

## How We Compensate Our Investment Professionals

Since Charles Schwab & Co., Inc. ("Schwab") was founded more than 40 years ago, we've been committed to serving the needs of individual investors. One of our most important beliefs is that you should understand how the financial professionals assisting you are paid, so you can evaluate the recommendations you receive.

In this brochure, we identify the different categories of investment professionals who may serve you at Schwab and describe how they are compensated. This includes both Schwab employees and independent branch franchisees (and their employees) operating Schwab Independent Branches. Compensation for investment professionals who provide recommendations is designed to support the provision of advice in the client's best interest.

Please note that the information below describes how Schwab pays employee professionals and shares revenue with Independent Branch professionals, **not** how you pay Schwab for the services you receive. Information about what you pay Schwab for the services we provide can be found at [schwab.com/pricing](https://www.schwab.com/pricing).

This brochure summarizes our compensation plans and incorporates all recent changes in effect as of January 1, 2021, including changes to how we pay Schwab Financial Consultants.

This brochure is accurate as of the date indicated above.

We invite you to read this information carefully and to contact us at 1-800-435-4000 if you have any questions. (For multilingual services, call 1-800-662-6068. For services outside the U.S., call +1-415-667-8400.)

### Types of Investment Professionals

#### 1. U.S. Branch Representatives

- VP–Financial Consultants
- Associate Financial Consultants
- Client Relationship Specialists
- Financial Consultant Partners
- VP–Branch Managers

#### 2. International Branch Representatives

- International VP–Financial Consultants
- International Branch Managers

#### 3. Service Representatives

- Customer Service and Brokerage Service Representatives

#### 4. Specialty Representatives

- Investor Development Specialists
- Financial Consultants (Participant Investor Concierge)
- VP–Senior Wealth Advisors
- VP–Financial Consultants, Client Relationship Advisors
- VP–Corporate Financial Consultants
- Advice Consultants
- Trading Solutions Representatives
- Fixed Income Specialists
- Insurance Services Regional Annuity Specialists (Annuity Specialists)
- Regional Banking Managers
- Portfolio Solutions Group Investment Consultants

#### 5. Schwab Independent Branch Services Representatives

- Independent Branch Leaders
- IB Representatives

### 1. U.S. Branch Representatives

#### VP–Financial Consultants

##### What They Do

VP–Financial Consultants work with clients both in person (through our U.S. branch office locations) and by phone. They develop new and existing client relationships, generally using a planning-based approach to understand a client’s needs and objectives. They provide education and recommendations to help clients select products—including investments, banking, and insurance—that meet client objectives. Each Financial Consultant supports a practice, which includes clients who are assigned to that Financial Consultant as a primary point of contact. Financial Consultants may also assist clients who are not in their practice.

##### Compensation

Financial Consultants receive a base salary for serving clients. Depending on their professional experience and past work performance, some Financial Consultants also receive **Relationship Pay**. In addition, Financial Consultants receive **Solutions Pay**. Financial Consultants may also be eligible to participate in a Career Achievement Award Program, which rewards and retains our top talent for being dedicated to Schwab and our clients.

Financial Consultants may give financial planning and investment advice to some of their clients. Although Schwab as a company may earn more or less revenue depending on the investment product or portfolio management service a Financial Consultant recommends, we have designed their compensation based on the time, complexity, and expertise necessary to understand, recommend, and provide ongoing service to a client for different categories of investment products and portfolio management services. [Schwab.com/schwabcompensation](https://www.schwab.com/schwabcompensation) includes more information on how Schwab as a company earns revenue.

##### Relationship Pay

Relationship Pay compensates a Financial Consultant for maintaining relationships with and providing service to clients in their practice. Compensation is divided into three categories. The first two have different asset multiplier rates,\* which reflect the time, complexity, and expertise associated with recommending and servicing accounts in each category (“compensation factors”). Category 1 covers fee-based portfolio management services, and Category 2 covers portfolio management referrals and nonmanaged accounts. The asset multiplier rates change

\*The asset multiplier rate range is based on fluctuations in revenue and assets over time.

monthly based on fluctuations over time in assets and revenue associated with the products and services in Category 1 and Category 2.

