defined as a trade fee that a brokerage company may charge to purchase or sell a mutual fund. While there are no transaction fees, clients are subject to additional fees as disclosed in the SWA client agreement. Based on its shareholder servicing arrangements with fund companies, Schwab receives greater compensation from NTF Fund share classes than it receives from comparable investments made in the Fee Fund category.

Mutual Fund Recommendations

Recommendations by SWAI Representatives to purchase mutual fund shares are subject to Schwab's mutual funds advice policies and guidelines, which state that "buy" recommendations are restricted to funds on one of Schwab's recommendable lists of funds. Schwab has parameters for selecting mutual funds for inclusion in Schwab's recommendable lists, and these parameters are subject to change without notice. Affiliated funds

generally must meet the same selection criteria as third-party funds, but there are a few exceptions; for example, affiliated funds are permitted to have a shorter length of performance history than third-party funds. Recommendable lists for actively managed funds include NTF Funds and Fee Funds (as described below). Not all mutual funds available in the market are available for investment, instead only funds that have an agreement with Schwab are available for purchase. The mutual funds on the recommendable lists include no-load funds, Fee Funds, and NTF Funds that are part of the Schwab Mutual Fund OneSource service, with some prominence given to Schwab Funds®. As detailed in this brochure, Schwab receives various types of compensation when selling mutual funds. Schwab and its affiliates earn more money when clients purchase and hold funds that participate in the Mutual Fund OneSource service and Schwab Funds. While the compensation received by SWAI Representatives will not differ based on which fund is recommended, Schwab benefits more when clients invest in a NTF Fund due to higher compensation Schwab receives, and Schwab avoids incurring transaction fees that it otherwise would have to pay. NTF Funds typically have higher expense ratios than Fee Funds, making the funds more expensive for clients. You should not assume that the fund recommended has the lowest fee structure available.

Transaction-Fee Funds (“TF”)

For institutional share classes made available with a transaction fee (“TF”) (which is waived for SWAI accounts) that are held by clients of investment advisors and other institutional investors, including certain large retail investors, the asset-based annual fee for shareholder services could be up to 0.25%, but typically is 0.10%. At this standard rate, the fund or fund affiliate pays Schwab \$10 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. In some cases, Schwab applies a minimum monthly fee of \$1,000 per month per TF Fund, depending on when the fund family was added to the platform. This minimum monthly fee is applied starting with the first full month after the fund is made available for purchase at Schwab and only if the asset-based fee calculated for the month is less than the minimum monthly fee. When adding a new fund to Schwab’s platform, Fee Funds also pay Schwab establishment fees. The fee for the first fund that Schwab adds does not exceed US\$25,000 and the fee for each additional fund within a fund family that Schwab adds is US\$5,000. When adding a new interval fund to Schwab’s OneSource/NTF, INTF or TF platforms, interval funds also pay Schwab establishment fees. The fee for the first interval fund that Schwab adds does not exceed US\$25,000 and the fee for each additional interval fund within a fund family that Schwab adds is US\$25,000.

Sponsorship and Educational Opportunities

In addition to the fees described above, Schwab may earn additional compensation from certain mutual funds for the administrative services Schwab provides in connection with various event sponsorship and educational opportunities. The amount of such fees varies depending on the type and number of opportunities in which the fund participates.

ETFs

Some third-party ETF sponsors or their affiliates make payments to Schwab for ETF-related opportunities, such as education and events and data and reporting. Certain ETF sponsors pay Schwab up to \$750,000 annually for access to data and reports. The total amount of the fees paid by each ETF sponsor to Schwab for education and events will vary depending on the type and number of opportunities in which the ETF firm participates.

Schwab receives payment from third-party active semi-transparent (also known as non-transparent) ETFs or their sponsors for platform support and technology, shareholder communications, reporting, and similar administrative services for third-party active semi-transparent ETFs available at Schwab. This fee will vary, but typically is an asset-based fee of 0.10% per annum of the assets held at Schwab. Neither Schwab’s affiliate CSIM nor Schwab active semi-transparent ETFs pay a separate fee to Schwab for these services described, although CSIM reimburses Schwab, in its capacity as an affiliated financial intermediary of CSIM’s, for Schwab’s costs in providing certain professional, administrative, and support services for the Schwab ETFs™. Schwab’s affiliate CSIM, serves as investment adviser to the Schwab ETFs, and receives a fee for its services from the Schwab ETFs.

ETF Recommendations

Recommendations by SWAI Representatives to purchase ETFs are subject to Schwab’s advice policies and guidelines, which state that “buy” recommendations are restricted to ETFs on one of Schwab’s recommendable lists of ETFs. Schwab has parameters to select ETFs for inclusion in Schwab’s recommendable lists, and these parameters are subject to change without notice. Affiliated ETFs generally must meet the same selection criteria as third-party ETFs, but there are a few exceptions; for example, affiliated ETFs are permitted to have shorter length of performance history.

While the compensation received by SWAI Representatives will not differ based on which ETF is recommended, Schwab’s affiliate will earn more when clients invest in the affiliated Schwab ETFs. As detailed above in the “ETFs” section of this brochure, Schwab will earn more money when clients purchase third-party semi-transparent ETFs. Clients should not assume that the ETF recommended has the lowest fee available.

