

## What you should consider when choosing a brokerage relationship at Schwab.

Charles Schwab & Co., Inc. (“Schwab,” “we,” or “us”) is a broker-dealer registered with the Securities and Exchange Commission (SEC). The summary below highlights the nature of the brokerage relationship with our clients. Schwab is also an investment adviser registered with the SEC and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Our brokerage and investment advisory services and fees differ, and we believe it is important for you to understand those differences. To compare, see a summary of Schwab’s investment advisory relationships at [schwab.com/relationship-summary-ia](https://www.schwab.com/relationship-summary-ia). For more general information about different financial professionals and investing, including free and simple tools to research firms and their representatives, visit the SEC’s website at [www.investor.gov/CRS](http://www.investor.gov/CRS).

We hope you will take the time to read this information and ask questions. We welcome them.

## What investment services and advice can you provide me?

We offer a wide range of investment products with no account minimums for most domestic accounts. Our offerings include both affiliated products that are managed by Schwab and unaffiliated investment products that are managed by independent third parties.

- We offer investment and account recommendations if you would like advice.
- We will give you advice that is a one-on-one recommendation and specific to you and your situation at that time. As such, a recommendation only applies at the point in time when we provide it to you.
- The decision to invest will always be yours—we will not place any trades on your behalf without your direction. We do not manage or monitor your brokerage accounts.
- We also provide Schwab research and other market data, but this type of information will never be a recommendation for you specifically.

For more information about our services, go to [schwab.com/transparency](https://www.schwab.com/transparency) and read our [Best Interest Disclosure](#).

## Questions to Ask

- Given my financial situation, should I choose an investment advisory service?
- Should I choose a brokerage service?
- Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education, and other qualifications?
- What do these qualifications mean?

## What fees will I pay?

If you place a trade, you will pay a commission or transaction fee in some cases. There can also be expenses built into the trade price or the investment itself.

- The fee you pay is the same whether we recommend an investment to you or not. We earn money from third parties and affiliates on certain products, including cash, mutual funds, and exchange-traded funds (ETFs) held in your account(s), so we have an incentive to encourage investment in those products.
- You may also pay account- or transaction-related fees.
- *You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.*

To see more information about our fees, go to [schwab.com/transparency](https://www.schwab.com/transparency) and read our [Best Interest Disclosure](#) or go to [schwab.com/pricing-guide](https://www.schwab.com/pricing-guide).

## Questions to Ask

- Can you help me understand how these fees and costs might affect my investments?
- If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

## What are your legal obligations to me when providing recommendations? How else does your firm make money, and what conflicts of interest do you have?

All recommendations for your brokerage account will be made in a broker-dealer capacity unless otherwise expressly stated. When we provide you with a recommendation, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

You should understand and ask us about these conflicts because they can affect the recommendations we provide you. Here are some examples to help you understand what this means. We and our affiliates earn money from:

- Shareholder service fees paid to us by third-party fund providers and affiliated mutual funds, and management fees paid to our affiliate adviser by affiliated mutual funds and ETFs, that are based off the shares which are held in your account(s).
- The “spread” on cash in your accounts—i.e., the difference between what we earn and what we pay you in interest.
- Dealer concessions or transaction fees when trading as principal in your accounts.
- Commissions or trail commissions paid to us by insurance companies when you purchase an annuity or other insurance products.
- Order routing revenue from third-party broker-dealers and exchanges when you place trades and we route your order to the centers.

For more information about our conflicts and our capacity when we provide investment recommendations for retirement accounts, read our [Limitations and Conflicts Disclosure](#) found here: [schwab.com/transparency/limitations-conflicts](https://www.schwab.com/transparency/limitations-conflicts). For more information about order routing, go to [schwab.com/execution-quality/order-routing-process](https://www.schwab.com/execution-quality/order-routing-process).

## Question to Ask

- How might your conflicts of interest affect me, and how will you address them?

### **How do your financial professionals make money?**

Our representatives receive cash payments based on the amount of assets you have with us and the time, complexity, and expertise required to help you with any of our services; specifically, they receive compensation to navigate you to our investment advisory services and service your accounts once enrolled in such services. They earn more for recommending certain services over others, but what they earn is not directly based on the revenue the firm earns.

For more information on how we pay our representatives, go to [schwab.com/representative-compensation](https://schwab.com/representative-compensation).

### **Do you or your financial professionals have legal or disciplinary history?**

Yes.

For free and simple tools to research our firm and representatives, visit [www.investor.gov/CRS](https://www.investor.gov/CRS).

#### **Questions to Ask**

- As a financial professional, do you have any disciplinary history?
- For what type of conduct?

### **Where can I find additional information?**

For additional information about our investment advisory or brokerage services, go to [schwab.com/transparency](https://schwab.com/transparency). To request a copy of this relationship summary, call [800-435-4000](tel:800-435-4000).

#### **Questions to Ask**

- Who is my primary contact person?
- Are they a representative of an investment adviser or a broker-dealer?
- Who can I talk to if I have concerns about how this person is treating me?

## What you should consider when choosing an investment advisory relationship at Schwab.

Charles Schwab & Co., Inc. (“Schwab,” “we,” or “us”) is an investment adviser registered with the Securities and Exchange Commission (SEC). The summary below highlights the nature of investment advisory relationships with our clients. Schwab is also a broker-dealer registered with the SEC and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Our brokerage and investment advisory services and fees differ, and we believe it is important for you to understand those differences. To compare, see a summary of Schwab’s brokerage relationship at [schwab.com/relationship-summary-bd](https://schwab.com/relationship-summary-bd). For more general information about different financial professionals and investing, including free and simple tools to research firms and their representatives, visit the SEC’s website at [www.investor.gov/crs](http://www.investor.gov/crs).

We hope you will take the time to read this information and ask questions. We welcome them.

## What investment services and advice can you provide me?

We sponsor several investment advisory programs that provide different services, feature different investments, have different account minimums and fees, and offer varying levels of account monitoring. Our affiliates participate in some of these programs as discretionary portfolio managers, which grants the affiliate authority to buy and sell securities in your account(s) without your prior consent, or non-discretionary portfolio managers, where you make all of the trade decisions in your account(s).

- For automated advice from a robo-adviser, where our affiliated investment adviser, Charles Schwab Investment Management, Inc. (CSIM), monitors and makes the investment decisions for you: Schwab Intelligent Portfolios® (\$5,000 minimum).
- For advice from our affiliate investment adviser, CSIM, or unaffiliated advisers where the advisers monitor and make the investment decisions for you: Schwab Managed Account Services™ (minimums begin at \$100,000).
- For accounts managed by CSIM using a particular investment strategy, where the adviser monitors and makes the investment decisions for you: Schwab Managed Portfolios™ (\$25,000 minimum).
- For complex or specialized needs, a referral to an unaffiliated professional adviser: Schwab Advisor Network® (\$2,000,000 minimum).
- For advice and periodic portfolio reviews from a team of professionals at our affiliated investment adviser, Schwab Wealth Advisory, Inc. (SWAI), where you make the investment decisions: Schwab Wealth Advisory™ (\$500,000 minimum).
- For individualized planning advice in a written financial plan with no monitoring: Schwab Financial Planning Services.

To learn more about specific services for each program, go to [schwab.com/advisory](https://schwab.com/advisory) to access the relevant sections of each program disclosure brochure: (1) Advisory Business; Types of Clients; or (2) Services, Fees and Compensation; Account Requirements and Types of Clients.

## Questions to Ask

- Given my financial situation, should I choose an investment advisory service?

- Should I choose a brokerage service?
- Should I choose both types of services? Why or why not?
- How will you choose investments to recommend to me?
- What is your relevant experience, including your licenses, education, and other qualifications?
- What do these qualifications mean?

## What fees will I pay?

We charge a fee for some, but not all, of our investment advisory services, including asset-based fees and fixed one-time and recurring fees. Some of these fees may be negotiable.

- Our asset-based or wrap fees are calculated based on the amount of assets in your account and usually billed on a quarterly basis. These fees include most transaction costs, and could be higher than fees charged for investment advisory services that do not include such costs. There are other fees that will apply to your account, such as mutual fund and exchange-traded fund (ETF) operating expenses (including management fees paid to CSIM for funds managed by them), costs for trades executed at a firm other than Schwab, and account services fees.
- The more assets in your accounts, the more money Schwab and its affiliates earn, so we have an incentive to encourage you to invest more assets. We earn money from third parties or affiliates on certain products, including cash, mutual funds, and ETFs held in your accounts, so we have an incentive to encourage such investments.
- You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.
- You will be charged interest on the amount borrowed through margin loans and securities-based loans.

To learn more about specific fees for each program, go to [schwab.com/advisory](https://schwab.com/advisory) to access the relevant sections of each program disclosure brochure: (1) Fees and Compensation; or (2) Services, Fees and Compensation.

## Questions to Ask

- Can you help me understand how these fees and costs might affect my investments?
- If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

## What are your legal obligations to me when acting as my investment adviser? How else does your firm make money, and what conflicts of interest do you have?

All recommendations regarding your advisory account will be in an adviser capacity. When we, CSIM, or SWAI act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

You should understand and ask us about these conflicts because they can affect the recommendations we provide you. Here are some

examples to help you understand what this means. We and our affiliates earn money from:

- Shareholder service fees paid to us by third-party fund providers and affiliated mutual funds, and management fees paid to CSIM by affiliated mutual funds and ETFs, that are based off the shares which are held in your accounts.
- The “spread” on cash in your accounts—i.e., the difference between what we earn and what we pay you in interest.
- Fees from third-party advisers participating in our referral service.
- Other compensation and conflicts that are specific to the different programs.