We aggregate within each of these two categories a range of advisory programs or investment products that are similar in terms of complexity and the time, on average, it is expected to take a Financial Consultant to work with a client. We do this to guard against a Financial Consultant having undue incentives when giving investment advice. Relationship Pay applies whether a Financial Consultant recommended or sold the product or service to the client, or the client made the purchase or enrollment decision on his or her own.

As shown in the tables below, Financial Consultants receive more compensation for some products and services than others. Financial Consultants are eligible to receive 6%, 7%, 8%, or 9% of the amount resulting from application of the asset multiplier rate, depending on a Financial Consultant’s professional experience and past work performance.

The third category of Relationship Pay is for credit products.

**Relationship Pay Based on Account Balances**

<b>Category 1</b>	<b>Category 1</b>
<b>Portfolio Management Services</b> (typically have more involved ongoing service needs)	<b>Annual Relationship Pay per \$100,000 of Client Balances</b>
<ul style="list-style-type: none"> <li>• Schwab Private Client™</li> <li>• Schwab Managed Portfolios™</li> <li>• Schwab Managed Account Services™ (which includes ThomasPartners® Strategies, Windhaven® Strategies, Wasmer Schroeder™ Fixed Income Strategies, Wasmer Schroeder Municipal Bond Ladder Strategies, Wasmer Schroeder Taxable Bond Ladder Strategies, Charles Schwab Investment Management Separately Managed Accounts, Diversified Portfolios, and Third-Party Managers)</li> <li>• USAA Managed Portfolios®</li> </ul>	<p>The asset multiplier rate used for Category 1 could range between 46 and 56 basis points, which is multiplied by a Financial Consultant’s particular payout rate.</p> <p>This results in a payment between:</p> <p>\$27.60 (100,000 × .0046 × .06) and \$33.60 (100,000 × .0056 × .06),            \$32.20 (100,000 × .0046 × .07) and \$39.20 (100,000 × .0056 × .07),            \$36.80 (100,000 × .0046 × .08) and \$44.80 (100,000 × .0056 × .08) or            \$41.40 (100,000 × .0046 × .09) and \$50.40 (100,000 × .0056 × .09)</p>

<b>Category 2</b>	<b>Category 2</b>
<b>Portfolio Management Referrals and Nonmanaged Accounts</b> (typically have less involved ongoing service needs)	<b>Annual Relationship Pay per \$100,000 of Client Balances</b>
<ul style="list-style-type: none"> <li>• Schwab Advisor Network®</li> <li>• Schwab Intelligent Portfolios®</li> <li>• Schwab Intelligent Portfolios Premium™</li> <li>• Schwab Personal Trust</li> <li>• Wasmer Schroeder Ultra Short Strategies</li> </ul> <p>Balances in self-directed or nonmanaged accounts are treated the same, regardless of whether the assets are in affiliated or third-party products or different share classes. The payout rate is the same for stocks, bonds, mutual funds, ETFs, cash (including Schwab Bank deposits), option positions, and 529 accounts.</p>	<p>The asset multiplier rate used for Category 2 could range between 13 and 16 basis points, which is multiplied by a Financial Consultant’s particular payout rate.</p> <p>This results in a payment between:</p> <p>\$7.80 (100,000 × .0013 × .06) and \$9.60 (100,000 × .0016 × .06),            \$9.10 (100,000 × .0013 × .07) and \$11.20 (100,000 × .0016 × .07),            \$10.40 (100,000 × .0013 × .08) and \$12.80 (100,000 × .0016 × .08), or            \$11.70 (100,000 × .0013 × .09) and \$14.40 (100,000 × .0016 × .09)</p>

**Category 3****Non-Investment Advice Products and Activities****Credit Products:**

- Margin Loans
- Schwab Bank Home Equity Line of Credit (HELOC)
- Schwab Bank Pledged Asset Line® (PAL)

Financial Consultants receive a payment of 4.4 basis points per \$100,000 of client loan balance. This results in a payment of \$44 per \$100,000 loan ( $\$100,000 \times .00044$ ).

