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# **Schwab Wealth Advisory™ Disclosure Brochure**

**Charles Schwab & Co., Inc. Disclosure Brochure for the Schwab Wealth Advisory  
Wrap Fee Program (formerly known as the Schwab Private Client™ Wrap Fee Program)**

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This wrap fee program brochure provides information about the qualifications and business practices of Charles Schwab & Co., Inc. ("Schwab"). If you have any questions about the contents of this brochure, please contact us at 1-800-435-4000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Schwab's description of itself in this brochure as a Registered Investment Adviser does not imply a certain level of skill or training on the part of Schwab or its representatives.

Additional information about Schwab is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Services, Fees and Compensation

This brochure describes the following wrap fee program sponsored by Charles Schwab & Co., Inc. ("Schwab"): Schwab Wealth Advisory™ ("SWA") (formerly known as Schwab Private Client™ ["SPC"]). Schwab also sponsors other wrap fee programs, for which you can request a copy of their respective brochures.

### Services

SWA is a fee-based program that offers periodic non-discretionary investment advice based on your overall financial picture developed through analysis and discussion of various wealth management topics, trade execution, asset custody, and other brokerage services. The provision of non-discretionary investment advice within SWA, including but not limited to recommendations about how to allocate assets and whether to buy, sell or hold particular securities in accounts enrolled in SWA, is delivered exclusively by Schwab Wealth Advisory, Inc. ("SWAI"), an affiliate of Schwab and a Registered Investment Adviser. At SWAI's discretion or upon a client's request, a financial plan will be offered. These services are delivered by a team of investment professionals and are available to all Schwab accounts that you enroll in SWA as part of a single portfolio—that is, a group of accounts whose assets are considered together for advice-giving and fee-calculation purposes (each a "Portfolio").

During your enrollment in SWA, we will periodically meet with you in person, via video conference, or by phone to review your financial situation and your Portfolio. Your initial review will typically cover a summary of your financial situation as well as an action plan listing our specific recommendations for your accounts. Subsequent reviews may refer to a previous summary rather than a newly created summary, depending on your individual circumstances.

Your SWA representatives include a Financial Consultant who is generally responsible for establishing and maintaining client relationships. Your SWAI Wealth Advisor is generally responsible for making buy and sell recommendations. Wealth Advisors are supported by an Associate Wealth Advisor who generally assists clients as they join the program, and with ongoing support related to planning and advice interactions. In addition, a team of SWA Service Associates generally assists clients with service needs, such as requests to move money, orientations to Schwab.com, and answering general questions about Schwab services. We refer to these representatives as your "SWA Representatives." The composition of the team working with you, and the exact role played by any member, may change over time depending on Schwab's practice model or your needs and preferences.

Wealth Advisors, Associate Wealth Advisors, Fixed Income and Options Specialists, Financial Planners, and other SWA Representatives who provide investment advice to SWA accounts are employees of SWAI (collectively, "SWAI Representatives"). If you require additional or more specialized financial planning assistance beyond the SWA program, your SWA Representative may refer you to a Schwab financial planning specialist outside of the SWA program at no additional cost.

Schwab acts as the sole sponsor of SWA and as a broker-dealer and custodian with respect to assets and transactions in the accounts enrolled in SWA. SWAI acts as the investment adviser on accounts enrolled in SWA pursuant to an advisory agreement with Schwab (the "Agreement"). For more information about the role of SWAI and SWAI Representatives, please see the SWAI Disclosure Brochure.

To help you keep your Portfolio aligned with your goals, quarterly reporting will be made available. These updates include a range of recent account activity, portfolio analysis and investment perfor-

mance information for your SWA-enrolled accounts.

Acting as a broker-dealer, Schwab is the sole custodian for all billable assets (defined below) in SWA accounts and performs all custodial functions customarily performed for securities brokerage accounts, including crediting of interest and dividends on account assets. The SWA Fee described below compensates Schwab, in part, for these services. If you have Schwab accounts that are not enrolled in SWA, any fees you are charged for the maintenance of or custody of assets in those accounts, or for other account-related services, will be separate from and in addition to the SWA Fee.

Neither Schwab, nor SWAI, nor any representative exercises investment discretion or control of any kind over your accounts, and SWA does not include discretionary investment services or investment management of the enrolled accounts. This means that all trading decisions are made by you, and that you may decline to take SWAI's recommendations. You may place trades on your own without consulting your SWAI Representatives. Note, however, that SWA-enrolled accounts may not purchase any securities during an initial public offering period. 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. Representatives may however refer you to another managed account program at Schwab which does provide discretionary investment management. In those cases, the investment manager of your chosen program and not SWAI will exercise discretionary investment services as described in their Disclosure Brochure, as agreed to under the terms of that program's advisory agreement.

Schwab and SWAI do not act as investment managers within the meaning of the Employee Retirement Income Security Act ("ERISA") with respect to any IRA or other retirement account that you enroll in SWA. 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.

Schwab will periodically review SWA accounts 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 Agreement.

As a feature of SWA, accounts enrolled in SWA can have their uninvested cash, or "free credit balances," automatically swept into the Schwab Government Money Fund™ (SWGXX), a money market fund that generally may pay a higher yield than certain other cash sweep options, such as Schwab One® Interest and Bank Sweep.

If your accounts currently have a different sweep feature, you authorize and direct Schwab to establish or change your cash sweep feature to the Schwab Government Money Fund generally within one week of enrollment of the account(s), unless you instruct us not to do so. If your enrollment in SWA is terminated at any time for any reason and if, at that time, you are not otherwise eligible for the Schwab Government Money Fund as your cash sweep feature, Schwab may, without further notice or consent, redeem your shares in the fund and invest or deposit the proceeds in a replacement cash sweep feature for which you are eligible. A different cash sweep feature may apply to your non-SWA accounts.

## Fees

The SWA Fee described below covers all non-discretionary advice provided through SWA as well as equity trade commissions in your enrolled accounts, all transaction fees on purchases and sales of mutual fund shares and all markups, markdowns and commissions on trades in fixed income investments.

All other trade orders and services are subject to Schwab's standard commissions, charges and fees. In particular, the SWA Fee does not cover the costs listed below, which may apply to assets in your enrolled accounts to which the SWA Fee also applies, and to transactions in your accounts that SWAI may recommend.

- Fees charged by mutual fund companies, unit investment trusts ("UITs"), closed-end funds and other collective investment vehicles, including, but not limited to, sales loads (a portion of which are paid to Schwab) and/or charges and redemption fees.
- Short-term redemption fees charged by Schwab for funds that participate in the Schwab Mutual Fund OneSource® service. Funds themselves may also charge a redemption fee, likewise not covered by your SWA Fee.
- Fees relating to services provided by broker-dealers other than Schwab for transactions executed or effected by or through them that settle into or from your enrolled accounts. You will be responsible for paying any commissions and other fees or compensation charged by other broker-dealers in connection with such transactions.
- Custody and/or transaction fees on "Alternative Assets" that you transfer to Schwab. For purposes of your enrollment in SWA, "Alternative Assets" include, but are not limited to, non-publicly traded limited partnership and limited liability company interests, private company common stock, shares of exchange funds, shares of hedge funds and funds of funds, shares of private equity funds and funds of funds, shares of managed futures funds, interests in real estate funds, and other non-publicly traded investments that Schwab, in its sole discretion, determines.
- Fees on options trades.
- Fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options, or other covered security sell transactions.
- Transfer taxes, odd-lot differentials, certificate delivery fees, reorganization fees, fees required by law, and any other fees or charges similar to those described above.