To learn more about specific conflicts for each program, go to [schwab.com/advisory](https://www.schwab.com/advisory) to access the relevant sections of each program disclosure brochure: **Other Financial Industry Activities and Affiliations; Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.**

### Question to Ask

- How might your conflicts of interest affect me, and how will you address them?

### How do your financial professionals make money?

Our representatives include branch-based Financial Consultants and phone-based representatives who help you select the program or service that best meets your needs. They receive cash payments based on factors like the amount of assets you have with us and the time, complexity, and experience required to help you with any of the services we provide; specifically, they receive compensation to navigate you to our investment advisory services and service your accounts once enrolled in such services. They do earn more for recommending certain services over others, but what they earn is not directly based on the revenue the firm earns.

CSIM Portfolio Managers and SWAI Wealth Advisors receive a fixed base salary and may earn a discretionary bonus based on the financial performance of The Charles Schwab Corporation (CSC). They may also have the potential to participate in discretionary equity awards. For certain CSIM Portfolio Managers, their discretionary bonus is funded on the financial performance of CSC, their strategy’s performance results, their strategies’ asset growth or a combination of the above.

For more information on how we pay our representatives, go to [schwab.com/representative-compensation](https://www.schwab.com/representative-compensation).

### Do you or your financial professionals have legal or disciplinary history?

Yes.

For free and simple tools to research our firm and representatives, visit [www.investor.gov/CRS](https://www.investor.gov/CRS).

### Questions to Ask

- As a financial professional, do you have any disciplinary history?
- For what type of conduct?

### Where can I find additional information?

For additional information about our investment advisory or brokerage services, go to [schwab.com/transparency](https://www.schwab.com/transparency). To request a copy of this relationship summary, call [800-435-4000](tel:800-435-4000).

### Questions to Ask

- Who is my primary contact person?
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- Who can I talk to if I have concerns about how this person is treating me?



March 31, 2026

## Schwab Wealth Advisory™ Disclosure Brochure

**Charles Schwab & Co., Inc. Disclosure Brochure for the  
Schwab Wealth Advisory Wrap Fee Program  
(For U.S. and International Clients)**

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425 Market St, 17th Floor  
San Francisco, CA 94105  
Tel: 1-800-435-4000  
[www.schwab.com](http://www.schwab.com)

International Clients  
Tel: +1-415-667-8400  
[International.schwab.com](http://International.schwab.com)

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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## Introduction

Charles Schwab & Co., Inc. (“Schwab,” “we,” or “us”) is a dual registrant investment adviser and broker-dealer. Schwab is registered as an investment adviser with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 (“Advisers Act”). Schwab is registered as a broker-dealer with the SEC under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

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

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

## Services, Fees, and Compensation

### Services

#### Wrap Fee Programs

Schwab offers investment advisory services where you are charged a single, bundled, or “wrap” fee (“fee” or “fees”) for investment advice, brokerage services, custody services, administrative expenses, and other fees and expenses. Your fee is based on a percentage of the value of your account. Schwab will not charge you a commission for each transaction. Because Schwab bundles services into a single wrap fee, total fees to a client in a wrap fee program may be more than obtaining the services separately. Schwab’s investment advisory wrap fee programs have varying investment minimum fee ranges, as we detail below.

#### Schwab Wealth Advisory Wrap Fee Program

This brochure describes the investment advisory services that Schwab offers to high and ultra-high net worth clients who reside in the U.S. and internationally.

Schwab sponsors an investment advisory wrap fee program, Schwab Wealth Advisory (“SWA” or “the SWA Program”). The SWA Program is a fee-based program that offers periodic non-discretionary investment advice by Schwab Wealth Advisory, Inc. (“SWAI”), a registered investment adviser, an affiliate of Schwab and, like Schwab, a subsidiary of CSC. SWAI gives non-discretionary advice on accounts you elect to enroll, including Schwab Wealth Portfolios accounts (collectively, “SWA Accounts”), and on other non-SWA Accounts, as explained immediately below.

SWAI’s non-discretionary investment advice is based on your overall financial picture developed through analysis and discussion of various wealth management topics. Non-discretionary investment advice can include buy, sell, and hold recommendations on securities held in non-discretionary SWA Accounts (“Non-Discretionary SWA Accounts”). Non-discretionary investment advice can also include recommendations about investing in separately managed accounts (“SMAs”) managed on a discretionary basis by affiliated or unaffiliated money managers, including advice about initial and continued enrollment and about allocating assets among different strategies. Unlike other SMAs that SWAI Representatives (as defined below) might recommend, Schwab Wealth Portfolios is only available to SWA clients and consists of multi-asset class portfolio strategies composed of SMAs, mutual funds, and exchange traded funds, or some combination thereof, in a single account. Schwab Wealth Portfolios is managed by Schwab affiliate Charles Schwab Investment Management, Inc., (“CSIM”) doing business as Schwab Asset Management®.

SWAI Representatives can also make recommendations about other SMAs that are available outside of SWA and are not considered SWA Accounts. Other such SMAs are offered through Schwab Managed Account Services™ (“MAS”) or Schwab Managed Portfolios™ (“SMP”) and may be managed either by affiliated or unaffiliated money managers.

You are eligible to become a client of the SWA Program (“SWA Client”) if you have at least US\$500,000 in assets to include in a portfolio (please refer to the “Account Requirements and Types of Clients” section below for more information). During your enrollment in the SWA Program, Schwab will collect from you and review your financial information and your portfolio of Schwab accounts (“Portfolio”). Your SWAI Wealth Advisor will meet with you periodically to review and discuss your SWA Accounts and/or SMAs and provide any necessary recommendations based on your goals and objectives.

You are responsible for monitoring assets in your Non-Discretionary SWA Accounts and for determining when and if to buy, hold, or sell securities based on changes in your circumstances, in your Portfolio, and in the market. As such, 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 these SWA Accounts. SWA Accounts may not purchase any securities during an initial public offering period.

SWA Clients who reside in the U.S. and other eligible jurisdictions will have their uninvested cash, or “free credit balances,” automatically swept into the Schwab® Government Money Fund – Sweep Shares (SWGXX), a money market fund. SWA Clients who reside outside the U.S., irrespective of citizenship (country of passport), which includes both non-resident aliens (foreign citizens residing outside the U.S.) and U.S. expatriates (U.S. citizens residing outside the U.S.) (collectively “clients who reside outside the U.S.”) or are a foreign citizen residing outside the U.S. (“Non-U.S. resident”), will have their uninvested cash, or free credit balances, automatically deposited into the Schwab One® Interest feature to earn interest. A Schwab One Interest cash feature that does not earn interest is also available to all SWA clients as an exception. We describe the various cash sweep features further in the section “Schwab’s Cash Features Program” under the “Additional Information” section.

#### Schwab Alternative Investments Select

Schwab Alternative Investments Select is a program that provides access to registered non-traded funds and private funds across a range of alternative investment strategies that are recommended by Schwab. Schwab Alternative Investments Select is available to eligible, financially qualified clients who meet certain minimum criteria.

Alternative investment asset classes available through the program may include private equity, private credit, real estate, hedge funds, and exchange funds. Schwab Center for Financial Research (“SCFR”) conducts investment due diligence and operational due diligence for every alternative investment made available through the program.

## **Schwab Wealth Portfolios**

Schwab Wealth Portfolios are multi-asset class portfolios managed by CSIM. Schwab Wealth Portfolios are composed of SMAs, mutual funds, and exchange-traded funds (“ETFs”), or some combination thereof, in a single discretionary account and are only available through the Schwab MAS program to clients enrolled in SWA. Assets in SMAs within Schwab Wealth Portfolios Accounts may include, but are not limited to, individual stocks and bonds. The use of proprietary and third-party products will vary across portfolios and is at the discretion of CSIM.

Schwab Wealth Portfolios strategies include five total return asset allocation models with varying percentages that correspond to risk tolerance levels including aggressive, moderate aggressive, moderate, moderate conservative, and conservative, and one income model. Each model portfolio consists of a broadly diversified strategic asset allocation. Certain Schwab Wealth Portfolios strategies provide the option for tactical asset allocation tilts. CSIM may change the strategic asset allocation percentages of the model portfolios without your approval and without notice to you. CSIM designed some of the model portfolios for use with taxable accounts and designed others for use with tax-deferred accounts. Your SWAI Wealth Advisor will help you decide whether Schwab Wealth Portfolios is appropriate for you, and if so, will help you choose which investment strategy is appropriate for you. For more information about Schwab Wealth Portfolios, please see the disclosure brochures for SWAI, CSIM, and the Charles Schwab & Co., Inc. Disclosure Brochure for: Schwab Managed Account Services™ Wrap Fee Program, Schwab Managed Portfolios™ Wrap Fee Program, Schwab Financial Planning Services.

## **Schwab**

Schwab acts as the sole sponsor of the SWA Program and as a broker-dealer and sole custodian with respect to assets and transactions in your SWA Accounts. As such, Schwab performs all custodial functions customarily performed for securities brokerage accounts, including crediting of interest and dividends on account assets. All transactions in your SWA Account are executed by Schwab in its capacity as a broker-dealer, with the partial exception of Schwab Wealth Portfolios, which is managed by CSIM. For more information about trade execution in Schwab Wealth Portfolios accounts, refer to the “Broker-Dealer Order Routing and Execution” section in the Charles Schwab & Co., Inc. Disclosure Brochure for: Schwab Managed Account Services Wrap Fee Program, Schwab Managed Portfolios Wrap Fee Program, Schwab Financial Planning Services.

