

We act in your best interest when we make recommendations to you.

When we make a recommendation to you to open up an account; buy, sell, or hold any investment; or to pursue an investment strategy (each a “recommendation”), we will do so in your best interest and not put our interest ahead of yours. As part of this promise, we want to make sure you understand our business practices that relate to our investment advice when acting as your broker-dealer.

Charles Schwab & Co., Inc. (Schwab, us, or we) is registered with the Securities and Exchange Commission as both a broker-dealer and a registered investment adviser. Schwab is a subsidiary of The Charles Schwab Corporation, and our affiliates include Charles Schwab Bank, SSB (Schwab Bank), and various registered investment advisers whose activities are described in more detail below and in other documents referenced below. This document describes how we interact with you when we make recommendations when acting as a broker-dealer. We refer to this summary, along with the information we link to below about our pricing, how we pay our representatives, and how we give advice and make money, as our “Best Interest Disclosure.” You can always find this information, along with Client Relationship Summaries for both brokerage and investment advisory accounts, at www.schwab.com/transparency or by calling us at 800-435-4000.



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

Type and Scope of Services

Are there account minimums and will you monitor my account?



When you open a Schwab brokerage account, we act as your custodian and safeguard your account and assets. We also act on your instructions to place trades or move money into or out of your accounts. There is no account minimum to open or maintain individual brokerage or IRA accounts. There is a \$250,000 minimum for organization accounts.

Our broker-dealer services include execution of both solicited and unsolicited transactions, margin lending, custody of your assets, cash sweep programs, and research and tools available online. From time to time, we may give you a one-on-one recommendation to buy, sell, or hold particular securities; pursue a particular investment strategy; or open an account at Schwab that is specific to you and your situation at that time. When we make those recommendations, you can follow or decline them. It is up to you.

We can make recommendations about specific investments, such as buying or selling stocks of publicly traded companies, bonds, exchange-traded options, mutual funds, or exchange-traded funds (ETFs). We can also recommend investment strategies, including types of accounts, asset allocations, foundational investment plans, or trading strategies particular to your situation. We may provide Schwab research, tools, and other market data, but this type of information will never be a recommendation for you specifically. Unless we otherwise agree with you in writing, we will not monitor, review, or update any recommendations or investments in your account when acting as a broker-dealer. Our recommendations apply only at the time we make them. For example, if you defer action on a recommendation, you should come back to us later for an updated recommendation.

To see the specific terms of our brokerage account agreement with you, please see your particular account agreement at www.schwab.com/account-information.

Capacity When We Make Recommendations

How will I know if that changes?

When we recommend that you buy, sell, or hold securities; pursue a particular investment strategy; or open up a brokerage or IRA account at Schwab, we are acting as a broker-dealer, and our Financial Consultants and other representatives are acting as associated persons of the broker-dealer. It is important that you understand that when we act in this broker-dealer capacity, we do not monitor your account or investments in your account, nor do we update recommendations we have made to you.

Apart from the services we provide for your brokerage account, Schwab can also act as an investment adviser. You will know we are acting as an investment adviser because it is a distinct service that you select, and you will receive a special written disclosure. And often, you will enter into a separate agreement with us to receive that service.



Material Fees and Costs

What fees does Schwab charge, and are there other product costs?

Schwab Fees. Schwab charges a fee when you engage in certain activities in your accounts. The fee does not vary whether or not you receive a recommendation from us. On rare occasions fees are waived, discounted, or negotiated based on assets or other business criteria.

Here is a summary:

- ✓ \$0 for online stock trades.
- ✓ \$0 for online ETF trades.
- ✓ \$0 for online options trades, with a \$0.65 per contract fee.
- ✓ For bond and other fixed income trades, \$1 per corporate and municipal bond (\$10 minimum; \$250 maximum). \$0 for treasuries. When Schwab acts as principal (i.e., buys or sells bonds directly with you), it derives additional trading revenue.
- ✓ For mutual funds, \$0 for Schwab and Schwab OneSource® funds, and up to \$49.95 per purchase of all other funds.
- ✓ \$25 for most broker-assisted trades.
- ✓ Stock borrow fees for short selling, which are based upon the supply/demand of the security and the market value of the client's short position. The daily stock borrow fee is calculated by multiplying short market value (the price of shares at market close multiplied by the number of shares) by the stock borrow rate, which can change daily without prior notice. To calculate the daily stock borrow fee, this number is then divided by 360.
- ✓ Account activity fees, including for account transfers, title transfers, late settlement, mutual fund short-term redemption, ordering physical certificates, and security reorganizations.
- ✓ Cashiering and administrative services fees, including for overnight and bulk deliveries, nonsufficient funds, incoming and outgoing wire transfers, and custody of non-publicly traded securities.
- ✓ Special service fees charged by Schwab to offset fees imposed on us by self-regulatory organizations and exchanges.