If you are interested in a complete list of Schwab's charges and fees, please see the *Charles Schwab Pricing Guide for Individual Investors*, which is available online at [schwab.com/pricing](http://schwab.com/pricing) or by asking us for a hard copy.

The SWA Fee is calculated by looking at all assets in your Portfolio except cash balances, money market fund shares, mutual fund shares upon which a sales charge has been or will be paid to Schwab, and other non-billable assets. Billable and non-billable assets are described in detail immediately below.

Billable assets consist of the following:

- Equities, including, but not limited to, common stock, preferred securities (including convertible preferred stock before conversion), restricted stock, master (publicly traded) limited partnership shares or units, American Depositary Receipts, foreign ordinary shares, and any rights or warrants on equities;

- Funds that trade on an exchange, including, but not limited to, exchange-traded funds ("ETFs") and any closed-end funds;
- Unit Investment Trusts;
- Billable fund shares consisting of all mutual fund shares except money market fund shares or other "non-billable fund shares" described below. Billable fund shares include, but are not limited to, shares of Schwab-affiliated mutual funds, shares of no-load and load-waived mutual funds, shares of mutual funds on which Schwab charges a transaction fee and any mutual fund shares upon which a sales charge has been paid to another broker-dealer or a financial services firm other than Schwab;
- Fixed Income Investments, including fixed income securities, such as U.S. Treasury and federal agency securities, securities of government sponsored enterprises ("GSEs"), corporate bonds and medium-term notes, zero-coupon bonds, commercial paper, municipal bonds, bank certificates of deposit ("CDs"), asset-backed securities (including collateralized mortgage obligations), convertible debt securities, fixed income market-linked investments that are tied to currency, fixed income or equity indices (such as equity-linked CDs, TIERS and ELKS);
- Alternative Assets (including, but not limited to, non-publicly traded limited partnership and limited liability company interests, private company common stock, shares of exchange funds, shares of hedge funds and funds of funds, shares of private equity funds and funds of funds, shares of managed futures funds, interests in real estate funds and other non-publicly traded investments that Schwab, in its sole discretion, determines) for which Schwab receives a valuation at least quarterly and that you purchased: (i) through Schwab without a sales charge paid to Schwab; or (ii) through another broker-dealer or a financial services firm other than Schwab whether or not a sales charge was paid to such broker-dealer or other financial services firm; and
- Assets purchased on margin or through other extensions of credit by Schwab or its affiliates, such as Pledged Asset Line® will be considered for purposes of calculating the SWA Fee. The SWA Fee will not, however, be charged on debit balances in your accounts or on proceeds from "short sales" (meaning securities that you sell that you have borrowed but do not own).

Non-billable assets include, but are not limited to:

- Cash Balances, consisting of money that is awaiting investment, which may include money earning interest through Schwab One® Interest or Bank Sweep and that is in your account as a result of a liquidation of securities or a dividend payment;
- Non-billable Fund Shares, consisting of any money market fund shares, mutual fund shares upon which a sales charge has been or will be paid to Schwab and any other mutual fund shares that Schwab, in its sole discretion, determines will not be subject to the SWA Fee;
- Alternative Assets you purchased through Schwab with a sales load paid to Schwab and/or for which Schwab receives a valuation less frequently than quarterly; and
- Other Investments, including, but not limited to, options, insurance, annuities, and direct investments in commodities and commodity futures.

The SWA Fee is billed in arrears and calculated as a percentage of the billable assets in your enrolled accounts. The applicable annual percentage rates (each an "APR") are shown in the table below. There is a quarterly minimum fee equal to the lesser of: (a) \$1,000;

or (b) the quarterly fee that would result from applying a 1.60% APR to the total billable assets in your enrolled accounts (the “Quarterly Minimum”). Portfolios subject to the Quarterly Minimum will also be subject to a “Quarterly Maximum” APR of 1.60%. SWAI’s compensation for providing investment advice to SWA clients is described in the SWAI Disclosure Brochure and does not vary depending on the percentage of billable assets in a particular Asset Category (defined below) or the types of individual securities comprising either Asset Category—either at the Portfolio level or in aggregate across all SWA accounts. SWAI Representatives’ compensation also will not vary depending on what they recommend that you buy or sell.

On a daily basis, the total value of your billable SWA assets are multiplied by the daily pro rata portion (i.e., 1/365, or 1/366 in a leap year) of the APR (each a “Daily Total Amount”). For the last business day of the quarter and any subsequent non-business days, the Daily Total Amount is assumed to be equal to the Daily Total Amount for the second-to-last business day of the quarter. The Daily Total Amounts for each quarter are added together to make the “Quarterly Total Amount.” If the Quarterly Total Amount (plus any Schwab Managed Account Services™ [“MAS”] or Schwab Managed Portfolios™ [“SMP”] fees for clients whose MAS or SMP accounts are grouped together with SWA accounts for purposes of meeting the Quarterly Minimum and calculating the Quarterly Maximum) is greater than the Quarterly Minimum, you will pay the Quarterly Total Amount for that quarter; otherwise, you will pay the Quarterly Minimum. However, billing groups that are enrolled in SWA for a partial quarter will not be subject to the Quarterly Minimum; instead, they will be charged the sum of the daily fees for the number of days enrolled.

Schwab has several fee schedules for SWA, as shown below: the “Grandfathered Fee Schedule,” which applies to accounts enrolled before January 1, 2014, and a “Standard Fee Schedule,” which went into effect on October 1, 2018.

SWA accounts subject to the Grandfathered Fee Schedule remained on that schedule even after the Standard Fee Schedule went into effect.

SWA accounts enrolled beginning January 1, 2014, and that were previously subject to a 2014 fee schedule, were moved to the Standard Fee Schedule effective October 1, 2018.