To help you align your Portfolio(s) with your financial goals, Schwab will provide quarterly reporting. These updates include a range of recent account activity, portfolio analysis, and investment performance information for your SWA Accounts. SWAI will also periodically, but no less than annually, review Non-Discretionary SWA Accounts of clients who reside in the U.S. to identify mutual fund shares that may be eligible for a tax-free exchange with a lower-cost share class of the same fund and initiate such exchanges through Schwab. Schwab will provide trade confirmations to clients for any interclass exchanges that SWAI performs for SWA Clients who reside in the U.S.

Schwab sponsors other wrap fee programs and provides referral services with separate disclosure brochures as described in the “Other Financial Industry Activities and Affiliations” section under the “Additional Information” section below. These brochures are available upon request.

## **SWAI**

SWAI is an affiliate of Schwab and a registered investment adviser with the SEC. SWAI acts as the investment advisor on SWA Accounts and certain other accounts per an advisory agreement with Schwab (the “SWA Agreement”).

## **SWA Representatives, SWAI Representatives, and Directors, Wealth and Asset Management Solutions**

A team of SWA representatives (collectively, “SWA Representatives”) is available to help you meet your financial goals. Your SWA Representatives include a Financial Consultant (“FC”), who is responsible for establishing and maintaining client relationships and SWAI Representatives. The FC is responsible for considering reasonably available alternatives and making the initial determination that the SWA Program is in your best interest. FCs may elect to engage a Director, Wealth and Asset Management Solutions (DWAMS) who will have subsequent conversations about your goals and objectives and, upon validation that the SWA Program is in your best interest, will recommend enrollment. DWAMS do not provide advice about investments or portfolio management to SWA Accounts.

FCs are either Schwab employees (“Schwab Employee FCs”) or non-employee independent contractors. Your SWAI Representatives, including Wealth Advisors, Associate Wealth Advisors, Fixed Income and Options Specialists, Financial Planners, Alternative Investment Consultants, other representatives who provide investment advice to SWA Accounts, and specialists who provide education on certain wealth management education topics, are employees of SWAI (collectively, “SWAI Representatives”). In addition to being employees and investment advisor representatives of SWAI, SWAI Representatives are also associated persons and registered broker-dealer representatives of Schwab in order to access Schwab order-entry and other systems in connection with the investment advice delivered to SWA Accounts. SWAI Representatives who access the Schwab order-entry and other systems to execute transactions do so in their capacity as registered representatives of Schwab. DWAMS are employees and investment advisor representatives of SWAI.

SWAI Representatives review your overall financial picture and consider the total accounts’ assets for advice-giving and fee-calculation purposes. You may indicate a preference to avoid investing in certain securities or types of securities in your Non-Discretionary SWA Accounts and, because the SWA Program is non-discretionary, you decide whether to implement the SWAI Representatives’ recommendations. Additionally, for SMAs, including Schwab Wealth Portfolios, you may coordinate with SWAI Representatives to request to impose or modify reasonable investment restrictions on the management of your account(s), subject to the approval of the money manager. Your SWAI Representative relies, without independent verification, on the accurate and complete information you provide about your circumstances.

Based on your goals and financial situation, your SWAI Wealth Advisor is responsible for providing periodic non-discretionary investment advice to you in the SWA Program, such as to how to allocate assets, and whether to buy, sell or hold particular securities in a Non-Discretionary SWA Account. An Associate Wealth Advisor, who supports the SWAI Wealth Advisor, assists as you join the SWA Program and provides periodic support related to planning and advice interactions. Specialists are also available to provide topic-specific financial planning services, such as retirement needs, planning around potential cost basis and income impacts of portfolio reallocations, estate planning, or stock option grants. In addition, a team of DWAMS are available to support you and your Wealth Advisor relationship while you’re enrolled in the SWA program, but they will not provide advice on your portfolio or the continued appropriateness of your enrollment in the SWA Program. SWA Service Associates assists you with service needs, such as requests to move money, orientations, and information about Schwab services. The composition of the team working with you, and the exact role any SWA and SWAI Representative plays, may change over time depending on Schwab’s practice model or your needs and preferences. For more information about the SWA Program, SWAI Representatives, and Schwab services, please see the SWAI Disclosure Brochure and [Schwab.com](#).

Schwab, SWAI, and the SWA and SWAI Representatives do not exercise investment discretion in your SWA Accounts or move money in or out of them. This means that you make all decisions, and that you may accept or decline to follow SWAI Representatives’ investment recommendations. You may give trade orders to your SWAI Representative or place trades on your own in your Non-Discretionary SWA Accounts. SWAI

Representatives will act as registered representatives of Schwab's broker dealer when performing certain services, such as entering trades, in your Schwab accounts. You are under no obligation to execute any buy or sell recommendations through Schwab. With respect to Schwab Wealth Portfolios accounts and other SMAs, the money manager, and not SWAI, is responsible for portfolio management and discretionary trading in the SMA, and the SWAI Representative's role is limited to recommendations of SMAs and periodic reviews of those SMAs for continued appropriateness in the Portfolio. The money manager of your chosen program, and not SWAI, will exercise discretionary investment services, as described in their respective disclosure brochure and as agreed to under the terms of that program's advisory agreement. For more information on affiliated and unaffiliated money managers, refer to the Charles Schwab & Co., Inc. Disclosure Brochure for: Schwab Managed Account Services™ Wrap Fee Program, Schwab Managed Portfolios™ Wrap Fee Program, Schwab Financial Planning Services. Not all SWA Clients will have SMAs, and SMAs are not appropriate for all SWA clients.

While the SWAI Representatives provide guidance to you on wealth management considerations, the advice is dependent on you to provide updates that may require additional considerations and/or changes to the previous plan/analysis. Therefore, it is important for you to monitor your personal situation and current events, including changes in tax laws and financial markets. SWAI Representatives do not provide legal or tax advice, including for foreign tax laws. You should consult with your tax advisor or certified public accountant on all tax-related matters and with your attorney on all legal matters before taking any action. Schwab and SWAI do not act as money managers within the meaning of the Employee Retirement Income Security Act with respect to any individual retirement account ("IRA") or other retirement account that you enroll in the SWA Program. You should carefully consider all relevant factors before deciding how or whether to implement SWAI Representatives' recommendations contained in your analysis or financial plan. You are not obligated to use SWAI or Schwab to implement your plan. Not all investments available to clients who are U.S. residents will be available to clients who reside outside of the U.S. and vice versa.

### **Financial Planning Services**

If you reside in the U.S. and require financial planning assistance, your SWA Representatives may refer you, or you may request referral, to a Schwab financial planning specialist at no additional cost. You may be offered a Schwab Plan Comprehensive™, Schwab Personal Financial Plan™, or a Schwab Equity Compensation Consultation (collectively, "Financial Planning Services"), depending on your needs and circumstances. These plans assess certain aspects of financial planning related to your situation, such as retirement needs, education funding, estate planning, or stock option grants, as applicable.

A team of investment professionals deliver these Financial Planning Services, and they are available to all SWA Clients who reside in the U.S.

Neither SWAI nor Schwab have discretionary authority or assume responsibility with respect to your brokerage accounts from your use of the Financial Planning Services or discussions regarding your financial planning analysis.

### **Fees**

#### **SWA Fee**

The SWA fee ("SWA Fee") compensates Schwab, in part, for the services we describe above for accounts enrolled in the SWA Program, including Schwab Wealth Portfolios accounts. If you have Schwab accounts that you have not enrolled in the SWA Program, any fees Schwab charges you for the maintenance or custody of assets in those accounts, or for other account-related services, will be separate from and in addition to the SWA Fee.

The SWA Fee covers all non-discretionary advice you receive through the SWA Program, all equity trade commissions in your SWA 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 following costs that are charged in addition to the SWA Fee:

- Fees that mutual fund companies, unit investment trusts (UITs), closed-end funds, and other collective investment vehicles charge, including, but not limited to, sales loads (a portion of which Schwab receives) and/or redemption fees;
- Short-term redemption fees that Schwab charges for funds that participate in the Schwab Mutual Fund OneSource® service. Funds themselves may also charge a redemption fee that your SWA Fee does not cover;
- Fees relating to services that broker-dealers other than Schwab provide 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 other broker-dealers charge in connection with such transactions;
- Custody and/or transaction fees on Alternative Investments that you transfer to Schwab. For purposes of your enrollment in the SWA Program, "Alternative Investments" include, but are not limited to, non-publicly traded limited partnership and limited liability company interests, shares of exchange funds, shares of hedge funds and funds of funds, shares of private equity funds and funds of funds, interests in real estate funds, and other non-publicly traded investments that Schwab, in its sole discretion, determines;
- Fees on Alternative Investments purchased through Schwab Alternative Investments Select, including, but not limited to management fees, performance-based fees, fees for transaction processing, fees associated with capital calls, and/or redemption fees;
- Fees on options trades;
- Fees to offset processing costs that Schwab incurs for the exchange of securities for equity, options, or other covered security sell transactions; and
- 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.

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

Schwab calculates the SWA Fee based on all assets in your SWA Accounts except cash balances, money market fund shares, mutual fund shares upon which a sales charge has been or will be paid to Schwab, or other non-billable assets. Below you will find a detailed description of billable and non-billable assets.