When a client in a Financial Consultant's practice is enrolled in a participating portfolio management service and receives a refund of their program fee under the Schwab Satisfaction Guarantee, Schwab will debit the amount of Relationship Pay the Financial Consultant receives by a percentage of the amount of the fee refunded.

**Solutions Pay**

Solutions Pay compensates a Financial Consultant for attracting new clients and assets to Schwab and recommending products and portfolio management services. It is a one-time payment and applies whether a Financial Consultant recommends a product or service or the client makes the purchase or enrollment decision on his or her own. The exceptions are for Schwab Intelligent Portfolios® and Schwab Intelligent Portfolios Premium™, which the Financial Consultant must recommend, and into which the client must enroll in order for the Financial Consultant to receive Solutions Pay.

Category 1, asset consolidation, pays the same rate no matter what investment product a Financial Consultant might recommend or a client might purchase on his or her own.

Category 2, which includes most portfolio management services (but not Wasmer Schroeder Ultra Short Strategies), pays the same rate no matter which service a Financial Consultant might recommend. The different rates paid between Category 1 and Category 2 are based on the additional time, complexity, and expertise necessary to assess a client's needs and recommend our portfolio management services. Category 3, other products, includes activities in which a Financial Consultant is not providing investment advice. Generally, if assets leave a Financial Consultant's practice, that loss is netted against asset gains to a Financial Consultant's practice for purposes of calculating Solutions Pay.

Solutions Pay is paid to the Financial Consultant monthly.

**Solutions Pay**

<b>Category 1 Asset Consolidation</b>	<b>Category 1 Financial Consultant's Compensation<sup>1</sup></b>	<b>Category 1 One-Time Solutions Payment</b>
Net Asset Flows (total inflow of client assets minus the total outflow of client assets)	$0.0008 \times \text{Net Asset Flows}$	\$80 per \$100,000 of Client Balances

<sup>1</sup>Schwab may cap the amount of incentive compensation that a Financial Consultant can earn from any one client from the Solutions Pay component.

Category 2 Portfolio Management Services*	Category 2 Financial Consultant's Compensation <sup>1</sup>	Category 2 One-Time Solutions Payment
<ul style="list-style-type: none"> <li>• Schwab Private Client™</li> <li>• Schwab Intelligent Portfolios®</li> <li>• Schwab Intelligent Portfolios Premium™</li> <li>• Schwab Advisor Network®</li> <li>• Schwab Personal Trust–Full Corporate Trustee</li> <li>• Schwab Managed Portfolios™</li> <li>• Schwab Managed Account Services™ (which includes ThomasPartners® Strategies, Windhaven® Strategies, Wasmer Schroeder™ Fixed Income Strategies, Wasmer Schroeder Municipal Bond Ladder Strategies, Wasmer Schroeder Taxable Bond Ladder Strategies, Charles Schwab Investment Management Separately Managed Accounts, Diversified Portfolios, and Third-Party Managers)</li> <li>• USAA Managed Portfolios®</li> </ul>	0.002 × amount enrolled	\$200 per \$100,000 of Client Balances
Annuities by a Licensed Financial Consultant	0.002 × annuity amount	\$200 per \$100,000 of Client Balances

\*Excludes Wasmer Schroeder Ultra Short Strategies.