#### Grandfathered Fee Schedule for Accounts Enrolled Before January 1, 2014, or Otherwise Subject to Lower Price Conditions

Billable Assets per Asset Category	Asset Category: Equities, Funds That Trade on an Exchange (i.e., ETFs), Unit Investment Trusts (UITs), Billable Fund Shares (Except Fixed Income Open-Ended Funds) and Alternative Assets.	Asset Category: Fixed Income Investments (Including Billable Open-Ended Fund Shares of Fixed Income Funds, but not including fixed income ETFs).
Annual Percentage Rate	Annual Percentage Rate	Annual Percentage Rate
Amounts up to \$500,000	0.75%	0.50%
Next \$500,000 (more than \$500K up to \$1M)	0.70%	0.48%
Next \$1 million (more than \$1M up to \$2M)	0.65%	0.45%
Next \$3 million (more than \$2M up to \$5M)	0.60%	0.40%
Next \$5 million (more than \$5M up to \$10M)	0.45%	0.30%
Assets over \$10 million	0.30%	0.15%

Note that the Grandfathered Fee Schedule also applies to any accounts you enroll on or after January 1, 2014, if certain conditions are met as described below. Specifically, if you or someone in your household (e.g., generally a person with the same last name living at the same address) (1) opened an SWA account before January 1, 2014, and (2) has continuously maintained at least one SWA account since the time of that initial SWA enrollment (thus meeting “Lower Price Conditions”), the Grandfathered Fee Schedule will apply to new SWA accounts that you enroll on or after January 1, 2014. If you believe that your SWA account qualifies for, but is not receiving, the Grandfathered Fee Schedule pricing, please notify us immediately.

#### Standard Fee Schedule (effective October 1, 2018)

Billable Assets	Annual Percentage Rate
Amounts up to \$1 million	0.80%
Next \$1 million (more than \$1M up to \$2M)	0.75%
Next \$3 million (more than \$2M up to \$5M)	0.70%
Assets over \$5 million	0.30%

The SWA Fee will impact the overall performance—both total return and yield—of your enrolled accounts, which is why performance figures for your Portfolio in your quarterly report are calculated net of the SWA Fee. You should consider the impact of the SWA Fee on, for example, income-producing securities and on the performance of mutual funds for which you will also be paying fees and charges. If you believe that there are any discrepancies between the SWA Fee actually charged and the SWA Fee calculated under the applicable fee schedule, please notify us immediately. Although some clients may qualify for discounts, the standard SWA fee is generally not negotiable. From time to time, Schwab may, at its sole discretion, elect to reduce or change the applicable SWA Fee

for particular clients or groups of clients as a result of individual negotiations or promotional offers.

Some of the features of SWA may be available from Schwab outside of SWA for separate fees or in bundles as part of other services. Depending on the size of the respective fees and the features you intend to use (including the amount and type of trading in your accounts and the type of advice you seek), a different Schwab service, or some combination of different Schwab services, might be less expensive or better suited for you than SWA. Please call Schwab if you are unsure whether SWA is right for you.

The SWA Fee is separate from any fee you might pay for MAS or SMP or other wrap fee programs sponsored by Schwab. Accounts enrolled in MAS and SMP are not subject to the SWA Fee, but certain MAS and SMP accounts may be grouped together with SWA accounts for purposes of meeting the Quarterly Minimum and calculating the Quarterly Maximum. It is your responsibility to inform Schwab of all accounts that you are requesting be grouped together for billing purposes and to qualify for any available aggregation discounts.

### **Compensation**

The compensation of SWA Representatives does not vary based on the securities that are recommended to you. Financial Consultants are compensated for enrolling and servicing accounts in SWA.

Financial Consultants ("FCs") may be Schwab employees or non-employee independent contractors who, with their own employees, operate Schwab Independent Branches pursuant to a franchise agreement with Schwab. Financial Consultants who operate Schwab Independent Branches are known as Independent Branch Leaders ("IBLs") or, if employed by such IBLs, Independent Branch (IB) Representatives.

In addition to their base salaries, Schwab employee FCs receive compensation for successfully navigating clients to SWA and other investment advisory programs and for servicing those clients after enrollment in such programs. Schwab as a company may earn more or less revenue depending on what products and services a Schwab employee FC recommends and a client chooses. Schwab employee FC compensation varies by the type of program or services an account participates in. Schwab has designed Schwab employee FC compensation to be based on factors that include the time, complexity, and expertise necessary to understand and recommend a program and to provide ongoing service to a client enrolled in a given program.

Based on these factors, amounts earned by Schwab employee FCs on assets enrolled in SWA exceed the amounts earned on assets in commission-based brokerage accounts and in some other advisory program accounts.

As independent contractors, IBLs receive a monthly "Net Payout" from Schwab, which includes amounts earned on assets in accounts referred to SWA and other advisory programs and assets in commission-based brokerage accounts, and it is from this Net Payout amount that IBLs pay their IB Representative employees. As with Schwab employee FCs, the amounts earned by IBLs and IB Representatives vary by the type of program in which an account participates.

For detailed information on the compensation of Financial Consultants and other SWA Representatives, please visit our website at [schwab.com/representative-compensation](http://schwab.com/representative-compensation).

### **Account Requirements and Types of Clients**

SWA is available to individuals, trusts or estates, and corporations or other businesses in their eligible Schwab brokerage

accounts. Eligible accounts include but are not limited to IRAs and retirement accounts for retirement plans that include only self-employed individuals and their spouses. Eligible accounts also include eligible pledged asset accounts used as collateral for the Pledged Asset Line® offered by Charles Schwab Bank, SSB, or Charles Schwab Premier Bank, SSB (collectively, the "Affiliated Banks"). Other types of retirement plan accounts are excluded from SWA, as are offshore trust accounts, certain pledged asset accounts, charitable gift accounts and state and municipal government entities. Certain account types, such as estate, conservatorship and guardianship accounts, while eligible for SWA, may not be combined with other accounts for purposes of calculating the SWA Fee. For more information on pledged asset accounts used as collateral for the Pledged Asset Line offered by the Affiliated Banks, please refer to the Agreement.

SWA is intended for clients who want a dedicated team to provide a non-discretionary, fee-based relationship in which SWAI provides periodic investment advice developed through analysis and discussion of various wealth management topics in addition to brokerage services. SWA is not intended for clients who want or need someone else to manage their investments on a discretionary basis. It is generally not intended for day trading or highly active trading, or trading in mutual funds based on market timing. Another Schwab service may be better for investors who want a set mutual fund portfolio, money market funds, underwritten offerings (e.g., initial public offerings), or for investors with high cash balances or insufficient assets in their enrolled accounts. Clients may incur more costs by participating in the wrap fee program than if they received services provided in other areas at Schwab, such as a broker-dealer account. The initial enrollment minimum is \$1,000,000. Schwab may reduce or waive this minimum in certain situations, including on the basis of individual negotiations or business considerations. Portfolio groups with lower enrolled assets (e.g., due to withdrawals or enrollment in SWA during a time when a lower asset minimum was in place) may be allowed to remain enrolled in the program.

### **Portfolio Manager Selection and Evaluation**

SWAI and SWAI Representatives serve as the sole portfolio managers in SWA. Because SWA is a non-discretionary program, and because SWA clients may place unsolicited trade orders and decline trade recommendations made by their SWAI Representatives, Schwab does not evaluate SWAI Representatives on the basis of the performance of particular SWA accounts or groups of SWA accounts. Schwab does monitor SWAI Representatives for compliance with applicable advice policies and guidelines, as described in "Participation or Interest in Client Transactions." SWAI Representatives are supervised for compliance with substantially similar advice policies and guidelines adopted by SWAI.