The SWA Fee is billed on the value of the following assets:

- Equities, including, but not limited to, common stock, preferred securities (including convertible preferred stock before conversion), restricted stock, publicly listed master limited partnership shares or units, American depository receipts, foreign ordinary shares, and any rights or warrants on equities;
- Funds that trade on an exchange, including, but not limited to, ETFs and any closed-end funds;
- UITs (for clients who reside in the U.S.);
- Undertakings for the collective investment in transferable securities (UCITs) (for clients who are Non-U.S. residents);
- Billable fund shares consisting of all mutual fund shares, except money market fund shares or other “non-billable fund shares” (which we describe 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, 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 and equity-linked securities);
- Alternative Investments that you purchased through Schwab Alternative Investments Select and for which Schwab receives a valuation at least quarterly. Any subsequent purchase of an Alternative Investment through the Schwab Alternative Investments Select program in the same SWA Account as any Alternative Investment that was not initially purchased through the program will be combined with the existing position, and the SWA Fee will be charged on the entire position going forward. Note that, for Alternative Investments purchased through the Schwab Alternative Investments Select program, you will not be billed during the period between cash disbursement and Schwab’s receipt of the shares into your account. Please see Sections 3.B and 5.D below for information on certain Alternative Investments that are non-billable assets and other important information about Alternative Investments, respectively; and
- Assets you have purchased on margin or through other extensions of credit by Schwab or its affiliates (such as Pledged Asset Line®, available only to clients who reside in the U.S.). We will not charge the SWA Fee on debit balances in your accounts or on proceeds from “short sales” (meaning securities you sell that you have borrowed but do not own).

SWA non-billable assets include, but are not limited to:

- Cash balances, consisting of money that is awaiting investment, 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 Investments, with the exception of Alternative Investments purchased through the Schwab Alternative Investments Select program, or Alternative Investments that were not initially purchased through the program but were combined with a position subsequently purchased through the program in the same SWA Account. SWA clients will receive a credit on a quarterly basis to reduce or offset any SWA Program fee paid to Schwab by at least the amount of the SWA Program fee charged on these investments;
- Other investments, including, but not limited to, options and direct investments in commodities and commodity futures; and
- Other investment options, including insurance, annuities, and education investment plans that are only available to clients of the SWA Program who reside in the U.S.

Schwab bills the SWA Fee in arrears and calculates it as a percentage of the billable assets in your SWA Accounts. Schwab will deduct the program fees from your account, typically on the last business day of the quarter. The table below lists the applicable annual percentage rates (each an “APR”). There is a quarterly minimum fee equal to the lesser of: (a) \$1,000; or (b) the quarterly fee 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%.

On a daily basis, Schwab multiplies the total value of your SWA billable assets 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, Schwab assumes the Daily Total Amount to be equal to the Daily Total Amount for the second-to-last business day of the quarter. Schwab adds together the Daily Total Amounts for each quarter to make the “Quarterly Total Amount.” If the Quarterly Total Amount is greater than the Quarterly Minimum, you will pay the Quarterly Total Amount for that quarter; otherwise, you will pay the Quarterly Minimum. The Quarterly Total Amount includes any MAS or SMP fees for clients whose MAS and/or SMP accounts are grouped together with SWA Accounts for purposes of meeting the Quarterly Minimum and calculating the Quarterly Maximum. SMP is only available to SWA Clients who reside in the U.S.

Billing groups enrolled in the SWA Program for a partial quarter will not be subject to the Quarterly Minimum; instead, we will charge the sum of the daily fees for the number of days enrolled.

## Fee Schedules

Schwab has the following fee schedules for SWA Accounts:

### Standard Fee Schedule for New SWA Clients, Including Schwab Wealth Portfolios Accounts (effective October 1, 2024)

Billable Assets	Annual Percentage Rate
Amounts up to US\$1 million	0.80%
Next US\$1 million (more than US\$1M up to US\$2M)	0.75%
Next US\$3 million (more than US\$2M up to US\$5M)	0.70%
Next US\$5 million (more than US\$5M up to US\$10M)	0.50%
Next US\$15 million (more than US\$10M up to US\$25M)	0.30%
Assets over US\$25 million	0.30% (or less, as negotiated)

### Fee Schedules for Clients Enrolled in SWA Prior to October 1, 2024 (“Grandfathered Fee Schedules”)

Certain clients who enrolled in the SWA Program prior to October 1, 2024, have SWA Accounts that are on a Grandfathered Fee Schedule. For accounts on a Grandfathered Fee Schedule, if you or someone in your household (e.g., a person with the same last name living at the same address) have continuously maintained at least one SWA Account since the time of that initial enrollment in the SWA Program, the applicable Grandfathered Fee Schedule pricing will still apply to new SWA Accounts, including new Schwab Wealth Portfolio accounts, that you enroll in on or after October 1, 2024.

### Grandfathered Fee Schedule for Clients Who Enrolled in SWA Between October 1, 2018 and September 30, 2024

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

Clients enrolled prior to October 1, 2018, or on a legacy discounted rate, may be on a separate fee schedule not listed in this document.

From time to time, Schwab, at its sole discretion, will reduce or change the applicable SWA Fee for particular clients or groups of clients as a result of promotional offers or negotiations based on asset levels or other factors. The fee schedules shown are intended to reflect the standard SWA fees, but discounts, including but not limited to negotiated fee schedules, may apply to accounts at all asset levels.

If you have questions about the SWA fees that you are paying, or believe that your SWA Account qualifies for but is not receiving the appropriate Grandfathered Fee Schedule pricing, please notify us immediately.

### Advisory Program Credit for Schwab Wealth Portfolios Accounts

In IRAs and other retirement accounts enrolled in Schwab Wealth Portfolios (“Schwab Wealth Portfolios Retirement Account(s)”), the SWA Fee will be offset by direct and indirect payments to Schwab, CSIM, or their affiliates generated from the mutual funds, ETFs, or other investments (“Retirement Account Remuneration”). Schwab calculates an advisory program credit monthly to reduce or offset the program fee you may pay to Schwab by the amount of the Retirement Account Remuneration, if any, that Schwab, CSIM, or their affiliates receive as a direct result of investments in your Schwab Wealth Portfolios Retirement Accounts. Schwab will typically deposit the monthly advisory program credit to your Schwab Wealth Portfolios Retirement Accounts as soon as reasonably practicable, but no later than the 25th of the following month in which Schwab, CSIM, or their affiliates process the payment.

### Other Fee Considerations

The SWA Fee will impact the overall performance—both total return and yield—of your SWA Accounts, which is why we calculate the performance figures for your Portfolio in your quarterly report 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 charged and the SWA Fee calculated under the applicable fee schedule, please notify us immediately.

Schwab may offer some of the features of the SWA Program outside of the SWA Program 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 the SWA Program. Please call your SWAI Representative if you are unsure whether the SWA Program is right for you.

The SWA Fee is applicable to accounts enrolled in the SWA Program, including any Schwab Wealth Portfolios accounts, and it is separate from any fee you might pay for other accounts enrolled in MAS or SMP, which are not subject to the SWA Fee. Certain MAS and SMP accounts can 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 wish to group together for billing purposes and to qualify for any available aggregation discounts. More information about MAS and SMP is available in the Charles Schwab & Co., Inc. Disclosure Brochure for: Schwab Managed Account Services™ Wrap Fee Program, Schwab Managed Portfolios™ Wrap Fee Program, Schwab Financial Planning Services.

ETFs and mutual funds in the SWA Program are subject to operating expenses and fees as set forth in the prospectuses of those funds. Funds pay these fees and expenses internally out of fund assets, and they do not result in additional charges to the SWA Clients.

Per the SWA Agreement, Schwab pays SWAI a fee related to the provision of investment advisory services to SWA Clients equal to: (1) the costs and expenses SWAI incurs in connection with the SWA Program, plus (2) an additional amount of 10% of those costs and expenses. SWAI does not enter into agreements directly with SWA Clients or Schwab clients and accordingly does not receive direct compensation from them or negotiate fees with them.

## Compensation

### SWAI Representatives' Compensation

The SWAI Disclosure Brochure describes SWAI Representatives' compensation for providing investment advice to SWA Clients. The SWAI Representatives' compensation does not vary based on the investment recommendations they make to you and is not based on investment performance.

### DWAMS' Compensation

The SWAI Disclosure Brochure describes DWAMS' compensation for providing advice to prospective SWA Clients. Completion of SWA enrollments is one of many performance factors considered and has an impact on a portion of DWAMS compensation. This creates a conflict of interest. SWAI mitigates this conflict through policies and supervision designed to ensure DWAMS act in clients' best interest.

Schwab as a company will earn more revenue when a DWAMS recommends the SWA Program and a client chooses to enroll.

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

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

### FC Compensation and Other Payments and Incentives

FCs who operate Schwab Independent Branches are known as Independent Branch Leaders (IBLs) or, if employed by such IBLs, Independent Branch (IB) Representatives. FCs, with their own employees, operate at Schwab Independent Branches pursuant to a franchise agreement with Schwab.

In addition to their base salaries, Schwab Employee FCs receive compensation for successfully enrolling clients into the SWA Program (or other Schwab investment advisory programs) and for servicing those clients after enrollment. 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, the amounts Schwab Employee FCs earn on assets enrolled in the SWA Program exceed the amounts earned on assets in commission-based brokerage accounts and in some other advisory program accounts. Schwab Employee FCs are also eligible to earn an annual trip through Schwab Chairman's Club for success in gathering net new assets, regardless of whether those assets are enrolled in the SWA Program.