Category 3 Other Products	Category 3 Financial Consultant's Compensation <sup>1</sup>	Category 3 One-Time Solutions Payment
Introductions to Charles Schwab Bank, SSB for mortgages by Financial Consultants who are also employees of Charles Schwab Bank, SSB	0.002 × loan amount for new mortgages; 0.0011 × loan amount for refinanced loans	\$200 per \$100,000 of Client Balances \$110 per \$100,000 of Client Balances
Schwab Personal Trust–Successor Trustee	\$175 per household designation	\$175
Referrals to a Schwab Charitable donor-advised fund <sup>2</sup>	\$175 per converted referral for new accounts over \$25,000	\$175
Referrals to Life Insurance	\$450 per converted referral	\$450
Referrals to Long-Term Care Insurance by a Licensed Financial Consultant	\$450 per converted referral	\$450
Referrals to Schwab Advisor Services™	\$800 for referrals up to \$30 million; \$3,500 for referrals of \$30+ million	\$800 or \$3,500
Referrals to Schwab Retirement Plan Services or Retirement Business Services	0.002 × amount of assets referred; \$250,000 minimum asset level to \$10,000,000 maximum asset level	\$500 for a \$250,000 referral

<sup>1</sup>Schwab may cap the amount of incentive compensation that a Financial Consultant can earn from any one client from the Solutions Pay component.

<sup>2</sup>Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund™, an independent nonprofit organization. Schwab Charitable Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation.

***Bringing Together a Financial Consultant's Pay***

As an example, suppose an in-practice client of a Financial Consultant brings a portfolio of \$500,000 to Schwab and invests it as follows:

- \$200,000 into Schwab Private Client™
- \$100,000 into Mutual Funds
- \$100,000 into ETFs
- \$100,000 in Cash

The Financial Consultant would earn annual compensation as follows:

Payment Type	Description	Compensation Amount
Solutions Pay (one-time payments)	\$500,000 transfer into Schwab	\$400
Solutions Pay (one-time payments)	\$200,000 enrollment into Schwab Private Client	\$400
Relationship Pay (annual payments)	\$200,000 balance in Schwab Private Client	\$55.20–\$100.80
Relationship Pay (annual payments)	\$100,000 balance in Mutual Funds	\$7.80–\$14.40
Relationship Pay (annual payments)	\$100,000 balance in Cash	\$7.80–\$14.40
Relationship Pay (annual payments)	\$100,000 balance in ETFs	\$7.80–\$14.40
		TOTAL
		\$878.60–\$944.00

**Associate Financial Consultants**

**What They Do**

Associate Financial Consultants assist clients in our branch offices. They meet with clients who are not assigned to a Financial Consultant’s practice as well as with potential new clients to identify and analyze their financial needs.

**Compensation**

In addition to a base salary, Associate Financial Consultants are eligible to earn an annual bonus that is determined based on manager discretion, which may include consideration of service quality, client satisfaction, teamwork, and the provision of education and recommendations to our clients.

**Client Relationship Specialists**

**What They Do**

Client Relationship Specialists respond to the specific needs of clients and may direct clients to the appropriate Schwab representative.

**Compensation**

In addition to a base salary, Client Relationship Specialists are eligible to earn an annual bonus that is funded based on Schwab’s performance and determined based on manager discretion, which may include consideration of service quality, client satisfaction, sales support, and teamwork.

**Financial Consultant Partners**

**What They Do**

Financial Consultant Partners respond to the specific needs of clients and are assigned to specific Schwab representatives.

**Compensation**

In addition to a base salary, Financial Consultant Partners are eligible to earn an annual bonus that is determined based on manager discretion, which may include consideration of service quality, client satisfaction, sales support, and teamwork.

## **VP–Branch Managers**

### **What They Do**

VP–Branch Managers lead a local market team composed of Financial Consultants, Associate Financial Consultants, Financial Consultant Partners, Client Relationship Staff, and various internal and external partners. They provide local strategic direction and execution support, and they recruit and manage the local team. They are responsible for the performance of their branch.

### **Compensation**

In addition to a base salary, Branch Managers are eligible to earn an annual bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of branch growth and productivity, client satisfaction, and development of staff. A Branch Manager's bonus can be a significant amount, typically, but not limited to, approximately 45% of their total compensation.