### **Client Information Provided to Portfolio Managers**

SWA Representatives have access to the information that you have disclosed to Schwab. SWAI and SWAI Representatives serve as the sole non-discretionary portfolio managers in the SWA program.

### **Client Contact With Portfolio Managers**

You are free to contact your SWAI Representatives at any time during normal business hours. As described in "Services," meetings with your SWAI Representatives take place periodically throughout the year.

## Additional Information

### Advisory Business

Schwab provides the SWA program through its dual role as Registered Investment Adviser and broker-dealer. In addition to SWA, Schwab provides other investment advisory services. Schwab refers investors seeking assistance with managing their assets and/or other financial planning activities to third-party investment advisers through the Schwab Advisor Network®. Advisors participating in the Schwab Advisor Network are independent and not affiliated with Schwab. Investment advisers pay a fee to participate in the Schwab Advisor Network program. Schwab services also include sponsorship of Schwab Intelligent Portfolios Solutions™ SMP, and MAS, as well as financial planning. An SWA Representative may recommend or refer one of these services to you. Schwab earns additional fees or compensation if you elect to enroll in or purchase one of them. A separate agreement and disclosure brochure are available for these other investment advisory services and would be provided to you at the time of referral or purchase.

### Performance-Based Fees and Side-by-Side Management

The SWA Fee is not performance-based. In other words, it is not based on a share of capital gains, or capital appreciation of the assets in SWA accounts. Likewise, SWA Representatives do not receive performance-based compensation for providing SWA services.

### Methods of Analysis, Investment Strategies and Risk of Loss

The SWAI Representatives assigned to your enrolled accounts will provide you with non-discretionary advice based on your individual circumstances and needs. They follow specific advice policies and guidelines (either Schwab policies and guidelines adopted by SWAI or separate policies and guidelines specifically formulated for, and adopted by, SWAI) which indicate, subject to an exceptions process, the universe of securities that are recommendable. 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. 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. An SWAI committee reviews, approves, and amends the advice policies and guidelines that SWAI Representatives follow. SWAI Representatives may supplement the research provided by Schwab Center for Financial Research with additional sources of information, which may include, among other resources, financial newspapers, periodicals and/or research reports prepared by third parties made available to Schwab Representatives and clients.

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. Investment strategies recommended to SWA clients may be a combination of long-term strategies (securities held for at least a year) and short-term strategies (securities held for less than a year) based on principles of asset allocation, risk tolerance, client preference, and diversification. These strategies generally do not include active trading, short sales in SWA accounts, or certain complex option strategies. The investment strategies recommended within SWA, like all securities investments, involve a risk of loss that SWA clients must be prepared to bear. Investment risks may include but are not limited to strategy risks, asset allocation risks, market and systemic risks, credit risks, liquidity risks, risks related to the underlying security (e.g., ETFs, mutual funds, equity, fixed income,

government securities, high yield securities), risks related to foreign investments (e.g., emerging markets, frontier markets, currency risks), and risks related to asset classes (e.g., commodities risks, real estate risks). Please see the SWAI Disclosure Brochure for additional information about these risks.

At client's request or the SWAI Representatives' discretion, client can access financial planning services from either SWAI Representatives or Charles Schwab & Co., Inc., a Registered Investment Adviser and affiliate. You may be offered a Schwab Plan Comprehensive™ Schwab Personal Financial Plan™ or a Schwab Equity Compensation Consultation (collectively, "Financial Planning Service"), depending on your needs and circumstances. These plans assess certain aspects of financial planning related to your situation ("Analysis"), such as retirement needs, education funding, estate planning, or stock option grants, as applicable. The methods of analysis used to produce the Analysis, and to inform the Analysis, include the creation of personal financial statements (i.e., current cash flow statement, projected cash flow, current net worth, projected net worth statement, and Monte Carlo analysis, which is described below) based on the information you provide through statements and conversations. The accuracy of the information you provide is crucial to the usefulness of the Analysis. The Analysis is based on the information you provide 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. Exercising and/or selling equity compensation may create additional tax consequences. You should consult with your 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.

Unless otherwise specified, the Financial Planning Service is typically provided on a discrete basis and at a point in time and does not involve ongoing advice. Therefore, it is important for you to monitor your personal situation and current events, such as changes in tax laws and financial markets. 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 suggested in your Analysis or financial planning analysis generally. Neither SWAI nor Schwab have discretionary authority or assume responsibility with respect to your brokerage accounts as a result of your use of the Financial Planning Service or discussions regarding the Analysis. Neither SWAI nor Schwab give legal or tax advice. You should carefully consider all relevant factors before deciding how or whether to implement recommendations contained in your Analysis or financial planning analysis generally.

### 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. Our 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 believed to be reasonably designed to address these risks. Despite our efforts to ensure the integrity of our systems, we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, and security breaches could still occur that would halt or impair our ability to provide advisory services. System interruptions, errors or downtime can result from a variety of causes, including changes in client use patterns, technological failure, changes to our systems, linkages with third-party systems and power failures and can have a significant impact on our business and operations. It could take an extended period of time to restore full functionality to our technology or other operating systems in the event of an unforeseen occurrence, which could affect our ability to manage client assets and deliver advisory services. We will respond to breaches with appropriate resources in an effort to contain and remediate the cause of the breach and restore operations.

### Disciplinary Information

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

1. In June 2022, Schwab and its affiliate Charles Schwab Investment Advisory, Inc. (collectively, “Schwab,” for purposes of this matter description only) reached an agreement with the United States Securities and Exchange Commission (“SEC”) to settle a matter related to historical disclosures and marketing of the Schwab Intelligent Portfolios® advisory program (the “Program”).

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

(1) Schwab’s conflict of interest in setting the cash allocations; (2) the influence of this conflict of interest on the size of the cash allocations; and (3) the negative effect of the cash allocations on performance in Program accounts under market conditions where other assets such as equities outperform cash. The SEC also found that Schwab failed to sufficiently implement compliance policies designed to prevent the publication of misleading statements. Finally, the SEC found that Schwab made similarly misleading statements in advertisements for the Program.

Without admitting or denying these findings, Schwab agreed to pay a total of \$186,536,861 in disgorgement, pre-judgment interest, and civil penalties. Schwab also agreed to engage an independent consultant to: (1) review Schwab’s supervisory, compliance, and other policies and procedures designed to ensure that Schwab’s SIP-related disclosures, advertising, and marketing communications comply with the requirements of the Investment Advisers Act of 1940, as amended, and the rules thereunder, and with other applicable federal securities laws with respect to the Program; and (2) submit a report to both Schwab and the SEC describing the independent consultant’s findings and making recommendations. Schwab may identify any recommendations that it considers to be unduly burdensome, impractical, or

inappropriate and attempt to reach agreement over such recommendations with the independent consultant, and Schwab must ultimately adopt and implement the independent consultant’s final recommendations.