As independent contractors, IBLs receive a monthly "Net Payout" from Schwab, which includes amounts earned on assets in accounts referred to the SWA Program 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, IBLs and IB Representatives may earn amounts that vary by the type of program in which an account participates.

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

### Schwab Compensation

This section describes compensation Schwab receives that creates a conflict of interest between you and Schwab. You should carefully consider these conflicts when enrolling in the SWA Program.

Schwab's Mutual Fund Marketplace® ("MFMP") gives investors access to a wide range of mutual funds and share classes from different mutual fund companies. Schwab receives compensation from mutual fund companies or their affiliates for the recordkeeping, shareholder services, and other administrative services that Schwab provides to shareholders of the funds ("Shareholder Services"). These Shareholder Services include data and reporting; 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 above are paid out of fund assets, those amounts are included in the fund's operating expense ratio ("OER"), which means they are indirectly borne by the fund's shareholders.

Certain funds or fund families pay a flat platform fee, an asset-based platform fee, or a combination of these fee structures to compensate Schwab for activities related to Schwab's sponsorship of the MFMP. This payment to Schwab can be based on any number of factors, such as the level of assets invested in the funds, purchases of the funds over the period, net flows into the funds (gross purchases less redemptions), or other qualitative factors such as Schwab's assessment of the quality of the relationship with fund companies. These platform fees are paid to Schwab in addition to the other Shareholder Services fee discussed elsewhere in this document. These platform fees equate to an annual fee of 0.10% or less of the average fund assets at Schwab (assuming the flat or tiered platform fee was converted from dollars to an annual asset-based fee). This platform fee is generally paid by the fund advisor or another fund affiliate out of its own resources, and not directly out of fund assets.

Fund companies that make their funds available at Schwab are segmented into relationship tiers based on their overall relationship with Schwab, a combination of their fund assets held at Schwab, and the asset-based fee for Shareholder Services paid to Schwab, in addition to any fixed fee(s) they pay to Schwab. This tiered structure creates conflicts of interests, as fund companies that are in the top tiers will have greater access to Schwab and SWAI Representatives and advisors that custody their clients' assets at Schwab and who in turn are more likely to recommend funds that are familiar to them, and Schwab earns more revenue from fund companies in the top tier. However, these tiers will not impact or influence the selection of any fund on the Mutual Fund OneSource Select List® or other tools and lists prepared by Schwab and used by Schwab and SWAI Representatives to make recommendations and provide advice. All funds, regardless of tier, have access to required regulatory data and reporting. Some fund companies pay an additional fee to Schwab to gain access to additional data and reporting that would otherwise not be available based on that fund company's tier. These payments can range up to \$3,000,000 annually.

### **Strategic Provider Relationship**

T. Rowe Price makes payments to Schwab for marketing and promotional services that Schwab provided from February 2022 to August 2025 for certain actively managed T. Rowe Price mutual funds and ETFs with respect to Schwab's clients and the clients of Registered Investment Advisors that custody assets at Schwab. This payment is in addition to and separate from payments T. Rowe Price makes to Schwab for shareholder and administrative services.

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

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

Outside of the OneSource/NTF service, certain fund companies pay an asset-based fee for Shareholder Services on institutional share classes made available with no transaction fee ("Institutional NTF" or "INTF") and held by clients of investment advisors and other institutional investors, including certain large retail investors. Fees on new institutional class shares acquired or held at Schwab, are typically 0.17% per year but can range up to 0.19%. At a rate of 0.19%, the fund or fund affiliate pays Schwab \$19 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. The asset-based annual Shareholder Services fee on existing assets converted from transaction fee funds could be up to 0.15%, but typically is 0.12%, while Shareholder Services fees on existing assets that converted from Schwab Mutual Fund OneSource to INTF could be up to 0.45%, but typically are 0.40%. At rates of 0.12% and 0.40%, the fund or fund affiliate pays Schwab \$12 or \$40 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab. When adding new INTF funds, the funds also pay Schwab establishment fees. The fee for the first fund that Schwab adds does not exceed US\$25,000 and the fee for each additional fund within a fund family that Schwab adds as NTF is US\$1,000. When adding a new interval fund to Schwab's OneSource/NTF or INTF platforms, interval funds also pay Schwab establishment fees. The fee for the first interval fund that Schwab adds does not exceed US\$25,000, and the fee for each additional interval fund within a fund family that Schwab adds is US\$25,000.

Schwab, as a broker-dealer, set the initial investment minimum for NTF Funds and transaction-fee funds in the SWA Program at US\$1. The investment minimums for the purchase of funds in SWA Accounts may differ from the investment minimums for the purchase of funds in Schwab brokerage accounts outside of the SWA Program. Fund companies may request a higher initial investment minimum, which we will apply to initial purchases in SWA Accounts, making the investment minimum higher than US\$1.

There are no transaction fee charges on any funds you purchase in your SWA Accounts. A transaction fee is a trade fee that a brokerage company charges to purchase or sell a mutual fund. While there are no transaction fees, clients are subject to additional fees that we disclose 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 TF Fund category.

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

For institutional share classes made available with a TF that are held by clients of investment advisors and other institutional investors, including certain large retail investors, the asset-based annual fee for Shareholder Services is 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, the fund or fund affiliate pays Schwab \$10 each year for each \$10,000 in fund assets held by an investor for the Shareholder Services provided by Schwab.

In some cases, Schwab applies a minimum monthly fee of US\$1,000 per month per TF fund, depending on when Schwab added the fund to the platform. This minimum monthly fee applies starting with the first full month after the fund has become available for purchase at Schwab and only if the asset-based fee calculated for the month is less than the minimum monthly fee. When adding a new fund to Schwab's platform, TF funds also pay Schwab establishment fees. The establishment fees vary but generally do not exceed US\$25,000 for the first fund and US\$5,000 per each additional fund within a fund family. The fee for each additional fund within an INTF fund family that Schwab adds as TF is US\$2,000.

When adding a new interval fund to Schwab's TF platforms, interval funds also pay Schwab establishment fees. The fee for the first interval fund that Schwab adds does not exceed US\$25,000 and the fee for each additional interval fund within a fund family that Schwab adds is US\$25,000.

### **Schwab Funds®**

Schwab currently has one affiliated mutual fund family: Schwab Funds. CSIM serves as investment advisor and/or administrator to the Schwab Funds. Schwab Funds pay CSIM a fee for investment advisory and/or administrative services, the amount of which we describe 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 do not make any payments to Schwab under a shareholder servicing plan. Many of the Schwab Funds have adopted a unitary management fee structure under which a single management fee is paid to CSIM, and out of which CSIM compensates other service providers to the funds; CSIM and its affiliates are entitled to retain any portion of this fee not paid out to a service provider.

Some Schwab Funds have adopted a shareholder servicing plan pursuant to which they may pay fees to Schwab for Shareholder Services ranging up to 0.25% annually. Pursuant to its shareholder servicing plan, SWGXX pays Schwab an annual asset-based fee of up to 0.10% annually for sweep administrative services that Schwab provides to shareholders invested in sweep shares of SWGXX.

In aggregate, the fees Schwab or its affiliates receive from Schwab Funds may be greater than the compensation Schwab receives from unaffiliated fund companies participating in the Schwab Mutual Fund OneSource service and other funds available through MFMP.

### **Sponsorship and Educational Opportunities**

In addition to the fees we describe above, certain mutual fund and ETF fund families pay additional fees to Schwab for the services Schwab provides related to various educational events or marketing opportunities. The fees Schwab receives for administering these events and marketing opportunities are separate and distinct from, and in addition to, the asset-based, per-position, and other fees paid to Schwab by fund companies for the Shareholder Services described elsewhere in this document. The amount of such fees varies depending on the type and number of opportunities in which the fund participates each year.

### **Mutual Fund Recommendations**

Schwab policy only allows SWA Representatives to recommend the purchase of funds on 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, NTF funds that are part of the Schwab Mutual Fund OneSource® service, with some prominence given to Schwab Funds®. Schwab and its affiliates earn more money when clients purchase and hold funds that participate in the Mutual Fund OneSource service and Schwab Funds. SWAI Representatives' mutual fund recommendations are subject to substantially similar advice policies and guidelines adopted by SWAI.

### **Exchange Traded Funds**

Some third-party ETF sponsors or their affiliates make payments to Schwab for ETF-related opportunities, such as education, events, and data and reporting. Certain ETF sponsors pay Schwab up to \$4,000,000 annually for access to data and reports. The total amount of the fees paid by each ETF sponsor to Schwab for education and events will vary depending on the type and number of opportunities in which the ETF firm participates.

Schwab receives payment from third-party active semi-transparent (also known as non-transparent) ETFs or their sponsors for platform support and technology, shareholder communications, reporting, and similar administrative services for third-party active semi-transparent ETFs available at Schwab. This fee will vary, but typically is an asset-based fee of 0.10% annually of the assets held at Schwab. Neither CSIM nor Schwab active semi-transparent ETFs pay a separate fee to Schwab for these services described. However, 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.

CSIM serves as investment advisor to Schwab ETFs and receives a fee for its services from the Schwab ETFs.

### **Schwab 529 Education Savings Plan ("Schwab 529 Plan")**

The Schwab 529 Plan is an education investment program administered by the State of Kansas pursuant to Section 529 of the Internal Revenue Code. The plan is managed by TIAA-CREF Tuition Financing, Inc. ("TFI"), a wholly owned subsidiary of TIAA. The portfolios for purchase in the Schwab 529 Plan include Schwab Funds and other third-party funds.