## **2. International Branch Representatives**

### **International VP–Financial Consultants**

#### **What They Do**

International VP–Financial Consultants provide services primarily to our clients residing outside the United States.

#### **Compensation**

These Financial Consultants are paid according to the same incentive plan as U.S. Financial Consultants, with the exception that some products available in the U.S. are not available to clients residing in some non-U.S. jurisdictions.

### **International Branch Managers**

#### **What They Do**

International Branch Managers lead a team composed of International Financial Consultants, Associate Financial Consultants, and Client Service Staff. Branch Managers provide strategic direction and execution support, recruit and manage the team, manage various risk factors around our business and accounts, and advance the Schwab brand.

#### **Compensation**

In addition to a base salary, Branch Managers are eligible to earn an annual bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of branch growth and productivity, client satisfaction, and development of staff.

## **3. Service Representatives**

### **Customer Service and Brokerage Service Representatives**

#### **What They Do**

Customer Service and Brokerage Service Representatives provide service to clients via telephone, email, and online chat; respond to telephone inquiries from clients about the products and services we offer; and may contact clients by phone or email.

#### **Compensation**

In addition to a base salary, these representatives are eligible to earn a quarterly bonus that is based on measured performance in adherence to scheduled availability and customer satisfaction and an annual bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of productivity, client satisfaction, quality assurance, internal referrals to Schwab teams, teamwork, and client feedback.



## 4. Specialty Representatives

### Investor Development Specialists

#### What They Do

Investor Development Specialists interact with prospects and clients via telephone, through inbound and outbound calls. They work to understand client needs, provide recommendations (for Schwab Intelligent Portfolio Solutions™ Schwab Managed Portfolios™ ThomasPartners® Strategies, or Windhaven® Strategies) to help clients select products that meet their objectives, and make referrals (for Schwab Private Client™ or Schwab Advisor Network®) to a local branch when appropriate.

#### Compensation

In addition to a base salary, these specialists are eligible to earn additional incentive compensation based on the following criteria:

- **Client Navigation**—A measurement of Net Assets Flow and enrollments in Portfolio Management Services. The Investor Development Specialist is paid the same for Portfolio Management Services, regardless of what solution the client elects.
- **Manager Discretion**—A quarterly discretionary incentive determined based on manager discretion, which may include consideration of service quality, client satisfaction, teamwork, and the provision of education and recommendations to our clients.

### Financial Consultants (Participant Investor Concierges)

#### What They Do

Financial Consultants (Participant Investor Concierges) provide help to participants of Schwab Corporate & Retirement Services (SCRS) including, but not limited to, Retirement Plan Services (RPS), Stock Plan Services (SPS), and Designated Brokerage (DB). For example, if a participant is eligible for a distribution or a rollover, the Financial Consultant discusses the participant's options, which may include keeping the participant's assets in their retirement plan, or recommendations to rollover to a Schwab IRA. If the participant decides to open a Schwab IRA, the Financial Consultant may recommend investments or other products and solutions once funds have been distributed from the plan.

#### Compensation

In addition to a base salary, these Financial Consultants have the potential to earn additional incentive compensation based on the following criteria:

- **Service Quality**—A quarterly discretionary component that evaluates the Financial Consultant's performance in educating participants about their options, which may include taking a distribution, leaving their money in their plan, rolling over to a third-party plan, or opening and rolling over to a Schwab IRA. This also includes all processing and follow-up work involved with servicing participants.
- **Client Navigation**—A measurement of Net New Assets brought to Schwab.

### VP–Senior Wealth Advisors

#### What They Do

VP–Senior Wealth Advisors provide dedicated relationships to clients with at least \$10M in investable assets at Schwab. They develop new and existing client relationships, taking a planning-based approach to understand a client's needs and objectives. They provide education and recommendations to help clients select the products that help meet their objectives and work with a team of experts in order to serve their complex and unique needs.