2. A disciplinary action initiated by the Financial Industry Regulatory Authority (“FINRA”) asserted that, in violation of FINRA Rules 2010 and 3310(a), Schwab failed to implement policies and procedures that were reasonably designed to detect and cause the reporting of suspicious incoming wire transactions occurring in August 2011. Without admitting or denying the findings, Schwab consented to the described sanctions and to the entry of findings. Therefore, in December 2013, Schwab was censured, fined \$175,000, and required to conduct a comprehensive review of the adequacy of its Anti-Money Laundering policies, systems, procedures (written or otherwise), and training with respect to detecting and reporting suspicious incoming wire transfers.
3. A disciplinary action initiated by FINRA asserted that Schwab failed on 44 occasions during the second quarter of 2011 and on 245 occasions during the first half of the 2012 review period to provide written notification disclosing to its customers a call date that was consistent with the disclosed yield to call in violation of SEC Rule 10b-10. Without admitting or denying the allegations, Schwab consented on August 23, 2013, to a censure and a monetary fine of \$12,500.
4. A disciplinary action initiated by the Chicago Board of Options Exchange (“CBOE”) alleged that Schwab: (1) violated CBOE Rule 9.21 by disseminating sales literature and failed to withhold the sales literature from circulation prior to incorporating the required changes specified by the CBOE; and (2) violated CBOE Rule 4.2 by failing to adequately supervise its associated persons to assure compliance with Rule 9.21. Without admitting or denying these allegations, Schwab consented to a censure and a monetary fine of \$10,000 on May 29, 2013.
5. In May 2013, the CBOE alleged that from approximately November 8, 2011, through approximately December 7, 2011, Schwab failed to have adequate supervisory procedures to assure compliance with the SEC Rule 14E-4 relating to partial short tender activity. The CBOE accepted Schwab’s offer of settlement consisting of a \$10,000 fine and a censure. Schwab neither admitted nor denied the allegations.

### Other Financial Industry Activities and Affiliations

Schwab 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). In addition to being registered as an investment adviser under the Investment Advisers Act of 1940, Schwab is also registered as a broker-dealer under the Securities Exchange Act of 1934 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 its broker-dealer business, Schwab offers 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. Schwab also provides certain online data and financial reporting services.

Charles Schwab Futures and Forex LLC is a CFTC-registered Futures Commission Merchant (“FCM”) and NFA Forex Dealer Member and offers futures and forex trading to qualified clients.

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



described above, SWAI provides non-discretionary portfolio management to SWA accounts. The role of SWAI and SWAI Representatives in SWA is described in more detail in the SWAI Disclosure Brochure.

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 Investment Management, LLC is a Registered Investment Adviser. 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.

Charles Schwab Investment Management, Inc. (“CSIM”) 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 the investment manager for Schwab Managed Portfolios™ – Mutual Funds and Schwab Managed Portfolios – ETFs, and for certain strategies in the Managed Account Connection® (“Connection”) program. The potential conflicts created by this arrangement, and the steps taken by Schwab to address those conflicts, are described in “Participation or Interest in Client Transactions.”

Charles Schwab Investment Advisory, Inc. (“CSIA”) is a Registered Investment Adviser and an affiliate of Schwab that provides research and decision-making tools to Schwab for use by Schwab clients, including the Schwab *Mutual Fund OneSource Select List*® and Schwab ETF Select List®. CSIA personnel also act as portfolio managers for Schwab Intelligent Portfolios Solutions™.

In addition, The Charles Schwab Corporation provides services to retirement and other employee benefit plans and participants through its separate but affiliated companies and subsidiaries: Charles Schwab Bank, SSB and Charles Schwab Premier Bank, SSB (collectively, the “Affiliated Banks”); Charles Schwab & Co., Inc.; Schwab Retirement Plan Services, Inc.; and Schwab Retirement Plan Services Company. Trust and custody products and services are offered by Charles Schwab Trust Bank (“Trust Bank”). Brokerage products and services are offered by Charles Schwab & Co., Inc. (Member SIPC). Schwab Retirement Plan Services, Inc. and Schwab Retirement Plan Services Company provide recordkeeping and related services with respect to retirement plans.

The Affiliated Banks offer deposit accounts and lending products to both Schwab brokerage clients and others who have no relationship with Schwab. SWA clients may be introduced to certain Trust Bank and Affiliated Bank products by SWA Representatives. Financial Consultants receive compensation for such introductions as described in “Compensation.” Financial Consultants may also receive compensation in connection with referrals for the Pledged Asset Line® offered by the Affiliated Banks.

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

### **Code of Ethics**

Schwab has a code of ethics adopted pursuant to SEC Rule 204A-1 under the Investment Advisers Act of 1940 (the “Code”). The Code reflects the fiduciary principles that govern the conduct of Schwab employees when Schwab acts as an investment adviser—such as when recommending enrollment in the SWA program. The Code requires that Schwab’s covered representatives comply with appli-

cable federal securities laws, report violations of the Code, and for those deemed “access persons” by virtue of providing investment advice or having access to certain related information, report their personal transactions and holdings in certain securities periodically and get clearance before buying certain securities, including private offerings. The Code prohibits access persons from disclosing portfolio transactions or any other non-public information to anyone outside of Schwab, except as required to effect securities transactions for clients, or from using the information for personal profit or to cause others to profit. Access persons are also prohibited from engaging in deceptive conduct in connection with the purchase or sale of securities for client accounts. The Code is subject to change as necessary to remain current with regulatory requirements and internal business policies and procedures. A copy of the Code is available upon request. SWAI Representatives are subject to a substantially similar code of ethics, described in detail in the SWAI Disclosure Brochure.

### **Participation or Interest in Client Transactions**

In addition to the SWA Fee, 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 SWA. In some cases, compensation is paid to Schwab by a third party, and these fees may be ultimately borne by you as a shareholder or investor. Financial Consultants may also receive compensation when you purchase one of the investments or products below after the Financial Consultant has recommended it or introduced you to it. Their compensation is described in “Compensation.” The extra compensation earned by Schwab, or by a Financial Consultant, creates a potential conflict of interest. As described in the SWAI Disclosure Brochure, SWAI earns no such additional compensation.

The compensation received by Schwab and its affiliates and described below creates a potential 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 SWA Representatives must follow when making recommendations. Recommendations made by Financial Consultants and SWAI Representatives, including recommendations to enroll in SWA and to buy or sell securities within SWA, are supervised by the Financial Consultant’s and 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 generally 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 program are appropriate. Daily supervisory functions, including review of trading activity, portfolio construction, verbal, written and electronic client correspondence, money movement, product sales and referrals 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 remuneration, 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 remuneration received is available on our website at [schwab.com/legal/order-routing-1](https://schwab.com/legal/order-routing-1) or in written form upon request. Information regarding the specific routing destination and execution time of your orders for up to a six-month period is also available upon request.