TFI pays Schwab for providing services, including customer support and processing of account opening and maintenance requests, to clients who invest in the Schwab 529 Plan, including clients who invest in portfolios that hold Schwab Funds. Compensation is based on total assets held in the Schwab 529 Plan.

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

### **Annuities**

Schwab has annuity selling agreements in place with insurance companies, which pay Schwab compensation 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. For specific information, you should review the particular prospectus or offering document for the investment you select, which is available upon request and will be delivered to you at the time of purchase. Prospectuses for registered annuities available at Schwab can be found at: [schwab.com/transparency/annuities-prospectuses](https://www.schwab.com/transparency/annuities-prospectuses).

- Variable Annuities: Schwab's compensation generally consists of an annualized "trail" commission, which is calculated and paid monthly or quarterly based on the average asset value of the annuity contracts. This trail commission is not a separate fee incurred by you. Rather, it is paid to us by the insurance company from the variable annuity fee you pay to, and all other fees collected by that insurance company. It is paid to us for as long as you own the variable annuity. The maximum trail commission paid to Schwab is 0.65%. In addition, our affiliate CSIM earns additional revenue if contract holders select affiliated investment sub-accounts.
- Indexed Annuities (Fixed Indexed and Registered Index-Linked Annuities): Schwab's compensation is a combination of upfront commission and annualized trail commission. The commission rate and type will vary based on the type of annuity contract. The maximum gross commission payable on an indexed annuity is a combination of 4.5% upfront commission and 0.50% trail commission.
- Fixed Deferred Annuities: Schwab's compensation is a commission percentage of the initial purchase payment amount. The commission rate will vary based on the type of fixed deferred annuity contract purchased. The maximum gross commission payable on a fixed deferred annuity is a 5.5% upfront commission.
- Immediate Income Annuities: Schwab's compensation is either an upfront commission based on the initial purchase payment amount or a combination of upfront commission and annualized trail commission. The commission rate and type will vary based on the type of immediate income annuity contract purchased and the income option selected. The maximum gross commission payable on an immediate income annuity is a 4% upfront commission or a combination of 2.5% upfront commission and 0.20% trail commission.
- Deferred Income Annuities: Schwab's compensation is either an upfront commission based on the initial purchase payment amount or a combination of upfront commission and annualized trail commission. The commission rate and type will vary based on the type of deferred income annuity contract purchased and the income option selected. The maximum gross commission payable on a deferred income annuity is a 5% upfront commission or a combination of 0.50% upfront commission and 0.50% trail commission.

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

### **Life Insurance, Disability Insurance, and Long-Term Care Insurance**

Schwab has a selling agreement with a managing general agency ("Agency") to offer life insurance (term and permanent), disability insurance, and long-term care insurance to Schwab clients. The Agency has selling agreements with multiple insurance companies. The insurance companies pay

commissions directly to the Agency. The Agency pays Schwab a referral fee of 50% of the first year and renewal commissions paid to the Agency, minus all chargebacks.

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

#### **Broker-Dealer Order Routing and Execution**

The SWA Fee covers execution of orders in equity securities executed through Schwab, or for Schwab Wealth Portfolios, other broker dealers, as applicable.

In arranging for the execution of non-directed orders for equities and listed options, Schwab considers a number of factors in the execution quality of market venues, third-party algorithm, and trading counterparties, including:

- execution price relative to a benchmark;
- opportunities for price improvement;
- market depth and order size;
- speed and accuracy of executions;
- availability of efficient and reliable order handling systems, liquidity;
- likelihood of execution when limit orders become marketable; and
- service levels 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 routes orders for execution to unaffiliated broker-dealers, who may act as market makers or manage execution of the orders in other market venues. We also route orders directly to major exchanges and alternative trading systems. Schwab regularly monitors the execution quality to ensure orders are routed to market venues that consistently provide high-quality executions.

Schwab receives payment, such as liquidity or order flow rebates, from market venues to where Schwab routes orders and also pays fees for execution of certain orders. Quarterly information regarding the market venues to which we route orders or receive payment from is available on our website at [schwab.com/legal/order-routing-1](https://www.schwab.com/legal/order-routing-1) or in writing 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. Trades within Schwab Wealth Portfolios accounts are executed at the discretion of CSIM and are excluded from receiving any payment or rebates for order flow. For more information see the Charles Schwab & Co., Inc. Disclosure Brochure for: Schwab Managed Account Services™ Wrap Fee Program, Schwab Managed Portfolios™ Wrap Fee Program, Schwab Financial Planning Services.

Schwab executes fixed income orders for SWA Clients as the agent. In the bond market, there is no centralized exchange or quotation service for most fixed income products. Prices reflect activity by market participants or dealers linked to various trading systems. National exchanges list a small number of corporate bonds. Schwab seeks access to major trading systems, exchanges, and dealer markets to obtain competitive pricing. However, it is possible that securities through other trading systems, exchanges, or dealers could have higher or lower prices compared to those available at Schwab. All prices are subject to change without prior notice.

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

The SWA Program fee covers execution of fractional share trades.

#### **Schwab Alternative Investments Select**

When a SWA Client holds alternative investments from the Schwab Alternative Investments Select program, Schwab receives compensation from alternative investment issuers or their affiliates for services performed or for placement activities.

Schwab receives compensation from third-party alternative investment issuers participating in Schwab Alternative Investments Select for record-keeping, Shareholder Services, and other administrative services. Third-party companies are not owned by, affiliated with, or supervised by Schwab. These fees are negotiated between Schwab and alternative investment issuers and take the form of asset-based fees (i.e., calculated as a percentage of the alternative investment assets held by Schwab clients).

The portion of the asset-based fee paid to Schwab by the alternative investment issuer is not paid out of fund assets but may be borne indirectly by shareholders. To the extent that any part of the fees described are paid out of fund assets, those amounts are included in the fund's fees and expenses.

Certain fund issuers or fund advisors pay a one-time placement fee to compensate Schwab for the activities related to the subscription of new investments. These payments are separate from the fees specific to a particular fund share class and are based on new subscriptions. The fee paid to Schwab will be paid entirely out of the alternative investment provider's assets.

Schwab may earn more from clients who hold alternative investments in a SWA account than Schwab would earn from the same investment held in a brokerage account.

Schwab limits which alternative investments and asset classes are available through the Schwab Alternative Investments Select program based on a number of selection criteria, which include the compensation likely to be received by Schwab. Schwab receives more compensation from some alternative investment issuers than others. The economic criteria used to select alternative investments and the compensation differentials between funds in the Schwab Alternative Investments Select program both create a conflict of interest because they could influence Schwab in the selection and recommendation of higher-compensating alternative investment funds.

## Account Requirements and Types of Clients

The SWA Program 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. For clients who reside in the U.S., eligible accounts also include eligible pledged asset accounts used as collateral for the Pledged Asset Line® (“PAL”) offered by Charles Schwab Bank, SSB, or Charles Schwab Premier Bank, SSB (collectively, the “Affiliated Banks”). The SWA Program excludes other types of retirement plan accounts, offshore trust accounts, certain pledged asset accounts, charitable gift accounts, and state and municipal government entities. For purposes of calculating the SWA Fee, Schwab may not combine certain account types, such as estate, conservatorship, and guardianship accounts, while eligible for the SWA Program, with other accounts. For more information on pledged asset accounts that Schwab uses as collateral for the PAL that the Affiliated Banks offer, please refer to the SWA Agreement. If using your Schwab Wealth Portfolios account as collateral for the PAL, please refer to the Managed Account Services account application agreement for more information.

The SWA Program is intended for clients who want to receive non-discretionary, fee-based periodic investment advice developed through analysis and discussion of various wealth management topics, in addition to brokerage services. The SWA Program is also intended for clients who may want SMAs in the context of a broader non-discretionary investment advisory relationship. The SWA Program is not intended for day trading, highly active trading, or trading in mutual funds based on market timing.

Another Schwab service may be better for clients who want a set mutual fund portfolio, money market funds, underwritten offerings (e.g., initial public offerings), or for clients with high cash balances or insufficient assets in their enrolled accounts. Clients may incur more costs by participating in the SWA Program than if they received services provided in other areas at Schwab, such as a broker-dealer account.

The initial enrollment minimum for the SWA Program is US\$500,000. Schwab may reduce or waive this minimum in certain situations, including through individual negotiations or business considerations. Schwab may allow portfolio groups with lower enrolled assets (e.g., due to withdrawals or enrollment in the SWA Program during a time when a lower asset minimum was in place) to remain in the SWA Program.

## Portfolio Manager Selection and Evaluation

SWAI and SWAI Representatives serve as the Portfolio Manager for the SWA Accounts with the exception of Schwab Wealth Portfolios. Because the SWA Program is non-discretionary, and because SWA Clients may place unsolicited trade orders and/or decline trade recommendations made by their SWAI Representatives, Schwab does not evaluate SWAI Representatives based on the performance of a particular SWA Account or groups of SWA Accounts. Schwab monitors SWAI Representatives for compliance with applicable advice policies and guidelines (which we describe in “Participation or Interest in Client Transactions” below). SWAI further supervises SWAI Representatives for compliance with substantially similar SWAI advice policies and guidelines. Due to Schwab’s additional revenue and dependence on new referrals from Schwab branches, SWAI Representatives have a conflict of interest when determining if the SWA Program and/or other Schwab sponsored managed programs are in your best interest.

## Mutual Funds

When SWA 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. Please see the “Services, Fees, and Compensation” section for an explanation of this compensation.