Schwab Funds®

Schwab currently has one affiliated mutual fund family, Schwab Funds. Schwab’s affiliate, CSIM, serves as investment adviser and/or administrator to the Schwab Funds. These Schwab Funds pay CSIM a fee for investment advisory and/or administrative services, the amount of which are described in the funds’ prospectuses. All Schwab Funds are part of Schwab’s Mutual Fund OneSource service. Consequently, like unaffiliated Mutual Fund OneSource and NTF mutual funds, certain of the Schwab Funds pay Schwab an asset-based fee for the shareholder services that Schwab provides.

Some Schwab Funds have adopted a shareholder servicing plan pursuant to which they may pay fees to Schwab for shareholder services ranging up to 0.25% annually. Pursuant to its shareholder servicing plan, SWGXX may pay Schwab up to an additional 0.10% annually for sweep administrative services that Schwab provides to shareholders invested in sweep shares of SWGXX. Some Schwab Funds do not make any payments to Schwab under a shareholder servicing plan. Many of the Schwab Funds have adopted a unitary fee structure under which a single fee is paid to CSIM, and out of which CSIM pays for certain services provided to the funds; CSIM and its affiliates are entitled to retain any portion of this fee not paid out to a service provider.

In aggregate, the fees Schwab receives from Schwab Funds are greater than the compensation Schwab receives from unaffiliated fund companies participating in the Schwab Mutual Fund OneSource service. When an SWAI Representative recommends a client to affiliated funds, this represents a conflict of interest, as Schwab earns additional compensation if clients purchase and hold affiliated funds.

Separately Managed Accounts

SWAI Representatives can recommend and service separately managed accounts (“SMAs”) sponsored by Schwab and managed by its affiliates or third-party advisors, including but not limited to Schwab Managed Portfolios™ and Managed Account Services™. Schwab and its affiliates earn additional compensation when a client enrolls in these SMAs, which creates a conflict of interest between you and Schwab.

Referrals by SWAI Representatives

Although an SWAI Representative may not recommend the following securities or products, they may refer a client to the appropriate party for additional information. While SWAI Representatives will not receive any compensation for these referrals, a conflict of interest is created because Schwab earns additional compensation if clients purchase and hold the security or product. Please refer to the SWA Disclosure Brochure for additional information on the below referral products.

Affiliated Banks

SWA clients may be introduced to certain Affiliated Bank deposit and lending products by SWAI Representatives. Schwab and its affiliates earn additional compensation if clients purchase and hold these deposit and lending products.

Schwab 529 Education Savings Plan (“Schwab 529 Plan”) and Learning Quest® Education Savings Program (“Learning Quest Program”)

The Schwab 529 Plan and Learning Quest Education Savings Program are education investment programs administered by the State of Kansas pursuant to Section 529 of the Internal Revenue Code. These plans are managed by American Century Investment Management, Inc. (“American Century”). The portfolios for purchase in the Schwab 529 Plan include American Century funds, other third-party funds, and Schwab Funds.

American Century pays Schwab for providing services, including customer support and processing of account opening and maintenance requests, to Schwab clients invested in the Schwab 529 Plan comprised of actively managed funds. This fee is based on total assets held in the Schwab 529 Plan, other than Schwab Funds, less a program cost allocation retained by American Century. American Century does not pay Schwab for assets held in portfolios composed of index or passively managed funds.

The Learning Quest Program is no longer available for purchase at Schwab, but Schwab receives a fee from American Century for providing services to Schwab clients already invested in Learning Quest, including customer support and processing of account maintenance requests. This fee is based on the total assets held by Schwab clients in the Schwab Learning Quest plan and the average account size.

Education investment plans are only available to SWA Clients who reside in the U.S.

Annuities

Schwab has annuity selling agreements in place with several insurance companies to offer annuities to Schwab clients. The insurance companies pay Schwab a commission for serving as the sales agent and for servicing the annuity contracts. The commission insurers pay to Schwab varies based upon the insurer and the type of annuity contract purchased. Schwab’s compensation is based on a percentage of premiums paid by the client or on a percentage of the client’s annuity contract value.

Compensation to Schwab is made in the form of an upfront payment only or an upfront payment followed by a “trail commission” that follows, which insurers pay to Schwab for a certain period. The maximum upfront commission insurance companies pay to Schwab is 5.50% and the maximum trail commission is 1.00%.

For variable annuities, Schwab’s compensation consists of an annualized commission, which the insurers calculate and pay monthly or quarterly based on the average asset value of the annuity contracts. The maximum annualized variable annuity commission paid to Schwab is 0.50%. As an alternative to commission and dependent on the product type, at least one company currently compensates Schwab for marketing services. To the extent variable annuity assets are invested in a Schwab Fund managed by CSIM, an affiliate of Schwab, Schwab and its affiliates earn additional compensation.

These Schwab Funds® and Schwab ETFs™ pay CSIM a fee for investment advisory and/or administrative services, the amounts of which are described in the funds’ prospectuses.