Schwab executes fixed income orders for SWA customers as agent. In the bond market, there is no centralized exchange or quotation service for most fixed income products. Prices generally 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**

When clients invest in a mutual fund in a Schwab account, Schwab may receive compensation from 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 sponsors or their affiliates, such as fund advisors, pay a flat fee to compensate Schwab for activities related to Schwab's sponsorship of its Mutual Fund Marketplace® platform. These payments are separate from and in addition to the fees specific to a particular share class that are described below. These flat fees can be based on any number of factors, such as the level of assets, purchases over a period, net flows, or other qualitative factors such as Schwab and the fund's mutual assessment of the quality of the relationship. This flat fee is paid to Schwab in addition

to the asset-based fee discussed below. This flat 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 interests, 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 and 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 the Schwab lists used by Schwab representatives to make recommendations and provide advice.

### **Strategic Provider Relationship**

Schwab entered into a long-term strategic relationship with T. Rowe Price, and under this arrangement, T. Rowe Price makes payments to Schwab in exchange for Schwab promoting certain actively managed T. Rowe Price mutual funds and ETFs to Schwab's 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 \$5.9 million from T. Rowe Price for these promotional services during 2022. Payment in 2023 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.

Because the terms of the arrangement provide a considerable financial benefit to Schwab, this arrangement creates conflicts 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. 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 Schwab Mutual Fund OneSource, Schwab offers a selection of no-load and load-waived mutual funds. Schwab receives remuneration for the shareholder services provided to these funds and other no-transaction-fee funds it makes available (collectively, "NTF Funds").

To compensate Schwab for various shareholder services, NTF Funds pay Schwab an asset-based annual fee, which is higher than other share classes, and usually equals 0.40% of the average fund assets held at Schwab but may be as high as 0.45%. The fee may be subject to a monthly minimum that generally does not exceed \$2,000 and 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 a one-time establishment fee. The amount of this fee generally does not exceed \$25,000 for the first

fund added and \$3,000 for each additional fund within a fund family after that.

Certain fund companies pay an asset-based fee for institutional share classes ranging from 0.12% to 0.19% per year on shares made available with no transaction fee ("Institutional NTF" or "INTF") that are held by clients of investment advisers and other institutional investors. Fees on new shares acquired or held at Schwab after October 1, 2022, are typically 0.17% per year but can range up to 0.19%, while fees on existing assets in institutional share classes that are converted from transaction fee to INTF typically pay a fee of 0.12% per year but can range up to 0.14%. At a rate of 0.19%, the fund or fund service provider pays Schwab \$19 annually for each \$10,000 in fund assets for the shareholder services provided by Schwab. Schwab makes more on institutional share classes that participate in INTF than it would if the share class were made available with a 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 SWA. 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 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 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.

#### **Transaction-Fee Funds ("Fee Funds")**

Schwab charges a transaction fee (which is waived in SWA accounts) for the purchase or sale of certain funds that are not included in the Schwab Mutual Fund OneSource® service or not otherwise included as part of the other NTF Funds described above.

Most Fee Funds pay Schwab a low annual asset-based fee, typically 0.10% annually of the average fund assets held at Schwab, although the fee can range up to 0.25% annually. At this standard rate of 0.10%, the fund or fund service provider 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 Fee 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. Some Fee Funds pay Schwab a set dollar amount per customer account in lieu of the low asset-based fee, typically \$20 per account, but which can range up to \$25 per account annually (a "per-position fee").

When adding a new fund to Schwab's platform, Fee Funds also pay Schwab a one-time establishment fee. The amount of this fee generally does not exceed \$25,000 for the first fund added and \$5,000 for each additional fund within a fund family after that.

#### **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 is 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, the Schwab Government Money Fund™ may pay Schwab up to an additional 0.10% annually for sweep administrative services that Schwab provides to shareholders invested in sweep shares of the Schwab Government Money Fund. 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.

#### **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 or marketing opportunities. The amount of such fees varies depending on the type and number of opportunities in which the fund participates.

#### **Mutual Fund Recommendations**

Recommendations by SWA Representatives to purchase or sell 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. Although Schwab does not explicitly consider compensation in the selection of funds for any recommendable list, by design, the majority of mutual funds on the recommendable lists are no-load, no-transaction-fee funds that are part of the Schwab Mutual Fund OneSource service, with some prominence given to Schwab Affiliate Funds. Schwab and its affiliates generally earn more money when clients purchase and hold funds that participate in the Mutual Fund OneSource service and Schwab Funds. SWAI Representatives' mutual fund recommendations are subject to substantially similar advice policies and guidelines adopted by SWAI.

#### **Exchange-Traded Funds ("ETFs")**

Third-party ETF sponsors or their affiliates may make payments to Schwab for ETF-related opportunities, such as education and events and reporting.

Schwab receives remuneration 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 Schwab ETFs™ and receives a fee for its services from the Schwab ETFs.

#### **Schwab 529 Education Savings Plan and Learning Quest® Education Savings Program**

The Schwab 529 Education Savings Plan ("Schwab 529 Plan") and Schwab 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 available for purchase in the Schwab 529 Plan include American Century, other third-party funds, and Schwab Funds.

Schwab receives a fee from American Century for providing services, including customer support and processing of account opening and maintenance requests, to Schwab clients invested in the Schwab 529 Plan. For the portfolios 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. Schwab receives no service fee from American Century 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.

#### **Schwab's Cash Features Program**

Schwab offers cash features programs for your uninvested cash, or Free Credit Balance, in your account, and SWA uses the Schwab® Sweep Money Fund feature unless you instruct us to use the Bank Sweep feature or the Schwab One® Interest feature. Your Free Credit Balance is the uninvested cash in your account, minus the funds necessary to pay for purchase transactions that are waiting to settle and charges to your account.

1. The Bank Sweep feature. The Bank Sweep feature, and, for retirement plan accounts, the Bank Sweep for Benefit Plans feature, each of which automatically makes deposits to and withdrawals from deposit accounts at one or more Program Banks, which are FDIC-insured depository institutions, but are not eligible for SIPC insurance. Program Banks include:
  - Charles Schwab Bank, SSB
  - Charles Schwab Premier Bank, SSB
  - Charles Schwab Trust Bank
  - TD Bank, N.A.
  - TD Bank USA, N.A.
2. The Money Fund Sweep Feature. This feature automatically invests your Free Credit Balances in and redeems shares out of a Schwab Sweep Money Fund. Each of the Schwab money market funds are a Schwab Sweep Money Fund. An investment in a money market fund is not a deposit, guaranteed by, or other obligation of any bank, and is not FDIC-insured.
3. The Schwab One Interest Feature, which pays you interest on your Free Credit Balances. If your account is eligible for, and you select, the Schwab One Interest Feature as your Cash Feature, your Free Credit Balance will remain in your account and earn

interest. Free Credit Balances in your account are not a deposit, guaranteed by, or other obligation of any bank, and is not FDIC-insured. Please see your account statement and the Cash Features Disclosure Statement for the terms and conditions of the Schwab One Interest Feature.