We show any fees charged to you on your trade confirmations and/or account statement. The specific account activity, administrative services and special service fees, other details, and minimum deposit requirements are described in our pricing guide at www.schwab.com/pricing-guide.

Product or Investment Costs. In addition to the fees above, the investments we recommend have costs that are reflected in the price of the product. These vary by investment. For example:

- ✓ Mutual funds and ETFs charge an asset-based ongoing annual fee called the operating expense ratio, or OER, which can vary over time. Mutual funds and ETFs available at Schwab include those managed by a Schwab affiliate (in which case, the Schwab affiliate receives a portion of the OER) and those managed by nonaffiliates. If you have \$10,000 in a passively managed ETF with a 0.10% fee, you will pay about \$10 a year in fees to the ETF.
- ✓ OERs for actively managed mutual funds are generally higher than those for index mutual funds or ETFs. If you have \$10,000 in an actively managed mutual fund with a 0.90% OER, you will pay about \$90 a year. Schwab does not recommend mutual funds or ETFs with OERs above 2.0%.
- ✓ For fixed income investments like new-issue bonds and CDs, the price includes a concession paid to the selling dealer, which may be Schwab. Schwab's customary selling concession ranges from 0.01% to 3% of the value of the investment. For secondary issues, the price paid or received includes a markup or markdown paid to the dealer selling or buying the security, which is generally less than 1% of the principal amount. Schwab receives the markup or markdown when it trades with you as principal rather than as agent.
- ✓ Schwab recommends variable annuities. The base annuity fee for these variable annuities is 0.65% or less. Optional guaranteed benefits are available for a cost between 0.20% and 1.0%. The annual subaccount investment expense range is 0.03%–1.96%. This range is not applicable to all products. Please see the prospectus for specific subaccount expenses. There are no annual contract fees or contingent deferred surrender charges.

For specific information, you should review the particular prospectus or offering document for the fund or investment you select, which is available upon request and will be delivered to you at the time of purchase. Prospectuses for Schwab Funds® can be found at www.schwabfunds.com/prospectus. Prospectuses for variable annuities available at Schwab can be found at www.schwab.com/variable-annuities-prospectuses.

Schwab Advice

Do any limitations apply to what Schwab representatives can recommend?



When our representatives make a recommendation to you, they are required to follow specific policies. These policies place certain limitations on the investment advice we give and the investment products we recommend. Our investment recommendations are designed to be:

- ✓ Consistent with generally accepted investing principles
- ✓ Based on the circumstances and needs of individual clients
- ✓ Compliant with applicable laws and regulations, including the obligation to act in your best interest
- ✓ Efficient for us to make and deliver

For some services and investment categories, we limit the options available. For example, only stocks that are rated A or B through our Schwab Equity Ratings® system are recommendable to buy. For other categories, such as mutual funds and ETFs, our recommendations are limited to products that we approve based on set criteria. For example:

- ✓ Recommendable ETFs, including affiliated and third-party funds, based on the amount of assets in the ETF, how well it tracks its benchmark, how expensive it is to trade, and its expense ratio.
- ✓ Recommendable mutual funds, including affiliated and third-party funds, based on Schwab's quantitative and qualitative analyses of funds relative to their category peers. These include factors such as performance, expenses, assets, size of the fund family, quality of the portfolio managers, and the consistency of the investment process.
- ✓ We only recommend investment-grade bonds that are available on the Schwab BondSource® inventory management system.
- ✓ We only offer one 529 plan, administered by the State of Kansas, in which a Schwab affiliate manages some of the available funds in the plan.
- ✓ We only offer four variable annuity products from two unaffiliated carriers.
- ✓ We only offer affiliated money market mutual funds.
- ✓ When Schwab offers an investment in an initial public offering (IPO), Schwab clients must meet an asset or trading threshold in their Schwab accounts and must participate in certain Schwab client services to be eligible to participate in an IPO or secondary offering.

