CYBERSECURITY
PAGE 5

MERGING FAMILIES AND FINANCES
PAGE 11

INDEX FUNDS: HOW MUCH DO YOU REALLY KNOW?
PAGE 30

6 TIPS FOR OVERCOMING INVESTMENT INDECISION
PAGE 26

UP YOUR GAME
Friendship. There is no better investment.

New clients who are referred, open an account, and enroll in the offer can earn $100. See schwab.com/referred for details. Schwab may change the terms or terminate the offer at any time.

©2017 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.
### DEPARTMENTS

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>ON THE WEB</td>
<td>Explore On Investing and more online.</td>
</tr>
<tr>
<td>3</td>
<td>CEO's NOTE</td>
<td>Don't let today's noise distract from tomorrow's goals.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By Walt Bettinger</td>
</tr>
<tr>
<td>5</td>
<td>THE BOTTOM LINE</td>
<td>Keeping digital pirates at bay.</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Discounting the future.</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>A syllabus for saving.</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Corporate defaults.</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>A metric worth watching.</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>A tale of two indexes.</td>
</tr>
<tr>
<td>11</td>
<td>ASK CARRIE</td>
<td>Merging families—and finances.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By Carrie Schwab-Pomerantz</td>
</tr>
</tbody>
</table>

### PERSPECTIVES

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Socially responsible investing comes of age. By Michael Iachini</td>
</tr>
<tr>
<td>15</td>
<td>Three ways to declutter your portfolio. By Mark Riepe</td>
</tr>
<tr>
<td>16</td>
<td>Understanding the Federal Reserve's most important communications. By Kathy Jones</td>
</tr>
</tbody>
</table>

### THE BIG PICTURE

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>How—and why—to build a bond ladder.</td>
</tr>
</tbody>
</table>

### TRADING

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>Three tips for trading in retirement.</td>
</tr>
</tbody>
</table>

### SPOTLIGHT

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>Gain/Loss Analyzer, mortgages for investors, choosing funds that fit your needs.</td>
</tr>
</tbody>
</table>

### ON YOUR SIDE

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>The case for index funds. By Charles R. Schwab</td>
</tr>
</tbody>
</table>

### FEATURES

<table>
<thead>
<tr>
<th>Page</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>Analysis Paralysis</td>
</tr>
<tr>
<td></td>
<td>Six signs you may be experiencing investor indecision—and what to do about it.</td>
</tr>
<tr>
<td>30</td>
<td>Index Funds: How Much Do You Really Know?</td>
</tr>
<tr>
<td></td>
<td>Take our quiz to test your knowledge of these ubiquitous investment vehicles—and learn more.</td>
</tr>
<tr>
<td>34</td>
<td>Inflation Tune-Up</td>
</tr>
<tr>
<td></td>
<td>Tactics for tackling even a mild upward pressure on prices.</td>
</tr>
</tbody>
</table>

---

*On Investing (ISSN 1523-5327) is published quarterly. This publication is mailed at Standard A postal rates. If you prefer not to receive On Investing, please call 888-484-5340. POSTMASTER: Send address changes to On Investing, Charles Schwab & Co., Inc., P.O. Box 982600, El Paso, TX 79998-2600. On Investing does not assume any liability resulting from actions taken based on the information included in this magazine. Mention of a company or security does not constitute endorsement. Some contributors to On Investing may have active positions in securities or companies discussed in this issue. NWS73442Q217-00*
Explore *On Investing* and more online

**SIGN UP**

Opt in today to our paperless edition (desktop, below left) at schwab.com/paperless. We’ll send you an email each time a new issue is published on schwab.com.

**DISCOVER**

Explore other articles, infographics, podcasts, slideshows and videos at schwab.com/insights (tablet, below right).

---

*Copyright © 2017 Charles Schwab & Co., Inc. All rights reserved.*

Apple®, Apple Pay™, the Apple logo, iPhone, iPad and App Store are trademarks of Apple Inc., registered in the U.S. and other countries.
CEO’s NOTE

Planning Matters

Don’t let today’s noise distract from tomorrow’s goals.

In our performance-obsessed world, winners get a lot of attention—in sports, in the media and certainly in investing. Many people fixate on the top-performing fund or the next big stock, sometimes at the expense of their long-term goals.

Of course, if you’re fortunate enough to pick the outperformers, it might help you realize significant returns, but in my experience, few people are able to do so consistently. Rather, most investors do best when they invest for a specific milestone—whether it’s college, a second home or a lasting retirement portfolio.

That’s why we’re such huge proponents of planning. Creating a blueprint—and sticking to it—is one of the best ways to ensure long-term success, regardless of what economies or markets are doing at any given moment. Yet, according to the Certified Financial Planner Board of Standards and the Consumer Federation of America, nearly two-thirds of U.S. investors lack a basic financial strategy—which may be why we’re so easily tempted into investments that don’t align with our goals or appetite for risk.

At Charles Schwab, we’ve worked hard to make financial planning easier—by increasing the number of Certified Financial Planner™ (CFP®) professionals in our branches, and by introducing Schwab Intelligent Advisory®, which pairs the automation of Schwab Intelligent Portfolios® with the financial guidance of a CFP. Visit schwab.com/intelligentadvisory for more on this innovative program.