#### Compensation

In addition to a base salary, VP–Senior Wealth Advisors are eligible to earn an annual bonus that is determined based on manager discretion, which may include consideration of client

satisfaction, service quality, client retention, contribution to the team, and Net New Assets to Schwab.

### **VP–Financial Consultants, Client Relationship Advisors**

#### **What They Do**

VP–Financial Consultants, Client Relationship Advisors work with dedicated clients by phone. They assess their clients’ financial needs, analyze clients’ portfolios, make recommendations from the full array of service solutions offered by Schwab, and provide ongoing service to a client enrolled in a given program.

#### **Compensation**

In addition to a base salary, VP–Financial Consultants, Client Relationship Advisors are eligible to earn an annual bonus that is determined based on manager discretion, which may include consideration of the quality and frequency of client engagement, client retention, and client satisfaction.

### **VP–Corporate Financial Consultants**

#### **What They Do**

VP–Corporate Financial Consultants provide dedicated in-person relationships to employees of select corporate partners. They develop new and existing client relationships, taking a planning-based approach to understand a client’s needs and objectives. They provide education and recommendations to help clients select the products that help meet their objectives.

#### **Compensation**

In addition to a base salary, Corporate Financial Consultants are eligible to earn an annual bonus that is determined based on manager discretion, which may include consideration of client satisfaction, service, quality of financial plans delivered, feedback from the corporate client, and retention of plan assets.

### **Advice Consultants**

#### **What They Do**

Advice Consultants provide education and share recommendations made by a third-party advice vendor (e.g., Morningstar) to participants of retirement plans serviced by Schwab Retirement Plan Services, Inc. (SRPS). Services may include personalized one-on-one consultations, evaluation of investments and asset allocation, and discussion of financial goals (including retirement) to facilitate the third-party advice recommendations. The third-party advice provider takes into consideration both investments in employer-sponsored retirement plans and other assets held outside of those plans, in developing the plan investment advice. During the consultations, if a participant inquires about a product or service of an SRPS affiliate, Advice Consultants will connect the participant with a representative of the applicable SRPS affiliate.

#### **Compensation**

In addition to a base salary, Advice Consultants are eligible to earn an annual bonus that is funded based on Schwab’s performance and determined based on manager discretion, which may include consideration of metrics based on service quality and client satisfaction.

### **Trading Solutions Representatives**

Trading Solutions Representatives identify clients whose trading needs are an appropriate match for Schwab Trading Services™. They do not provide trading advice. The group consists of regionally based Regional Investment Strategists who work with local branches, as well as phone-based Trading Solutions Consultants and Trading Solutions Education Specialists:

- **Regional Investment Strategists (RISs)**

#### **What They Do**

Regional Investment Strategists support a designated region of clients assigned to local Financial Consultants’ practices. They work with Financial Consultants by serving as their

primary point of contact for Schwab Trading Services™ They also assist clients not assigned to a Financial Consultant's practice.

#### **Compensation**

In addition to a base salary, RISs are eligible to earn an annual bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of frequency of one-on-one client consultations, regional client growth and retention, local market seminars and events hosted, market area lead-flow generation, and client satisfaction.

#### **• Trading Solutions Consultants**

##### **What They Do**

Trading Solutions Consultants interact with prospects and clients via telephone, through inbound and outbound calling. They work to understand client needs and make referrals to Schwab Trading Services, when appropriate.

##### **Compensation**

In addition to a base salary, these consultants have the potential to earn additional monthly and quarterly incentive compensation. The monthly incentive is based on the following criteria:

- Bringing Net New Assets to Schwab.
- Referring a client who attends a new client/options consultation, a consultation with a Trading Solutions Regional Manager, an in-branch workshop, or a seminar.

The quarterly discretionary incentive is determined based on manager discretion, which may include consideration of efficiency, productivity, partnership, focus negotiation, service quality, and accuracy.

#### **• Trading Solutions Education Specialists**

##### **What They Do**

Trading Solutions Education Specialists partner with Trading Solutions Consultants to help onboard new clients. Education Specialists conduct phone-based, customized, one-on-one consultations with new clients to teach them how to leverage Schwab's trading platforms, tools, and research resources.