Annuities are only available to clients who reside in the U.S.

Life Insurance, Disability Insurance and Long-Term Care Insurance

Schwab has a selling agreement with a managing general agency (“agency”) to offer life insurance (term and permanent), disability insurance, and long-term care insurance to Schwab clients. The agency has selling agreements with multiple insurance companies. The insurance companies pay commissions directly to the agency. The agency pays Schwab a referral fee of 50% of the first year and renewal commissions paid to the agency, minus all chargebacks.

Life, disability, and long-term care insurance products are only available to clients who reside in the U.S.

Personal Trading

Schwab monitors the personal securities holdings and trading of SWAI Representatives. SWAI reviews such accounts custodied at Schwab and applicable accounts custodied at other firms.

The surveillance program monitors holdings and trades against the Code, the Compliance Manual, and other applicable policies. Additionally, SWAI Representatives must disclose all securities accounts they own or control after their hire date and review and confirm the accuracy of those accounts on a quarterly basis.

SWAI Representatives are prohibited 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 an SWAI Representative were to buy or sell a security to possibly capitalize on advance knowledge of an imminent customer transaction that is expected to influence the market price, or were to pass 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

Clients with accounts enrolled in the SWA Program agree in writing with Schwab that all brokerage transactions will be routed to Schwab for execution, which may not always obtain a price as another broker or dealer could obtain, depending on the circumstances. As detailed in the Broker-Dealer Order Routing and Execution section above, Schwab effects securities transactions for SWA Clients on an agency basis except in limited circumstances such as when executing fractional shares. Schwab will not charge a mark-up, mark-down, or commission to execute fixed income transactions in your SWA account. SWAI does not have discretion over client trades and therefore does not aggregate client trades. SWAI also does not participate in or solicit soft dollar arrangements.

SWAI maintains policies and procedures that address the identification and correction of trade errors. On those occasions when such an error does occur, SWAI will use reasonable efforts to identify and resolve errors as promptly as possible. SWAI will address and resolve errors on a case-by-case basis, in their discretion, based on the facts and circumstances. SWAI is not obligated to follow any single method of resolving errors but will seek to treat all clients fairly in the resolution of trade errors.

Review of Accounts

SWAI Representatives review SWA accounts periodically throughout the year in preparation for and as part of conversations with clients. A Wealth Advisor most often conducts these reviews, but other SWAI Representatives may also conduct them. It is during, and in preparation for, these conversations that your SWAI Representatives review the composition and performance of your Portfolio in light of your financial goals and situation. Due to Schwab’s additional revenue and dependence on new referrals from Schwab branches, SWAI Representatives have a conflict of interest when determining the SWA Program and/or other Schwab sponsored managed programs are in your best interest.

Client Referrals and Other Compensation

As explained in “Fees and Compensation,” Schwab compensates SWAI for providing non-discretionary portfolio management services to SWA accounts. SWAI does not compensate any party for referrals to the SWA Program. Schwab compensates certain parties for client referrals into the SWA Program. Please refer to the SWA Disclosure Brochure for details on those arrangements.

Investment Discretion

SWAI and SWAI Representatives do not have or exercise discretionary trading authority in accounts enrolled in the SWA Program.

Voting Client Securities

SWAI has no discretionary authority over SWA accounts and does not vote client securities in SWA accounts. You will receive your proxies and other solicitation information directly from Schwab, in its capacity as custodian. If you have questions about a particular solicitation, please contact Schwab at 1-800-435-4000.

Custody

Schwab has custody of client assets in SWA accounts and, at least quarterly, sends SWA Clients account statements detailing account positions and activities during the preceding period. Account statements include a summary of all transactions made on behalf of the account, all deposits and withdrawals made to or from the account, all fees and expenses charged to the account, and the value of the account at the beginning and end of the period. You should review these statements carefully.

Financial Information

SWAI does not require or solicit prepayment of SWA Program fees and is therefore not required to include a balance sheet for its most recent fiscal year. SWAI is not the subject of any financial condition that is reasonably likely to impair its ability to meet its contractual obligations to its clients. SWAI 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.

Fiduciary Advisor Disclosure

This document contains important information about SWAI and how it is compensated for the investment advice provided to you if you have an IRA (as defined in 29 C.F.R. 2550.408g-1(c)(4), which, for example, includes Simplified Employee Pension IRAs and SIMPLE retirement accounts) enrolled in the SWA Program (collectively, “Retirement Accounts”). In providing investment advisory services to Retirement Accounts, SWAI intends to rely on exemptions to the prohibited transaction restrictions of the Employee Retirement Income Security Act (“ERISA”) and the Internal Revenue Code (“IRC”) set forth in sections 408(b)(14) and 408(g) of ERISA and sections 4975(d)(17) and 4975(f)(8) of the IRC and the regulations thereunder. These exemptions are subject to certain conditions, including the requirement that we provide certain disclosures to you. We intend

that the disclosures contained in this document will provide the information required to be disclosed under the exemptions. You should carefully consider this information in your evaluation of our investment advice.