#### **Funds Awaiting Investment or Pending Distribution**

When you are waiting for cash to be deposited or invested in, or distributed from your account, Schwab earns interest on that cash prior to such deposit, investment, or distribution. This occurs with (1) funds waiting to be credited to your investment account or (2) funds that have been debited from your account and are pending receipt by the receiving party or institution. Such interest retained by Schwab shall generally be at money market rates and for periods of time described in the paragraphs immediately below.

Funds awaiting investment or deposit include: (1) amounts deposited by you into your account; and (2) any other Free Credit Balance held by your account (which will, after the period described below, automatically be swept into a Schwab Sweep Money Fund or deposited into a Sweep Bank).

With respect to such funds awaiting investment or deposit: (1) where such funds are received by Schwab on a business day and before deposit cutoff time for which the funds are deposited, such interest will be earned by Schwab through the beginning of the following business day; (2) where such funds are received on a day which is not a business day, or where such funds are received after the deposit cutoff time, such interest will be earned through the beginning of the second following business day.

When Schwab receives a request for a distribution check from your account, Schwab generally processes the request within two or three Business Days (unless the distribution is in connection with an unusual event such as death or divorce, in which case it generally will take longer to process the request). On the same day that the processing is completed, the amount of the distribution check will be debited from your account. The distribution check will be written and mailed on the following business day.

Schwab will earn interest beginning on the date your account is debited and ending on the date the check is presented for payment, the timing of which is beyond the control of Schwab. Upon request, Schwab will provide you a verbal update to determine the status of your outstanding distribution checks.

If you request a Schwab MoneyLink® transfer from your account to another financial institution: (1) the amount of the transfer will be debited from your account on the day that the transfer process is commenced; (2) the funds will be received by the other financial institution within one to two Business Days of the date the transfer process is commenced; and (3) you agree and acknowledge that Schwab will earn interest on that amount beginning on the date your account is debited and ending on the date the Electronic Fund Transfer is received by the other financial institution and thereby debited from Schwab's bank account.

#### **Annuities**

Schwab has annuity selling agreements in place with several insurance companies, which pay Schwab a commission for serving as the sales agent and for servicing the annuity contracts. The compensation paid to Schwab varies based upon the insurer and the type of annuity contract sold. Schwab's compensation is based on a percentage of premiums paid by the client or on a percentage of the client's account value. Compensation to Schwab is generally made in the form of an upfront payment only or an upfront payment followed by a "trail commission" which is paid to Schwab for a certain period of time. Although compensation varies significantly among the insurers and the types of annuities, the maximum

upfront commission paid to Schwab is 5.50% and the maximum “trail commission” is 1.00%.

For variable annuities, Schwab’s compensation generally consists of an annualized commission, which is calculated and paid 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, at least one company currently compensates Schwab for marketing services. To the extent variable annuity assets are invested in a Schwab Fund or Schwab ETF 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 amount of which is described in the funds’ prospectuses.

**Life Insurance, Disability Insurance and Long-Term Care Insurance**  
Schwab has entered into marketing agreements 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 in place with multiple insurance companies. The insurance companies pay commissions directly to the agency. The agency typically pays Schwab a referral fee of 50% of the first-year and renewal commissions paid to the agency, net of all chargebacks.

#### **Personal Trading**

Schwab monitors the personal securities holdings and trading of Financial Consultants. Schwab reviews such accounts custodied at Schwab and applicable accounts custodied at other firms. The surveillance program monitors holdings and trades against the Code, Schwab’s Compliance Manual, and other applicable policies. Additionally, Financial Consultants must disclose all securities accounts they own or control after their hire date and review and confirm the accuracy of those accounts on an annual basis during their employment.

Financial Consultants 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 (i.e., when a Schwab representative buys or sells a security to possibly capitalize on advance knowledge of an imminent customer transaction that is expected to influence the market price, or passing such information to others for that purpose); so-called “shadowing” (i.e., to misuse confidential customer trade information for possible personal benefit); and purchasing shares in initial public offerings.

As described in the SWAI Disclosure Brochure, SWAI Representatives are subject to personal trading policies substantially similar to those described above.

#### **Review of Accounts**

As explained in “Services,” clients meet with their SWA Representatives periodically throughout the year to review their Portfolios. These reviews are most often conducted by the Wealth Advisor but may be conducted by other SWAI Representatives. It is during, and in preparation for, these conversations that your SWA Representatives review the composition and performance of your Portfolio in light of your financial goals and situation.

#### **Client Referrals and Other Compensation**

Schwab has entered into an agreement (the “Referral Agreement”) with USAA Investment Services Company (“USAA ISCO”) under which Schwab will pay USAA ISCO based on a percentage of the assets in Schwab accounts attributable to a referral by USAA ISCO, including assets in SWA accounts. Under the Referral Agreement, Schwab will pay USAA ISCO an annual percentage amount of 0.15% (or 15 basis points) of asset balances of applicable accounts.

Representatives of Schwab’s affiliate TD Ameritrade, Inc. receive a payment from TD Ameritrade, Inc. for referring clients to Schwab for services not available through TD Ameritrade, Inc., including SWA and other investment advisory services offered by Schwab. Representatives receive this payment regardless of whether referred clients avail themselves of the Schwab service for which they have been referred.

#### **Voting Client Securities**

As it does with non-SWA brokerage accounts, Schwab will send you proxy voting materials for securities held in your SWA accounts. You, as the holder of the underlying brokerage accounts, have the sole authority to vote any proxies solicited for securities held in your SWA accounts. If you have questions, please contact Schwab.

#### **Financial Information**

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





**March 2023**

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

For the following services since  
March 2022:

- Schwab Wealth Advisory™
- Schwab Managed Portfolios™
- Schwab Managed Account Services™  
for Clients of Investor Services

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## **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 services we offer, including: Schwab Wealth Advisory™, Schwab Managed Portfolios™ and Schwab Managed Account 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 Schwab affiliates that also participate 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](mailto: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](http://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, 2022.

- Schwab has made edits throughout to reflect the program name of Schwab Wealth Advisory as well as Schwab Wealth Advisory, Inc., the new name of the entity previously known as Schwab Private Client Investment Advisory, Inc. Schwab has also made edits to reflect updated employee titles.
- **Schwab Affiliates.** Schwab has enhanced its disclosures regarding its current relationships with affiliates.
- **Brokerage Practices.** Schwab has added disclosures regarding its brokerage practices and related conflicts of interest.
- **Strategic Provider Relationship.** Schwab has updated its disclosure to reflect that Schwab receives payments to promote T. Rowe Price mutual funds and ETFs.
- **Funds Awaiting Investment or Pending Distribution.** Schwab has updated its disclosure on program features for uninvested cash and added a new section on Schwab's Cash Features Program.
- **Disciplinary Information.** Schwab has added a disclosure regarding its agreement with the United States Securities and Exchange Commission ("SEC") to settle a matter related to historical disclosures and marketing of the Schwab Intelligent Portfolios® advisory program.