##### **Compensation**

In addition to a base salary, Education Specialists are eligible to earn an annual bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of quantity of one-on-one client consultations, quality of consultation interactions, client engagement, and whether clients leverage subsequent education.

#### **Fixed Income Specialists**

Fixed Income Specialists serve clients with fixed income investing needs. The group consists of Regional Bond Specialists and Bond Investment Specialists. Neither group earns commissions on transactions. Nor does it matter whether a transaction is executed as agent, as a riskless principal, or from Schwab's own inventory.

#### **• Regional Bond Specialists**

##### **What They Do**

Regional Bond Specialists provide advice and service to Schwab clients specific to their fixed income investing needs.

##### **Compensation**

In addition to a base salary, these specialists are eligible to earn quarterly bonuses that are funded and determined based on the sales of fixed income products, advised referrals, and solutions credits, in addition to number of household conversions of new assets/new advised referrals. Sales of fixed income products are credited based on a point system in which "solicited" (recommended) purchases receive four times as many points as unsolicited purchases.

This is due to the significant difference in time, effort, and complexity associated with solicited trades. The specialists are also eligible for an annual bonus that is funded based on Schwab's performance and determined based on subjective measures at manager discretion, which may include relationship management, business development, quality assurance, teamwork, client reviews, and field partnerships.

- **Bond Investment Specialists**

**What They Do**

Bond Investment Specialists advise and serve clients with fixed income investing needs by responding to inbound phone calls.

**Compensation**

In addition to a base salary, these specialists are eligible to earn an annual bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of quality assurance, teamwork, and initiative.

**Insurance Services Regional Annuity Specialists (Annuity Specialists)**

**What They Do**

The Annuity Specialists provide Financial Consultants and clients with general information and advice on annuity products and services, and the sale of annuity products offered by Schwab. They also provide existing annuity clients with ongoing service and support.

**Compensation**

In addition to a base salary, the Annuity Specialists are eligible to earn an annual bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of annuity sales and guidance, client feedback, and teamwork. The compensation is not tied to the sale of any specific annuity or annuity type.

**Regional Banking Managers**

**What They Do**

As Charles Schwab Bank, SSB employees, Regional Banking Managers provide Financial Consultants and clients with information about bank lending products. They also provide existing clients with ongoing service.

**Compensation**

In addition to a base salary, Regional Banking Managers are eligible to earn quarterly bonuses that are determined based on the sales of bank lending products, including PAL, First Mortgage, and HELOC.

**Portfolio Solutions Group Investment Consultants**

**What They Do**

Portfolio Solutions Group Investment Consultants provide clients who are not currently assigned to a Financial Consultant and are invested in Schwab Managed Portfolios™, ThomasPartners® Strategies, or Windhaven® Strategies with a complimentary portfolio analysis and retirement plan. To ensure ongoing suitability of investments, they conduct an annual, needs-based portfolio assessment and make recommendations from a full array of investment products offered at Schwab.

**Compensation**

In addition to a base salary, these representatives are eligible to earn a bonus that is funded based on Schwab's performance and determined based on manager discretion, which may include consideration of the quality of the representative's interactions with clients, client satisfaction, teamwork, training, professional development, and accuracy.

## 5. Schwab Independent Branch Services Representatives

Schwab Independent Branch Leaders (IBLs) are franchisees who operate Schwab Independent Branches pursuant to a franchise agreement with Schwab. IBLs may employ IB representatives (Financial Consultants, Associate Financial Consultants, and Client Service Specialists, who may or may not be registered).

IB registered personnel are not Schwab employees, but they are registered representatives of Schwab for purposes of securities regulations. IBLs receive a portion of the revenue generated by the activities and assets in accounts of Schwab clients assigned to their independent branches. IB representatives also may share in the revenue earned by their IBL employer. Schwab notifies clients when they are assigned to an Independent Branch.