SWAI has been selected by you to provide investment advisory services for your Retirement Account. SWAI will be providing these services as a fiduciary advisor, as defined in IRC section 4975(f)(8)(J)(i) and, to the extent applicable, as a fiduciary under ERISA. Through your enrollment of your Retirement Account in the SWA Program, you will have expressly authorized the investment advice arrangement described in the portion of this document titled "Fiduciary Advisor Disclosure."

Compensation of the Fiduciary Advisor and Related Parties

SWAI is not compensated directly by you for the advice it provides. SWAI receives a fee from Schwab for the investment advice provided to the SWA accounts equal to: (1) the costs and expenses incurred by SWAI in connection with the SWA Program; plus (2) an additional amount of 10% of those costs and expenses. Schwab also provides SWAI with human resources, legal, compliance, supervisory, operational and other administrative and technological support services. SWAI is not compensated based on the particular investments recommended or held in Retirement Accounts.

SWAI's affiliate, Schwab, is compensated by you for the broker-dealer services it provides in the SWA Program. This asset-based fee is known as the "SWA Fee" and, effective October 1, 2018, begins at 0.80% of assets (adjusting downward depending on assets in your enrolled accounts), subject to certain exceptions, as detailed in the SWA Disclosure Brochure provided to SWA Clients.

SWAI's affiliate, Schwab, also provides other services in the SWA Program for which it receives compensation. For details on these other services please see the SWA Program Brochure.

SWAI's affiliate, CSIM, also provides investment advisory and/or administrative services to one affiliated mutual fund family, Schwab Funds®, and to a family of affiliated ETFs, Schwab ETFs™, whose funds are available in Retirement Accounts.

When SWAI recommends that you invest your Retirement Account assets in options and you follow that advice, you will pay trade commissions in addition to the SWA Fee. Option trading commissions details are found in the Charles Schwab Pricing Guide for Individual Investors, which is available online at www.schwab.com/pricing. This information should be reviewed carefully before you make an investment decision.

When SWAI recommends that you invest your Retirement Account assets in Schwab Funds, and you follow that advice, Schwab may receive compensation from the fund on the amount you invest. These amounts may be indirectly paid by you as part of the operating expense ratio ("OER") of the Schwab Fund. The amounts paid to Schwab for Schwab Funds will vary depending on the particular fund in which you invest. Specific information concerning the fees paid to Schwab by Schwab Funds is available in the SWA Disclosure Brochure and in the applicable fund prospectus and statement of additional information. This information should be reviewed carefully before you make an investment decision.

When SWAI recommends that you invest your Retirement Account assets in unaffiliated mutual funds and you follow that advice, Schwab will receive compensation from the fund on the amount you invest. These amounts may be indirectly paid by you as part of the OER of the unaffiliated mutual fund. The amounts paid to Schwab for unaffiliated mutual funds will vary depending on the particular fund in which you invest and may range up to 0.45% of the assets held at Schwab. At this rate, the fund or fund service provider pays Schwab up to \$45 per year for each \$10,000 in fund assets held by an investor for the shareholder services provided by Schwab. All of these fees may be subject to monthly or quarterly minimums, and Schwab may receive additional one-time fees to establish a fund at Schwab or additional flat fees for other services provided by Schwab. Specific information concerning the fees paid to Schwab by unaffiliated mutual funds is available in the SWA Disclosure Brochure. This information should be reviewed carefully before you make an investment decision.

Specific information concerning the fees paid to Schwab by unaffiliated ETFs is available in the SWA Disclosure Brochure. This information should be reviewed carefully before you make an investment decision.

When SWAI recommends that you invest your Retirement Account assets in Schwab Funds or Schwab ETFs and you follow that advice, CSIM will receive compensation from the fund on the amount you invest. The amounts paid to CSIM for Schwab Funds and Schwab ETFs will vary depending on the particular fund in which you invest. For certain Schwab Funds and Schwab ETFs, CSIM compensates other fund service providers out of the fees it receives. Specific information concerning the advisory and/or administrative fees paid to CSIM by each Schwab Fund and Schwab ETF is available in the applicable fund prospectus.

Schwab receives shareholder service fees from certain Schwab Funds, as disclosed in the fund prospectus. This information should be reviewed carefully before you make an investment decision.

When SWAI recommends that you enroll your Retirement Account in a Schwab-sponsored advisory program other than the SWA Program, and you follow that advice, you will pay the explicit asset-based fee in connection with that program in addition to the SWA Fee. CSIM receives compensation described above from the underlying assets held in your Retirement Account.

In addition to the above, Schwab also receives other fees or compensation, such as fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options, or other covered security sell transactions. A complete list of Schwab's charges and fees appears in the Charles Schwab Pricing Guide for Individual Investors, which is available online at www.schwab.com/pricing. This information should be reviewed carefully before you make an investment decision.

Consider Impact of Compensation on Advice

The fees and other compensation that Schwab and other SWAI affiliates receive as a result of assets held in SWA Program Retirement Accounts are a significant source of revenue for these affiliates. You should carefully consider the impact of any such fees and compensation in your evaluation of the investment advice that SWAI provides.