If you don’t yet have a financial plan, give us a call. We’d be honored to help you look beyond short-term temptations in pursuit of your long-term goals.

Sincerely,

[Signature]

Walt Bettinger
President & CEO

---

When it comes to funding your retirement, you might not know what choices are right for you. Schwab can help you develop an income-generating portfolio that makes sense for your current and future goals.

**We can offer:**

- Access to a Financial Consultant who can partner with you to create a tailor-made retirement plan
- Guidance from specialists at Schwab who have deep knowledge of specific investment areas
- A broad range of income products from asset managers across the industry
- A commitment to straightforward, low pricing so you can keep more of your money invested

**We're ready to answer your questions.**

Visit [schwab.com/income](http://schwab.com/income) or call 1-800-305-1455.

---

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 affiliates of the bank • May lose value

©2017 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.

[CC0826835 (0217-R6X5) ADP94851Ol-00 (01/17)]
If you think about the growing role the internet plays in our financial lives, it’s easy to get nervous. According to the Identity Theft Resource Center, the number of data breaches grew 40% from 2015 to 2016. But Bashar Abouseido, Schwab’s chief information security officer, says a few straightforward steps can help protect your investments online.

1. Use a unique password for each account. Varying your passwords can make it tougher
for cybercriminals to use credentials stolen from one site to access your data on another. Bashar suggests using a password-manager app to keep track of all those digital keys.

2 Vary usernames, too. The principle is the same as with passwords: Using different logins, especially for financial apps, can provide an added layer of protection. Avoid using your primary email address as your username whenever possible.

3 Use your fingerprint. The biometric identification available on many smart devices is an especially robust safety feature. Enable it on all of the hardware and software for which it’s offered (including Schwab’s mobile apps).

4 Beware public Wi-Fi. Before opening a financial app or making a purchase online, make sure you’re connected to a private, secure Wi-Fi access point.

5 Keep your profile information current. Updating your contact information—and enabling alerts on all your financial apps—helps ensure you’ll receive timely notice of account activity, allowing you to react more quickly to unauthorized use.

The bottom line Implementing these simple safety measures can help secure your financial information and guard against identity theft.

Don’t Discount the Future
How hyperbolic discounting can undermine your goals.

Economists and psychologists agree: People value the present more than they do the future. Why? Because immediate needs are by definition more pressing than those we can only imagine.

In economic terms, this causes us to discount the future: It’s literally worth less to us—a dangerous prospect, particularly when saving for retirement. “A 25-year-old has a hard time processing the needs of her or his 65-year-old self,” says Mark Riepe, senior vice president at the Schwab Center for Financial Research.

This so-called hyperbolic discounting causes people to choose a smaller reward today over a larger reward tomorrow. However, when given a choice between two future rewards, people are more likely to choose the larger one, even if it will come later. That’s because waiting is easier when it is going to happen in the future.1

It turns out that saving is also easier when it’s scheduled for the future. In one study, workers agreed to sock away a larger percentage of their salaries after their next raise. The result? Saving rates soared.2

Mark says that investors can achieve a similar result by signing up for automatic contributions to a savings plan—either a fixed amount or, better yet, a percentage of pay that rises along with their income. “Behavioral biases impact every decision we make,” he says, “but putting investment decisions on autopilot can help avoid these pitfalls.”

The bottom line Automating your investment contributions can help you properly prioritize your future.


See page 42 for important information. (0517-TSC0)

To set up recurring contributions to a Schwab account, log in to schwab.com/contribute.
A Syllabus for Saving

A 529 plan can help prepare you for the high cost of college.

The average annual tuition at a private four-year college jumped 50% in the past decade and a half, from $22,382 to $33,479, while tuition at public institutions nearly doubled, from $4,885 to $9,648, during the same period. Fortunately, there’s a flexible, tax-advantaged way to help defray the skyrocketing costs of higher education: a 529 plan. These plans allow you to invest after-tax dollars, usually in a selection of stock and bond mutual funds. What makes these plans so popular? Let us count the ways...

1. **Tax advantages**
   No income tax is levied as long as withdrawals are for qualified education-related expenses. In addition, many states and the District of Columbia offer residents a full or partial tax credit or deduction for contributions to their state’s plan. (Some states allow you to deduct contributions to any plan.)

2. **Minimal impact on financial-aid eligibility**
   Unlike funds in, say, a custodial brokerage account, 529s are considered a parental asset (assuming the account holder is a parent of the beneficiary) and thus have a nominal effect on a student’s financial-aid eligibility.

3. **Flexibility**
   If you have funds left over or your child’s college plans change, you can name another qualified family member as beneficiary—as long as the money is used for college expenses.

If you decide to open a 529, do your homework, as fees, investment options and performance vary greatly from state to state, and tax advantages in one state may not be available in another.

**The bottom line** 529 plans use tax-advantaged savings (and the power of compound interest) to help pay for one of life’s biggest investments.