### Independent Branch Leaders

#### Payout

IBLs are not paid commissions for the sale of any specific product or service, nor does Schwab pay them a salary or the incentive compensation earned by representatives who are employed by Schwab. Instead, they earn revenue from their business, the overall amount of which is based on the revenue Schwab earns from clients whose accounts are assigned to their independent branch, and revenue for insurance and financial plans as described below.

For purposes of revenue earned by the IBLs, the assets in accounts assigned to them are divided into two categories. As with employee representatives, the difference in average rates between these two categories is based on the time and expertise necessary to recommend and service different products and programs and the inherent complexity and variety attributable to such products and services. Because IBLs are franchisees rather than employees, and because they are therefore expected and encouraged to have more individual control of the management of their time, only two rates are applied to the assets assigned to them, rather than the three rates applied to assets in Financial Consultant Practices.

- **Advised Assets**—Assets in accounts enrolled in Schwab Private Client™ Schwab Managed Portfolios™ Schwab Managed Account Select®, Schwab Managed Account Connection® (discretionary wrap-fee programs that include ThomasPartners® Strategies, Windhaven® Strategies, and Wasmer Schroeder™ Strategies), Schwab Intelligent Portfolios®, Schwab Intelligent Portfolios Premium™, USAA Managed Portfolios®, or accounts managed by an independent third-party investment advisor to whom the client was referred through the Schwab Advisor Network® service, or assets invested in a variable annuity; and
- **Non-Advised Assets**—Assets not in the Advised Asset category, which include stocks, bonds, mutual funds, and ETFs, as well as payment for providing cash management services.

Each month, Schwab calculates and applies an Advised Asset Average Rate and a Non-Advised Asset Average Rate to the assets in accounts assigned to all Schwab Independent Branches.

The rates are calculated by looking at 12-month trailing assets and revenue from all Schwab Independent Branch accounts.

Schwab applies these Average Rates to the daily average assets in each category in accounts assigned to individual Schwab Independent Branches. The Average Rates change monthly, but the Advised Asset Average Rates are higher based on the factors noted above. An IBL, therefore, earns more money when recommending that a client enroll or open an account in one of the services in the Advised Asset category.

Schwab also calculates the actual revenue earned by Schwab (often one-time but in some cases recurring) from sales of Immediate and Fixed Deferred Annuities, Long-Term Care Insurance, Permanent Life Insurance, Disability Insurance, and Term Life Insurance (collectively, “Insurance Products”). Additionally, IBLs may refer clients to the Schwab Plan Comprehensive or Personal Financial Plan (collectively, “Fee-Based Financial Plans”).

After adding together the figures for Advised Assets and Non-Advised Assets, Schwab applies a multiplier based on the tenure of the IBL and type of client. In years one through five, the IBL's payout share is adjusted using a multiplier ranging from 185% to 55%, and then, in years six and beyond, the payout share is adjusted using a 50% multiplier. Then revenue from insurance products and fee-based financial plans, adjusted using the 50% multiplier in all years, are added to the Advised and Non-Advised amounts. (Note: For assets of clients who transition to Schwab from an IBL's prior firm, the IBL may elect a constant multiplier of 50% in exchange for an increased ability to ask such clients to transition away from Schwab if the franchise agreement ends.)

Finally, Schwab deducts certain monthly fees and expenses from the total adjusted revenue amount that the IBL owes to Schwab under the franchise agreement. This results in a net payout for the month.

## **IB Representatives**

### **Compensation**

IB Representatives are employees of the IBL. They receive a salary paid by the IBL and, as determined by the IBL as their employer, may be eligible for a bonus.

The criteria used to determine the amount of the bonus may include such factors as Net New Assets, Branch Assets, and Client Promoter Score. These criteria do not include recommendations of any specific product, offer, or service.

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If you have questions about information contained in this brochure, please call 1-800-435-4000. For media inquiries, please call the Schwab Corporate Public Relations hotline at 1-415-667-9500.

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