Investment Returns

While understanding investment-related fees and expenses is important in making informed investment decisions, it is also important to consider additional information about your investment options, such as performance, investment strategies and risks.

Specific information related to the past performance and historical rates of return of SWA accounts has not been provided to you due to the fact that: (1) the SWA Program is a non-discretionary investment advisory service in which clients can reject SWAI's recommendations or place trades on their own without SWAI's input; and (2) investment advice in SWA accounts does not consist of fixed portfolios or allocations, but is particular, within the limits set by SWAI's advice policies and guidelines, to the needs and circumstances of individual SWA Clients. You can find information on the past and current performance of your Retirement Account by referring to your Schwab Performance Report.

For investments with returns that vary over time, past performance does not guarantee how your investment in the same or similar investment will perform in the future; your investment could lose money.

Parties Participating in Development of SWA

Schwab is the sponsor of SWA and has participated in the development of advice policies and guidelines independently adopted by SWAI and applied to advice given by SWAI to SWA accounts.

In particular, recommendations by SWAI Representatives to purchase or sell mutual fund shares and ETFs are subject to advice policies and guidelines which state that "buy" recommendations are restricted to funds on one of a number of recommendable lists of funds. Although compensation to Schwab and its affiliates was not directly considered in the selection of funds for any recommendable list, the mutual funds on the recommendable lists include no-load and no-transaction-fee funds that are part of the Schwab Mutual Fund OneSource® service, with some prominence given to Schwab Funds®. Schwab and its affiliate, CSIM, generally earn more money when clients purchase and hold OneSource and Schwab Funds.

Use of Personal Information

SWAI will request from you information relating to age, time horizons, risk tolerance, current investments, other assets or sources of income, and investment preferences. This information will be shared with Schwab in order to process trade orders and maintain your SWA accounts. All personal information that SWAI or Schwab collects about you is subject to the CSCorp Privacy Policy, available online at www.schwab.com/privacy.

Independent Audit of Advice Arrangement

SWAI's advice arrangement for Retirement Accounts is audited annually by an independent auditor for compliance with the requirements of the exemptions and related regulations relied on by SWAI. The auditor furnishes SWAI with a copy of the auditor's findings within 60 days of its completion of the audit. Within 30 days of the completion of the auditor's written report, SWAI will furnish you with a copy of the auditor's report or make the auditor's report available to you on Schwab's website. Please go to www.schwab.com/auditreportswai for instructions on how to access the auditor's report.

Should you have any questions about SWAI or the information contained in this document, you may contact SWAI at the phone number on the front of this SWAI Disclosure Brochure.





March 2024

Summary of Material Changes to the Disclosure Brochures (Form ADV, Part 2A)

For the following services since March 2023:

- Schwab Wealth Advisory™
- Charles Schwab & Co., Inc. Disclosure Brochure for:
 - Schwab Managed Account Services™ Wrap Fee Program
 - Schwab Managed Portfolios™ Wrap Fee Program
 - Schwab Financial Planning Services

Contents

Introduction3

Schwab Wealth Advisory™3

Schwab Wealth Advisory Disclosure Brochure and
Schwab Wealth Advisory Disclosure Brochure
(For International Clients)3

Schwab Wealth Advisory, Inc. Disclosure Brochure ..4

Charles Schwab & Co., Inc. Disclosure Brochure for:

Schwab Managed Account Services™
Wrap Fee Program5

Schwab Managed Portfolios™ Wrap Fee Program5

Schwab Financial Planning Services5

Charles Schwab Investment Management, Inc.
Disclosure Brochure.....6

Introduction

Charles Schwab & Co., Inc. (“Schwab”) is required under the Investment Advisers Act of 1940 (the “Advisers Act”) to create and provide to clients disclosure brochures for the investment advisory and financial planning services we offer, including: Schwab Wealth Advisory™, Schwab Managed Portfolios™, Schwab Managed Account Services™, and Schwab Financial Planning Services. The Advisers Act also requires that we update our disclosure brochures annually and provide existing clients with a summary of the material changes to the brochure(s) for their service since the date of the last annual update.

This document summarizes the material changes to these disclosure brochures and to the brochures of a Schwab affiliate that participates in the services as portfolio managers. These brochures have also undergone various non-material changes since the last annual revisions were made. Such changes—normally small edits made to enhance clarity or minor updates to numerical values that vary from year to year—are not described below. Unaffiliated third-party portfolio managers participating in these services are responsible for distributing their own summaries separately.

If you’d like to receive a copy of any of these updated disclosure brochures, please call 1-877-566-9109 (or +1-415-667-8400 when calling from outside the U.S.) or email updateddisclosures@schwab.com. 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.

Securities, products, and services are not available in all countries and are subject to country-specific restrictions.

Schwab Wealth Advisory™

Schwab Wealth Advisory Disclosure Brochure and Schwab Wealth Advisory Disclosure Brochure (For International Clients)

These brochures, which describe Schwab’s role as the sponsor of the Schwab Wealth Advisory wrap fee

program (“SWA”), have undergone the following changes since March 31, 2023.

