

# The Schwab One® Custodial Account

Invest for a child's future

A custodial account allows you to open an account in a child's name and manage it, typically until the child reaches age 18 or 21 and takes full control of the account (or can be up to age 25, depending on state laws). Whether it's for your own child, a relative, or a friend, a custodial account offers investment flexibility and some tax advantages. It's a good way to give money to a child for any purpose—and teach him or her about investing at the same time.

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## Features

**Tax benefits**—You can take advantage of the annual federal gift tax exclusion and incur no gift tax for contributions up to \$15,000 (\$30,000).

Investment income, including capital gains, is taxed under special rates:

- The first \$2,200 in earnings is tax-free.
- Amounts over the \$2,200 threshold are taxed at the new rates (based on estate and trust rates).<sup>1</sup>

**No contribution limits**—Your contributions are unlimited, although federal gift tax rules do apply.

**No limits on withdrawals**—Funds can be withdrawn at any time and for any purpose, including education, as long as they're used for the needs of the beneficiary.

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## Benefits

**Investment flexibility**—You have access to research and information to help you choose stocks, bonds, CDs, mutual funds, and more, or you can select a single-portfolio solution.

**Easy to open an account**—There is no account minimum to open a custodial account. Plus, there's no account maintenance fee. Other account fees, fund expenses, and brokerage commissions may apply.<sup>2</sup>

**Help and guidance**—Schwab investment professionals are always available to answer your questions.

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## Important information

Please consider the following limitations prior to applying to open a Schwab One Custodial Account:

**Custodial assets**—All assets in a custodial account are considered irrevocable gifts and are held in the child's name. The beneficiary cannot be changed once the account is established. The account must be transferred to the minor when he or she reaches age 18 or 21 (can be up to age 25, and varies by state). Keep in mind that once this account transfer has occurred, the beneficiary can use the money in any way he or she chooses.

**Financial aid**—20% of the assets in the custodial account will be counted when the child applies for financial aid for college.

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## Next steps

**Call** 1-888-302-1559 to speak with a Schwab investment professional about opening a Schwab One® Custodial Account.

**Schedule** an appointment at a Schwab branch near you at [schwab.com/branch](https://schwab.com/branch).

**Go to** [schwab.com/custodial](https://schwab.com/custodial) to apply for an account.


**Estimate** college costs at [schwab.com/collegecalculator](https://schwab.com/collegecalculator).

**Brokerage Products: Not FDIC-Insured ▪ No Bank Guarantee ▪ May Lose Value**

<sup>1</sup>For a child under the age of 19 considered a dependent at the end of year (or a full-time college student under the age of 24), the first \$2,200 of child's unearned income is tax-free; amounts over the \$2,200 threshold will be taxed at the rates for trusts and estates. See IRS Publication 929 for more detail.

<sup>2</sup>Please go to [schwab.com/pricingguide](https://schwab.com/pricingguide) to see the *Charles Schwab Pricing Guide for Individual Investors* ("the Guide") and any amendments to the Guide for comprehensive details on fees. **Employee equity compensation transactions are subject to separate commission schedules.**

This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Where specific advice is necessary or appropriate, Schwab recommends consultation with a qualified tax advisor, CPA, financial planner, or investment manager.

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