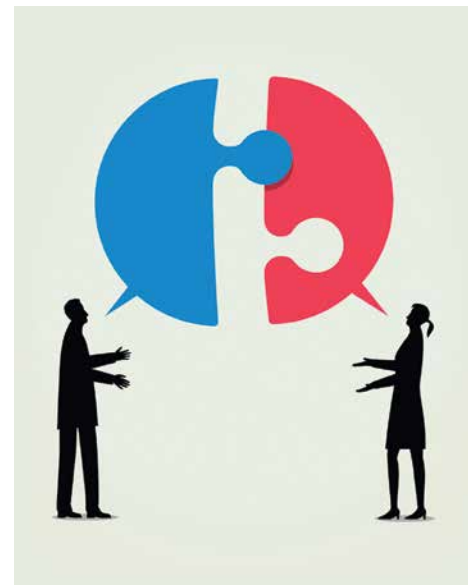
For more details about material limitations in our recommendations, please see www.schwab.com/limitations-conflicts.

Material Facts About Conflicts of Interest

What are the material facts about conflicts that exist when Schwab representatives provide recommendations?

Schwab, our affiliates, and our representatives make more or less money depending on the amount and types of assets in your accounts, the frequency and type of trading you do, and other actions you might take based on our recommendations. As a result, we and our representatives have a conflict of interest when we make recommendations to you.

- ✓ Schwab and its affiliates earn more from certain assets held in your accounts than others. Higher earning assets include affiliated mutual funds and ETFs, mutual funds that pay an ongoing shareholder servicing fee, cash from which Schwab or its affiliate bank earns a "spread" between the amount we pay you in interest and the amount we can earn lending that money to others, and bonds and other fixed income securities held in Schwab's inventory or for which Schwab receives a dealer concession as a member of the selling group. For detailed information about how Schwab earns money, please see www.schwab.com/limitations-conflicts.
- ✓ Our representatives receive a base salary and incentive compensation that takes into account many factors, including the time, complexity, and expertise necessary to recommend products to you and service your accounts. Although our branch-based Financial Consultants earn more when you follow their recommendation and enroll in certain investment advisory services, or when you transfer assets into a Schwab account, they do not earn more depending on the types of assets held in your brokerage accounts. For example, they do not earn more whether they recommend Schwab-affiliated ETFs or mutual funds or third-party ETFs or mutual funds. For detailed information about how our representatives are paid, please see www.schwab.com/representative-compensation.



Material Risks With Recommendations

What risks should I understand before I invest?

Our recommendations are based on various factors that change with time, so they are effective only at the time of the recommendation.

While we will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals or that our recommended investment strategy will perform as anticipated.

Investing involves the risk of losing your initial investment (principal). Certain asset classes (for example, small-cap stocks) and certain markets (for example, foreign emerging stocks and bonds) are considered generally riskier than others. Certain investment vehicles carry additional risks. (For example, fixed income vehicles such as bonds are subject to increased loss of principal during periods of rising interest rates. Fixed income investments are subject to various other risks, including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors). Certain methods of investing (for example, using margin) increase risks. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. For more information, see risk disclosures specific to the investment product you may be contemplating, as discussed below.

For specific risks for mutual funds, ETFs, and variable annuities, you should review the particular prospectus or offering document, which is available upon request and will be delivered to you at the time of purchase. Prospectuses for Schwab Funds® can be found at www.schwabfunds.com/prospectus. Prospectuses for variable annuities offered at Schwab can be found at www.schwab.com/variable-annuities-prospectuses. For specific risks regarding other investment products, see www.schwab.com/account-information.

Brokerage and insurance products: Are not deposits ▪ Are not FDIC-insured ▪ Are not insured by any federal government agency ▪ Are not guaranteed by the bank or any affiliate of the bank ▪ May lose value

The Charles Schwab Corporation provides a full range of brokerage, banking and financial advisory services through its operating subsidiaries. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member SIPC), offers investment service products, including Schwab brokerage accounts. Its banking subsidiary, Charles Schwab Bank, SSB (Schwab Bank) (member FDIC and an Equal Housing Lender), provides deposit and lending services and products unavailable during periods of peak demand, market volatility, systems upgrade, maintenance, or for other reasons.

Charles Schwab & Co., Inc., a licensed insurance agency, distributes certain insurance and variable annuity contracts that are issued by insurance companies not affiliated with Schwab. Not all annuity contracts are available in every state.

This site is designed for U.S. residents. Non-U.S. residents are subject to country-specific restrictions. Learn more about our services for [non-U.S. residents](#).