- Schwab has combined the formerly separate brochures applicable to U.S. and international clients, respectively, into a single brochure covering both services.
- **Services, Fees, and Compensation.** Schwab has updated this section to reflect the fact that representatives of its affiliate, Schwab Wealth Advisory, Inc. (“SWAI”), provide ongoing advice related to investments in discretionary separately managed accounts in addition to non-discretionary advice in accounts enrolled in SWA.
- **Services, Fees, and Compensation.** The “Schwab Compensation” sub-section has been updated to clarify the different types of compensation that Schwab and its affiliates receive from mutual funds recommended within SWA and to attempt to quantify the amount such compensation.

Schwab Wealth Advisory, Inc. Disclosure Brochure

This brochure describes the role of Schwab’s affiliate, SWAI, as the non-discretionary portfolio manager for accounts enrolled in SWA. For clients with retirement accounts enrolled in SWA, the full text of the updated “Fiduciary Advisor Disclosure” section of the brochure can be found on page 15, as required in order to rely on exemptions from certain prohibited transaction restrictions of the Employee Retirement Income Security Act and the Internal Revenue Code. This brochure has undergone the following changes since March 31, 2023.

- **Advisory Business.** SWAI has updated this section to reflect the fact that its representatives provide ongoing advice related to investments in discretionary separately managed accounts in addition to non-discretionary advice in accounts enrolled in SWA.
- **Methods of Analysis, Investment Strategies, and Risk of Loss.** SWAI has added disclosures to clarify the conflicts of interest that exist between SWAI and Schwab and the clients of SWA, along with a description of the way SWAI mitigates those conflicts.
- **Participation or Interest in Client Transactions.** SWAI has added disclosures to clarify the different

types of compensation that its affiliates receive from mutual funds recommended by SWAI and to attempt to quantify the amount such compensation.

Charles Schwab & Co., Inc. Disclosure Brochure for: Schwab Managed Account Services™, Schwab Managed Portfolios™, and Schwab Financial Planning Services

This brochure, which describes Schwab's roles as the sponsor of the Select, Connection, and Schwab Managed Portfolios ("SMP") wrap fee programs, and the offeror of Schwab Financial Planning Services, has undergone the following changes since March 31, 2023. Charles Schwab Investment Management, Inc. ("CSIM") is the investment manager for accounts enrolled in SMP and Connection.

- Schwab has substantially updated the brochures to combine what were formerly three separate brochures covering Schwab Managed Account Services, SMP, and Schwab Financial Planning Services into one combined brochure.
- Schwab has added disclosures describing the incorporation of the Selective Portfolios accounts into the Connection program, including differences between the way Selective Portfolios accounts are managed by CSIM, versus former manager, TD Ameritrade Investment Management, Inc.
- **Order Routing and Execution (Connection).** Schwab has added disclosures to clarify the conflicts of interest that pertains to the "directed brokerage" arrangement whereby CSIM is required to direct trades to Schwab as broker-dealer. Schwab has also added disclosures to describes how it mitigates this conflict.
- **Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading (SMP).** Schwab has added disclosures to clarify the different types of compensation that Schwab and its affiliates receive from mutual funds purchased in SMP accounts and to attempt to quantify the amount of such compensation.
- **Certain Risks.** Schwab has added disclosures about Cybersecurity Risk and risks from System Outages.

Charles Schwab Investment Management, Inc. Disclosure Brochure

This brochure, which describes the role of Schwab's affiliate, Charles Schwab Investment Management, Inc. ("CSIM"), as the investment manager for the Schwab Intelligent Portfolios® program (the "SIP Program"), has undergone the following material changes since March 31, 2023.

On March 30, 2024, the Charles Schwab Investment Advisory, Inc. ("CSIA") portfolio management teams that managed the SIP Program and the SIP Program assets were integrated into CSIM, and CSIM assumed fiduciary responsibilities for the SIP Program and its assets. Also, in September 2023, CSIM became the investment adviser, and assumed fiduciary responsibility, for the Selective Portfolios strategies and their assets. As a result of these changes, material changes were made throughout the brochure to incorporate the SIP Program and Selective Portfolios.

- **Item 4—Advisory Business.** CSIM has updated the disclosure to reflect the investment management services it provides for clients including those in the SIP Program and Selective Portfolios.
- **Item 8—Methods of Analysis, Investment Strategy and Risk of Loss.** CSIM has modified the discussion of its methods of analysis and investment strategies, and certain risks currently disclosed in the brochure where CSIM believes that additional disclosure would be beneficial to investors in the current market environment and to reflect the SIP Program and Selective Portfolios.
- **Item 9—Disciplinary Information.** CSIM has added a disclosure regarding a disciplinary matter relating to the SIP Program that occurred prior to CSIM assuming fiduciary responsibilities for the SIP Program and its assets.
- **Item 10—Other Financial Industry Activities and Affiliations.** CSIM has modified the discussion of its relationship with affiliates to disclose new and modified relationships.
- **Item 12—Brokerage Practices.** CSIM has updated information pertaining to its trading process for the different types of accounts it manages, the relationships among separate trading groups and portfolio management groups, and how trade rotation and trade allocation are handled.