## Alternative Investments

Recommendations by SWAI Representatives to purchase units in alternative investments are subject to Schwab’s advice policies and guidelines, which state that “buy” recommendations are restricted to alternative investments on Schwab’s recommendable list for the Schwab Alternative Investments Select program. Schwab has parameters to select alternative investments for inclusion in Schwab’s recommendable lists, and these parameters are subject to change without notice. Schwab Center for Financial Research (“SCFR”) conducts investment due diligence and operational due diligence for every alternative investment made available through the program.

When SWA Clients invest in an alternative investment in a Schwab account, Schwab will receive compensation from alternative investment issuers or their affiliates for a range of services. The fee paid to Schwab will be paid out of the alternative investment issuers’ assets. The portion paid by the alternative investment issuer may be included in the investment’s expenses and borne indirectly by investment shareholders. Clients should not assume that the alternative investment recommended has the lowest fees available. Please see the “Services, Fees, and Compensation” section for an explanation of this compensation.

SWAI does not provide advice on alternative investments that are not part of the Schwab Alternative Investments Select program, and these investments are not eligible for purchase recommendations or other buy, sell, or hold advice from SWAI Representatives even if they are held in SWAI accounts (for example, as the result of transfer or because they pre-date the SWA enrollment). For these alternative investments, with the exception of alternative investments that are also made available through the Schwab Alternative Investments Select program, SCFR does not conduct investment due diligence or operational due diligence. SWA Clients are responsible for monitoring all alternative investments held as an accommodation in SWA Accounts.

Any subsequent purchase of an alternative investment through the Schwab Alternative Investments Select program in the same SWA Account as any alternative investment that was not initially purchased through the program will receive service, support, and bear the associated fees consistent with the program going forward on the combined position.

## Advisory Business

Schwab provides the SWA Program through its dual role as registered investment adviser and broker-dealer. In addition to the SWA Program, 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 advisors pay a fee to participate in the Schwab Advisor Network program. Certain Schwab Advisor Network advisors and the SWA Program offer similar services and pricing, however not all clients are eligible for both

services. Schwab has a conflict of interest when recommending the SWA Program instead of other investment advisory services like Schwab Advisor Network, because Schwab and its affiliates earn more money when clients enroll and maintain accounts in the SWA Program. Schwab addresses these conflicts through written policies and procedures designed to ensure SWA Representatives provide recommendations that are in the client's best interest.

Schwab services also include sponsorship of Schwab Intelligent Portfolios®, SMP, and MAS. As we note above, Financial Planning Services are also available to SWA Clients who reside in the U.S. either through the SWA Program or directly through Schwab. Your SWA Representatives 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, which Schwab would provide to you at the time of referral or purchase.

SWAI provides advice to directed trusts (each a "DT") for which Schwab affiliate CSTC acts as administrative trustee and an individual acts as trust adviser. CSTC earns ongoing fees for providing administrative services to DTs. For each DT, SWAI may give advice to the trustee adviser and take instructions from the trustee adviser, who in some cases are clients of CS&Co. and SWAI in their individual capacities. Because of the ongoing fees earned by CSTC and CS&Co. and pre-existing relationships, CS&Co. has an incentive to recommend SWA for DTs, and SWAI has an incentive to render advice to DTs, even where other solutions might be cumulatively less expensive or better serve the interest of the DT.

### **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 compensation tied to investment performance for providing services to the SWA Program.

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

The SWAI Representatives for your SWA 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 SWAI that SWAI has adopted). These advice policies and guidelines indicate, subject to an exceptions process, the universe of securities they may recommend. Schwab, relying upon research done both internally and by certain affiliates, provides substantial input into the advice policies and guidelines SWAI Representatives follow. 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. A SWAI committee reviews, approves, and amends the advice policies and guidelines that SWAI Representatives follow. SWAI Representatives may supplement the research provided by Schwab and certain affiliates with additional sources of information, which 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. The investment strategies the SWAI Representatives recommend 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 do not include active trading, short sales in SWA Accounts, or certain complex option strategies.

Investing in securities, whether through the SWA Program or otherwise, involves a risk of loss that you should be prepared to bear. Failure to exercise options prior to expiration may result in forfeiture of value. Equity compensation, such as stock options and restricted stock, is subject to market fluctuation, which could lead to loss of value.

Investment risks 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, currency movement restrictions, and changes in local laws and regulations), and risks related to asset classes (e.g., commodities risks, real estate risks). Please see the SWAI Disclosure Brochure for additional information about these investment risks. We discuss the operational cybersecurity risk and system outages in the "Additional Information" section.

As we note above, SWA Clients who reside in the U.S. can access Financial Planning Services from either SWAI Representatives or Schwab. Unless we specify otherwise, the Financial Planning Services are provided on a discrete basis at a point in time, so it does not involve ongoing advice. Therefore, it is important for you to monitor your personal situation and current events. The methods of analysis for the Financial Planning Services 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 we describe below) based on the information you provide through statements and conversations. The methods of analysis we use are based on the information you provide and on certain static assumptions (e.g., fixed return rates and fixed life expectancies). In reality, these variables will not be static; market fluctuations will affect overall asset performance and uncertain life expectancies may cause clients to outlive their resources or fail to accumulate necessary resources.

Monte Carlo analysis is a statistical method that helps assess the effect of these risks by randomizing return rates, which helps analyze the risk of market fluctuations. Monte Carlo analysis is a projection of the future that attempts to represent the majority of all possible outcomes under a given set of inputs and does not represent the full universe of all possible futures. Monte Carlo analysis is not a guarantee of future outcomes. The results using Monte Carlo Simulations indicate the projected likelihood of achieving a goal. In analyzing this information, please note that the analysis does not take into account actual market conditions, which may severely affect the outcome of goals over the long-term. Exercising and/or selling equity compensation may create additional tax consequences, so 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 financial planning analysis. As we note above, neither SWAI nor Schwab gives legal or tax advice. Neither SWAI nor Schwab has discretionary authority or assume responsibility with respect to your brokerage accounts as a result of your use of the Financial Planning Services. You should carefully consider all relevant factors before deciding how or whether to implement recommendations provided under the Financial Planning Services.

## **Voting Client Securities**

Schwab will send you proxy voting materials for securities you hold in your SWA Accounts, excluding accounts enrolled in Schwab Wealth Portfolios. You, as the holder of the underlying brokerage accounts, have the sole authority to vote any proxies solicited for those securities. For questions, please contact Schwab. Securities held in Schwab Wealth Portfolios and within SMAs will be voted by the money manager per their existing policies, unless you have submitted the form prescribed by Schwab to receive all issuer communications and retain proxy voting authority. See the applicable money manager's disclosure brochure for more details.

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

SWA Representatives have access to the information that you disclose 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 for your SWAI Representative's respective location. As we describe in the "Services, Fees, and Compensation" section above, meetings with your SWAI Representatives take place periodically throughout the year.

## **Additional Information**

### **Disciplinary Information**

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

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

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

- Schwab's conflict of interest in setting the cash allocations;
- the influence of this conflict of interest on the size of the cash allocations; and
- the negative effect of the cash allocations on performance in Schwab Intelligent Portfolios 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 Schwab Intelligent Portfolios.

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

- review Schwab's supervisory, compliance, and other policies and procedures designed to ensure that Schwab's SIP Program-related disclosures, advertising, and marketing communications comply with the requirements of the Advisers Act, and the rules thereunder, and with other applicable federal securities laws with respect to the SIP Program; and
- submit a report to both Schwab and the SEC describing the independent consultant's findings and making recommendations. Schwab was required to adopt and implement the independent consultant's final recommendations.

## **Other Financial Industry Activities and Affiliations**

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

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

Schwab is also registered as an investment adviser under the Advisers Act. In addition to sponsoring the SWA Program, Schwab also acts as a registered investment adviser for other programs, including:

- Schwab Managed Account Services, which consists of:
  - Managed Account Select®;
  - Managed Account Connection®;
- Schwab Managed Portfolios™ (a mutual fund and ETF wrap fee program);
- Schwab Intelligent Portfolios® (automated discretionary managed account program);
- Schwab Advisor Network® (a referral program of investment advisers to investors who are looking for assistance in managing their assets and/or other financial planning activities). Advisors participating in Schwab Advisor Network are independent and not affiliated with Schwab. Investment advisers pay a fee to participate in the Schwab Advisor Network program;

- Retirement Plan Services (discretionary and non-discretionary advice services with Morningstar Investment Management LLC offered by Schwab Retirement Plan Services, Inc.);
- Financial Planning Services (through the Schwab Personal Financial Plan™, Schwab Retirement Consultation, and Schwab Equity Compensation Consultation);
- Schwab Managed Account Services™ (for clients of independent investment advisors); and
- Model Market Center™ (“MMC”) (a web-based offering available to independent investment advisors that custody assets at Charles Schwab & Co., Inc. and use the iRebal® platform [a technology offering that is administrative in nature] available on Schwab Advisor Center for account rebalancing and trading).

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

### **Schwab Affiliates**

Schwab is a wholly owned subsidiary of CSC.

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

CSIM is an affiliate of Schwab. In addition to managing certain strategies in the Connection wrap fee program, CSIM also manages the SMP wrap fee program and provides advisory and administrative services to certain Schwab affiliated funds marketed under the Schwab Funds® and Schwab ETFs™ names.

SWAI is a registered investment adviser whose representatives offer periodic non-discretionary investment advice in SWA, as described in this brochure and in the Schwab Wealth Advisory, Inc. Disclosure Brochure.