## Schwab Wealth Advisory, Inc. Disclosure Brochure

This brochure describes the role of Schwab's affiliate, Schwab Wealth Advisory, Inc. ("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 12, 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, 2022.

- Schwab Wealth Advisory, Inc. has made edits throughout to reflect the program name of Schwab Wealth Advisory as well as Schwab Wealth Advisory, Inc., the new name of the entity previously known as Schwab Private Client Investment Advisory, Inc. SWAI has also made edits to reflect updated employee titles.
- **Financial Planning.** SWAI has added disclosures regarding the scope, limitations, and risks of the financial planning provided through the program.
- **Methods of Analysis, Investment Strategies, and Risk of Loss.** SWAI has added disclosures regarding the assumptions, risks, and limitations of its tax loss harvesting and financial planning services as well as the risks associated with money market funds.
- **Strategic Provider Relationship.** SWAI has updated its disclosure to reflect that Schwab receives payments to promote T. Rowe Price mutual funds and ETFs.
- **Mutual Fund and ETF Recommendations.** SWAI has added disclosures to describe the process for selection of mutual funds and ETFs in the program and related conflicts of interest.
- **Brokerage Practices.** SWAI has added disclosures regarding brokerage practices and resolution of trade errors.

## Schwab Managed Portfolios™

### Schwab Managed Portfolios Disclosure Brochure

This brochure, which describes Schwab’s role as the sponsor of the Schwab Managed Portfolios wrap fee program (“SMP”), has undergone the following changes since March 31, 2022. Charles Schwab

Investment Management, Inc. (“CSIM”) is the investment manager for accounts enrolled in SMP.

- **Services.** Schwab has added disclosures regarding the use of affiliated and third-party funds used in the program.
- **Investments of Cash.** Schwab has made clarifying edits that cash invested in short-term instruments, excluding money market funds, is subject to the program fee.
- **Investment Strategies.** Schwab has updated its disclosures to reflect changes to the program’s target asset allocation.
- **Program Fee.** Schwab has updated its disclosure to describe a new advisory program credit for retirement accounts in the program.
- **Schwab Affiliates.** Schwab has enhanced its disclosures regarding its current relationships with affiliates.
- **Brokerage Practices.** Schwab has added disclosures regarding its brokerage practices and related conflicts of interest.
- **Compensation for Services Outside the Programs.** Schwab has updated its disclosure to reflect that Schwab receives payments to promote T. Rowe Price mutual funds and ETFs.
- **Funds Awaiting Investment or Pending Distribution.** Schwab has updated its disclosure on program features for uninvested cash and added a new section on Schwab’s Cash Features Program.
- **Disciplinary Information.** Schwab has added a disclosure regarding its agreement with the United States Securities and Exchange Commission (“SEC”) to settle a matter related to historical disclosures and marketing of the Schwab Intelligent Portfolios® advisory program.

## **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 accounts enrolled in Schwab Managed Portfolios™,

has undergone the following material changes since March 31, 2022.

- **Item 4—Advisory Business.** CSIM has updated the disclosure to reflect the investment management services it provides for clients.
- **Item 5—Fees and Compensation.** For Direct Clients and certain non-Wrap Fee Program Clients in the Wasmer Schroeder™ Strategies, CSIM has modified the discussion of how securities are valued.
- **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.
- **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.

## **Schwab Managed Account Services™**

### **Schwab Managed Account Services Disclosure Brochure (for Clients of Schwab Investor Services)**

This includes Managed Account Select® (“Select”) and Managed Account Connection® (“Connection”).

This brochure, which describes Schwab's role as the sponsor of the Select and Connection wrap fee programs, has undergone the following changes since March 31, 2022.

- **Reporting.** Schwab has updated its disclosure to reflect that in 2023, Schwab will begin calculating

investment performance for most accounts in the program.

- **Program Fee.** Schwab has updated its disclosure to describe advisory fee credits for retirement accounts in the Connection program and amended the fee schedule for USAA Managed Portfolios-UMP wrap accounts.
- **Compensation of Schwab Representatives (“SRs”).** Schwab has updated its disclosure to describe compensation for certain financial consultants.
- **Brokerage Practices.** Schwab has added disclosures regarding its brokerage practices and related conflicts of interest.
- **Funds Awaiting Investment or Pending Distribution.** Schwab has updated its disclosure on program features for uninvested cash and added a new section on Schwab’s Cash Features Program.
- **Compensation for Services Outside the Programs.** Schwab has updated its disclosure to reflect that Schwab receives payments to promote T. Rowe Price ETFs.
- **Portfolio Manager Selection and Evaluation.** Schwab has updated its disclosure to describe Schwab’s role in evaluating and monitoring money managers in the Select Program and the related conflicts of interest.
- **Schwab Affiliates.** Schwab has updated its discussion on its affiliates to reflect new and modified relationships.
- **Disciplinary Information.** Schwab has added a disclosure regarding its agreement with the United States Securities and Exchange Commission (“SEC”) to settle a matter related to historical disclosures and marketing of the Schwab Intelligent Portfolios® advisory program.

## **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 accounts enrolled in Schwab Personalized Indexing, USAA Managed Portfolios—UMP®, ThomasPartners® Strategies, Windhaven® Strategies, and Wasmer Schroeder™ Strategies, has undergone the following changes since March 31, 2022.

- **Item 4—Advisory Business.** CSIM has updated the disclosure to reflect the investment management services it provides for clients.
- **Item 5—Fees and Compensation.** For Direct Clients and certain non-Wrap Fee Program Clients in the Wasmer Schroeder™ Strategies, CSIM has modified the discussion of how securities are valued.
- **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.
- **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 SWA (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 SWA, 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 SWA accounts equal to: (1) the costs and expenses incurred by SWAI in connection with SWA; 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 SWA. 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 will be providing other services in SWA for which it will be compensated. These services include: (1) trade execution, asset custody and other broker-dealer services in SWA (collectively, "Broker-Dealer Services"); and (2) recordkeeping, shareholder services and other administrative services that Schwab provides to shareholders of affiliated and third-party mutual funds available to Retirement Accounts (collectively, "Shareholder Services").

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, Schwab will receive compensation from you in the form of a trade commission that is not covered by the SWA Fee. The amount that will be paid by you is \$0.65 per contract. More information concerning option trading commissions is available in the *Charles Schwab Pricing Guide for Individual Investors*, available online at [www.schwab.com/pricing](http://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 and statement of additional information. Schwab also may receive shareholder service fees from certain Schwab Funds®, as disclosed in the fund prospectus and statement of additional information. 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 SWA, and you follow that advice, Schwab will receive compensation from the explicit asset-based fee that you pay in connection with that program and may also, along with CSIM potentially, receive the types of 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](http://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 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. Consider that you may arrange for the provision of advice by another advisor that may have no material affiliation with or receive no compensation in connection with the investments recommended by SWAI.

### **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) SWA 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](http://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](http://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.

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Questions?

Please call 1-800-435-4000.

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

March 31, 2023

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## Annual Notice

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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

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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.

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