“Fiduciary Advisor Disclosure” Section of the Schwab Wealth Advisory, Inc. Disclosure Brochure

Fiduciary Advisor Disclosure

This document contains important information about SWAI and how it is compensated for the investment advice provided to you if you have an IRA (as defined in 29 C.F.R. 2550.408g-1(c)(4), which, for example, includes Simplified Employee Pension IRAs and SIMPLE retirement accounts) enrolled in the SWA Program (collectively, “Retirement Accounts”). In providing investment advisory services to Retirement Accounts, SWAI intends to rely on exemptions to the prohibited transaction restrictions of the Employee Retirement Income Security Act (“ERISA”) and the Internal Revenue Code (“IRC”) set forth in sections 408(b)(14) and 408(g) of ERISA and sections 4975(d)(17) and 4975(f)(8) of the IRC and the regulations thereunder. These exemptions are subject to certain conditions, including the requirement that we provide certain disclosures to you. We intend that the disclosures contained in this document will provide the information required to be disclosed under the exemptions. You should carefully consider this information in your evaluation of our investment advice.

SWAI has been selected by you to provide investment advisory services for your Retirement Account. SWAI will be providing these services as a fiduciary advisor, as defined in IRC section 4975(f)(8)(J)(i) and, to the extent applicable, as a fiduciary under ERISA. Through your enrollment of your Retirement Account in the SWA Program, you will have expressly authorized the investment advice arrangement described in the portion of this document titled “Fiduciary Advisor Disclosure.”

Compensation of the Fiduciary Advisor and Related Parties

SWAI is not compensated directly by you for the advice it provides. SWAI receives a fee from Schwab for the investment advice provided to the SWA accounts equal to: (1) the costs and expenses incurred by SWAI in connection with the SWA

Program; plus (2) an additional amount of 10% of those costs and expenses.

Schwab also provides SWAI with human resources, legal, compliance, supervisory, operational and other administrative and technological support services. SWAI is not compensated based on the particular investments recommended or held in Retirement Accounts.

SWAI's affiliate, Schwab, is compensated by you for the broker-dealer services it provides in the SWA Program. This asset-based fee is known as the "SWA Fee" and, effective October 1, 2018, begins at 0.80% of assets (adjusting downward depending on assets in your enrolled accounts), subject to certain exceptions, as detailed in the SWA Disclosure Brochure provided to SWA Clients.

SWAI's affiliate, Schwab, also provides other services in the SWA Program for which it receives compensation. For details on these other services please see the SWA Program Brochure.

SWAI's affiliate, CSIM, also provides investment advisory and/or administrative services to one affiliated mutual fund family, Schwab Funds®, and to a family of affiliated ETFs, Schwab ETFs™, whose funds are available in Retirement Accounts.

When SWAI recommends that you invest your Retirement Account assets in options and you follow that advice, you will pay trade commissions in addition to the SWA Fee. Option trading commissions details are found in the *Charles Schwab Pricing Guide for Individual Investors*, which is available online at www.schwab.com/pricing. This information should be reviewed carefully before you make an investment decision.

When SWAI recommends that you invest your Retirement Account assets in Schwab Funds, and you follow that advice, Schwab may receive compensation from the fund on the amount you invest. These amounts may be indirectly paid by you as part of the operating expense ratio ("OER") of the Schwab Fund. The amounts paid to Schwab for Schwab Funds will vary depending on the particular fund in which you invest. Specific information concerning the fees paid to Schwab by Schwab Funds is available in the SWA Disclosure Brochure and in the applicable fund prospectus and statement of additional information. This information should be

reviewed carefully before you make an investment decision.

When SWAI recommends that you invest your Retirement Account assets in unaffiliated mutual funds and you follow that advice, Schwab will receive compensation from the fund on the amount you invest. These amounts may be indirectly paid by you as part of the OER of the unaffiliated mutual fund. The amounts paid to Schwab for unaffiliated mutual funds will vary depending on the particular fund in which you invest and may range up to 0.45% of the assets held at Schwab. At this rate, the fund or fund service provider pays Schwab up to \$45 per year for each \$10,000 in fund assets held by an investor for the shareholder services provided by Schwab. All of these fees may be subject to monthly or quarterly minimums, and Schwab may receive additional one-time fees to establish a fund at Schwab or additional flat fees for other services provided by Schwab. Specific information concerning the fees paid to Schwab by unaffiliated mutual funds is available in the SWA Disclosure Brochure. This information should be reviewed carefully before you make an investment decision.

Specific information concerning the fees paid to Schwab by unaffiliated ETFs is available in the SWA Disclosure Brochure. This information should be reviewed carefully before you make an investment decision.

When SWAI recommends that you invest your Retirement Account assets in Schwab Funds or Schwab ETFs and you follow that advice, CSIM will receive compensation from the fund on the amount you invest. The amounts paid to CSIM for Schwab Funds and Schwab ETFs will vary depending on the particular fund in which you invest. For certain Schwab Funds and Schwab ETFs, CSIM compensates other fund service providers out of the fees it receives. Specific information concerning the advisory and/or administrative fees paid to CSIM by each Schwab Fund and Schwab ETF is available in the applicable fund prospectus.