Charles Schwab SG Pte. Ltd. enables accredited investors in Singapore to trade in the U.S. markets. Charles Schwab U.K. Limited and Charles Schwab Hong Kong, Limited enable retail investors in the United Kingdom and Hong Kong, respectively, to trade in the U.S. markets.

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

Charles Schwab Trust Bank, Charles Schwab Trust Company and Charles Schwab Trust Company of Delaware offer trust and custody products and services.

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

Charles Schwab Bank, SSB, Member FDIC and Equal Housing Lender is a subsidiary of CSC that offers deposit and lending products to both Schwab brokerage clients and other clients who have no relationship with Schwab.

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

### **Code of Ethics**

Schwab has a code of ethics adopted pursuant to SEC Rule 204A-1 under the Advisers Act (the “Code”). The Code reflects the fiduciary principles that govern the conduct of Schwab employees or associated persons when Schwab acts as an investment adviser as defined under the Advisers Act. The Code requires that Schwab’s covered representatives comply with applicable federal securities laws, report violations of the Code, and for those deemed “access persons” by virtue of providing investment advice or having access to certain related information, report their personal transactions and holdings in certain securities periodically. The Code prohibits access persons from disclosing portfolio transactions or any other non-public information, 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 the SWA Program. In some cases, compensation is paid to Schwab by a third party, and you may ultimately bear these fees as a shareholder or investor. FCs may also receive compensation when you purchase certain investments or products after the FC has recommended it or introduced you to it. We describe their compensation in the “Compensation” section under the “Services, Fees, and Compensation” section. The extra compensation earned by Schwab, or by an FC, creates a conflict of interest.

As we describe in the SWAI Disclosure Brochure, SWAI earns no such additional compensation.

The compensation Schwab and its affiliates receive creates a conflict of interest when a SWAI Representative gives you advice as part of the SWA Program or a DWAMS recommends you enroll in 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 FCs, SWAI Representatives, and DWAMS must follow when making recommendations.

The FCs’, SWAI Representatives’, and DWAMS’ direct managers and the Central Supervision Team supervise the recommendations that the FCs, SWAI Representatives, and DWAMS make for compliance with Schwab’s advice policies and guidelines, including, as applicable, recommendations to enroll and continued enrollment in the SWA Program and to buy or sell securities within the SWA Program.

Supervisors who oversee SWAI Representatives review a variety of factors once per quarter, including, but not limited to, client appropriateness, asset allocation data, and internal notes to verify that both the SWA Program itself and the security recommendations the SWAI Representatives

made within the program are appropriate. Supervisory functions, including review of trading activity, portfolio construction, communication, and review of recommendations into advised offers are conducted by the Central Supervision Team.

### **Personal Trading**

Schwab monitors the personal securities holdings and trading of Schwab representatives. Schwab reviews accounts of its representatives custodied at Schwab and applicable accounts custodied at other firms. The surveillance program monitors holdings and trades against the Code, Schwab Compliance Manual, and other applicable policies. Additionally, Schwab representatives must disclose all securities accounts they own or control after their hire date, and review and confirm the accuracy of those accounts on a regular basis.

Schwab representatives are prohibited from engaging in activities that violate federal or state securities laws, or rules and regulations of the exchanges or regulatory agencies. These prohibitions include rules against (1) frontrunning customer orders—which is when a Schwab representative buys or sells a security to possibly capitalize on advance knowledge of an imminent customer transaction that is expected to influence the market price; (2) passing such information to others for that purpose; so-called “shadowing”—which means misusing confidential customer trade information for possible personal benefit; and (3) purchasing shares in initial public offerings.

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

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

The Cash Features Program is a service that Schwab provides that permits the uninvested cash, or free credit balance, in your account to earn income while those funds remain uninvested:

- SWGXX (available only to clients who reside in the U.S. and other eligible jurisdictions); or
- Schwab One Interest feature that earns interest (available only to clients who reside outside SWGXX-eligible jurisdictions).

Your free credit balance is the uninvested cash in your account, minus the funds necessary to pay for transactions that are waiting to settle and any applicable charges to your account.

The SWA Program uses SWGXX as the default sweep feature, unless you instruct us to use the non-interest-bearing Schwab One Interest feature. The SWGXX feature is only available to SWA Clients who reside in the U.S. Those SWA Clients who reside outside of the U.S. will have their uninvested cash, or free credit balances, automatically deposited into the Schwab One Interest feature that earns interest or, as an exception, the Schwab One Interest feature that does not earn interest.

- 1. The SWGXX feature.** This sweep feature invests you in a money market fund that generally may pay a higher yield than certain other cash sweep options. If your accounts currently have a different sweep feature, you authorize and direct Schwab to establish or change your cash sweep feature to SWGXX generally within one week of enrollment into the SWA Program, unless you instruct us not to do so. If your enrollment in the SWA Program is terminated at any time for any reason and if, at that time, you are not otherwise eligible for SWGXX 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. An investment in a money market fund is not a deposit, is not guaranteed by or an obligation of any bank, and is not Federal Deposit Insurance Corporation (“FDIC”) insured.
- 2. The Schwab One Interest feature.** This feature, which earns interest and is available only to clients who reside outside the U.S., pays you interest on your free credit balances. If your account is eligible for the Schwab One Interest feature as your Cash Feature, your free credit balance will remain in your account and earn interest. A free credit balance in your account is not a deposit, is not guaranteed, is not the obligation of any other bank, and is not FDIC-insured. A Schwab One Interest feature that does not earn interest is available as an exception to all clients. Please see your account statement and the Cash Features Program Disclosure Statement for the terms and conditions of the Schwab One Interest feature.

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

When your funds are waiting to be deposited in, 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 following paragraphs.

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).

With respect to 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 with a verbal update to determine the status of your outstanding distribution checks.

If a SWA Client who resides in the U.S. requests a Schwab MoneyLink® transfer from an account to another financial institution: (1) the amount of the transfer will be debited by Schwab from the client's 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) the client agrees and acknowledges that Schwab will earn interest on that amount beginning on the date Schwab debits the client's account and ending on the date the electronic fund transfer is received by the other financial institution and thereby debited from Schwab's bank account.

## Review of Accounts

The “Services” section under the “Services, Fees, and Compensation” section of this brochure explains that clients meet with their SWAI Representatives periodically throughout the year to review their Portfolios. A Wealth Advisor most often conducts these reviews, but other SWAI Representatives may also conduct them. It is during, and in preparation for, these conversations that your SWAI Representatives review the composition and performance of your Portfolio in light of your financial goals and situation.

## 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.

## Financial Information

Schwab does not require or solicit prepayment of any 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.

## Cybersecurity Risk

Cybersecurity attacks and other information security events remain a risk to financial institutions, in part because of the use of the internet and mobile and cloud technologies to conduct financial transactions, and the increased sophistication and activities, including the use of artificial intelligence technologies, of organized crime, activists, hackers, foreign state actors, and other external parties. Schwab’s systems, as well as those of our third-party service providers, have been and will continue to be the target of cybersecurity attacks, including malicious code, computer viruses, ransomware, phishing, denial of service attacks, and others that could result in unauthorized access to, or the misuse, loss, destruction or alteration of, data (including confidential client information); account takeovers; and the unavailability of service or other events. Our information security program addresses these risks with complementary tools, controls, and technologies, including from external firms specializing in discrete areas of cybersecurity, to assess the Company’s practices, vulnerabilities, and overall cyber risk posture, and to protect systems, client accounts and data. Despite our efforts to ensure the integrity of Schwab’s systems, we may not be able to anticipate or prevent all cybersecurity attacks or other information security events, especially because the techniques used change frequently or are not recognized until launched, and because attacks can originate from a wide variety of sources. Events that would halt or impair our ability to provide advisory services could still occur, and we will respond with appropriate resources to contain and remediate the cause and restore operations.

## Artificial Intelligence Technology Risks

Schwab uses artificial intelligence including but not limited to machine learning, natural language algorithms, and other data-driven technologies (collectively “AI Tools”) to support various aspects of our business and operations. AI Tools can be complex and may rely on internal or third-party data, models, implementation, management, and/or supervision. Schwab relies on many third-party models and services which are proprietary to those vendors; as a result, the AI Tools operate outside of, or beyond, Schwab’s visibility and oversight. Whether provided internally or by a third-party, AI Tools can hallucinate and may be inaccurate, incomplete, biased, or become unavailable, leading to imperfect or erroneous outputs. Use of AI Tools introduces risks related to cybersecurity; data privacy and integrity; and operational disruptions. Further, the U.S. and global legal and regulatory environment relating to the use of AI Tools is rapidly evolving, thereby introducing the risk of non-compliance; requiring changes to Schwab’s implementation of AI Tools (along with potential business interruptions); and/or increased compliance costs. Schwab seeks to mitigate all of these risks through a variety of governance, controls, and workflows. However, such measures cannot eliminate the possibility of adverse impacts.

## System Outages Risks

System interruptions, errors or downtime can result from a variety of causes, including changes in client use patterns, technological failure, changes to our systems, linkages with third-party systems and power failures, and can have a significant impact on our business and operations. Our systems are vulnerable to disruptions from human error; execution errors; and errors in models such as those used for asset management, capital planning and management, risk management, stress testing and compliance, employee or associated persons misconduct, unauthorized trading, external fraud, computer viruses, distributed denial of service attacks, cybersecurity attacks, terrorist attacks, natural disaster, extreme weather, power outage, capacity constraints, software flaws, events impacting key business partners and vendors, and similar events. 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.