Schwab receives shareholder service fees from certain Schwab Funds, as disclosed in the fund prospectus. This information should be reviewed carefully before you make an investment decision.

When SWAI recommends that you enroll your Retirement Account in a Schwab-sponsored advisory

program other than the SWA Program, and you follow that advice, you will pay the explicit asset-based fee in connection with that program. CSIM receives compensation described above from the underlying assets held in your Retirement Account.

In addition to the above, Schwab also receives other fees or compensation, such as fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options, or other covered security sell transactions. A complete list of Schwab's charges and fees appears in the *Charles Schwab Pricing Guide for Individual Investors*, which is available online at www.schwab.com/pricing. This information should be reviewed carefully before you make an investment decision.

Consider Impact of Compensation on Advice

The fees and other compensation that Schwab and other SWAI affiliates receive as a result of assets held in SWA Program Retirement Accounts are a significant source of revenue for these affiliates. You should carefully consider the impact of any such fees and compensation in your evaluation of the investment advice that SWAI provides.

Investment Returns

While understanding investment-related fees and expenses is important in making informed investment decisions, it is also important to consider additional information about your investment options, such as performance, investment strategies and risks. Specific information related to the past performance and historical rates of return of SWA accounts has not been provided to you due to the fact that: (1) the SWA Program is a non-discretionary investment advisory service in which clients can reject SWAI's recommendations or place trades on their own without SWAI's input; and (2) investment advice in SWA accounts does not consist of fixed portfolios or allocations, but is particular, within the limits set by SWAI's advice policies and guidelines, to the needs and circumstances of individual SWA Clients. You can find information on the past and current performance of your Retirement Account by referring to your Schwab Performance Report. For investments with returns that vary over time, past performance does not guarantee how your investment in the same or

similar investment will perform in the future; your investment could lose money.

Parties Participating in Development of SWA

Schwab is the sponsor of SWA and has participated in the development of advice policies and guidelines independently adopted by SWAI and applied to advice given by SWAI to SWA accounts.

In particular, recommendations by SWAI Representatives to purchase or sell mutual fund shares and ETFs are subject to advice policies and guidelines which state that “buy” recommendations are restricted to funds on one of a number of recommendable lists of funds. Although compensation to Schwab and its affiliates was not directly considered in the selection of funds for any recommendable list, the mutual funds on the recommendable lists include no-load and no-transaction-fee funds that are part of the Schwab Mutual Fund OneSource® service, with some prominence given to Schwab Funds®. Schwab and its affiliate, CSIM, generally earn more money when clients purchase and hold OneSource and Schwab Funds.

Use of Personal Information

SWAI will request from you information relating to age, time horizons, risk tolerance, current investments, other assets or sources of income, and investment preferences. This information will be shared with Schwab in order to process trade orders and maintain your SWA accounts. All personal information that SWAI or Schwab collects about you is subject to the CSCorp Privacy Policy, available online at www.schwab.com/privacy.

Independent Audit of Advice Arrangement

SWAI’s advice arrangement for Retirement Accounts is audited annually by an independent auditor for compliance with the requirements of the exemptions and related regulations relied on by SWAI. The auditor furnishes SWAI with a copy of the auditor’s findings within 60 days of its completion of the audit. Within 30 days of the completion of the auditor’s written report, SWAI will furnish you with a copy of the auditor’s report or make the auditor’s report available to you on Schwab’s website. Please

go to www.schwab.com/auditreportswai for instructions on how to access the auditor's report.

Should you have any questions about SWAI or the information contained in this document, you may contact SWAI at the phone number on the front of this SWAI Disclosure Brochure.



Questions?

Please call 1-800-435-4000.

Clients calling from outside
the U.S.: +1-415-667-8400.

March 30, 2024

Annual Notice

Please take a moment to ensure your Schwab Managed Account(s) that you are enrolled in are still meeting your financial needs. Just like your personal wellness—financial wellness is dependent on regular check-ups to make sure your account(s) is in good financial shape.

We invite you to review your account(s) and confirm if there are changes you'd like to make at this time.

Things you should consider:

- Have you had any changes in your financial situation or investment objectives?
- Would you like to add, delete, or modify investment restrictions related to your account(s)? You may impose reasonable restrictions subject to the discretion of management.

Please give us a call if you need help reviewing your account or there is something you'd like to discuss or change. Or if you find your financial situation has changed considerably, we can certainly help you explore your investment alternatives. To schedule an appointment, please reach out to your designated Schwab Service Representative or call us at (800) 435-4000. Clients calling from outside the U.S. can reach us at (415) 667-8400.

Otherwise, we'll assume there are no changes in your financial situation, investment objectives, or restrictions, and no further action is required on your part.

Thank you for investing with Schwab.

Sincerely,

Schwab Investor Services

1121-16FV



Please note that this notice does not apply to Schwab accounts managed by an independent investment advisor.

Independent investment advisors are not owned by, affiliated with, or supervised by Schwab.

©2024 Charles Schwab & Co., Inc.

All rights reserved. Member SIPC.

E-0324-5865318444383076372 REG66722-13 (03/24)