---


See page 42 for important information. As with any investment, it’s possible to lose money by investing in a 529 plan. Additionally, by investing in a 529 plan outside of your state, you may lose tax benefits offered by your own state’s plan. (0517-SKR1)
Risky Business

Corporate bonds rated CCC or below are proving increasingly popular—but are investors being compensated for the rising risk of default?

M any investors consider corporate bonds to be a safer investment than stocks, which can make it easy to overlook their risk of default—particularly for those rated CCC, CC or C, the least creditworthy. “In 2015, roughly 30% of issuers rated CCC or below by Standard & Poor’s defaulted by the end of the year,” says Collin Martin, a fixed income strategist at the Schwab Center for Financial Research (see “High yield or bust,” right). “Yet there continues to be a robust market for this kind of very risky corporate debt, indicating just how hungry investors are for yield.” Indeed, from January 2015 to December 2016, the yield on corporate debt rated CCC or below averaged 14.1%—five times the yield of A-rated corporate debt during the same period. More recently, however, some of these so-called high-yield bonds have failed to live up to their name: Roughly a third of CCC-rated issuers paid yields of less than 7% in January 2017. “Some of these bonds are paying half what they might have just last year,” says Collin. “That’s a huge red flag, given their recent default rates.”

High yield or bust

During the past decade, an average of one in four U.S. corporate bonds rated CCC or below defaulted.

<table>
<thead>
<tr>
<th>Year</th>
<th>Default rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>16.9%</td>
</tr>
<tr>
<td>2007</td>
<td>50.6%</td>
</tr>
<tr>
<td>2008</td>
<td>31.4%</td>
</tr>
<tr>
<td>2009</td>
<td>23.1%</td>
</tr>
<tr>
<td>2010</td>
<td>17.1%</td>
</tr>
<tr>
<td>2011</td>
<td>10.9%</td>
</tr>
<tr>
<td>2012</td>
<td>29.3%</td>
</tr>
<tr>
<td>2013</td>
<td>35.3%</td>
</tr>
<tr>
<td>2014</td>
<td>30.1%</td>
</tr>
<tr>
<td>2015</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: 2015 Annual Global Corporate Default Study and Rating Transitions, Standard & Poor’s.
That said, Collin believes the outlook for high-yield corporate bonds has recently improved. That’s because the spike in defaults over the past few years was fueled largely by falling gas and oil prices, which have since stabilized. Although the default rate could again drift higher in the next year or two, any upticks will likely be modest. “We’re talking fractions of a percentage point,” he says.

Investors would nevertheless be wise to hedge against the default of any one bond by investing in a fund whose holdings represent a variety of sub-investment-grade corporate debt, says Collin. And all high-yield investors should pay close attention to the difference in returns between high-yield and investment-grade debt. “When that spread narrows,” he says, “investors aren’t getting much compensation for holding riskier assets and may want to look elsewhere.”

The bottom line  Given the recent rate of default, high-yield investors should ensure they’re being fairly compensated for the added risk.

If Schwab Chief Investment Strategist Liz Ann Sonders could track just one metric, it would be investor sentiment. Earnings and the economy are important, to be sure, but in her view the greatest upside lies in knowing when the public is either overly optimistic or unduly pessimistic about the market—a classic selling or buying opportunity.

Liz Ann follows the subscription-only Ned Davis Research Crowd Sentiment Poll and SentimenTrader Smart Money/Dumb Money Confidence Spread, as well as the freely available American Association of Individual Investors’ Investor Sentiment Survey. “When these measures indicate excessive bearishness or bullishness, it’s often time to go the other way,” she says.

The bottom line  When investor sentiment is excessively bearish or bullish, it can sometimes signal that the market is about to turn.

Get perspectives on the economy and markets from Liz Ann Sonders and other Schwab experts at schwab.com/commentary.
Measure for Measure

What the two main inflation indexes mean—and why they matter.

For most people, inflation is synonymous with rising prices. But for economists, it’s an indicator of how fast an economy is growing. When the costs of goods and services are rising too slowly, an economy could be at risk of recession. When they’re rising too quickly, it could be on the road to hyperinflation.

Today, there are two popular measures of inflation, and each tracks prices from a different perspective:

- **The Consumer Price Index (CPI)** tracks the change in out-of-pocket expenditures for goods and services by urban households only.

- **The Personal Consumption Expenditures Index (PCE)** tracks the change in expenditures on goods and services by all households, including those paid for on a consumer’s behalf, such as employer-sponsored health benefits.

Both measures come in stripped-down core versions that exclude volatile energy and food prices, and are more widely watched by economists. The Federal Reserve once used the core CPI as its primary inflation gauge but switched in 2000 to the core PCE, whose formula it believes better reflects changes in spending. So despite the core CPI increasing to more than 2% (the Fed’s stated inflation target for the U.S. economy) since November 2015, the core PCE hasn’t yet reached that level, which is one reason the Fed’s been so cautious in boosting short-term interest rates. (See “A tale of two indexes,” left.)

That said, many economists expect inflation to inch higher over the next few years, and the Fed anticipates it will continue hiking rates through 2017. If rates don’t rise, that may signal that the Fed is content to let inflation run relatively hot in order to keep growth on track and to put deflation risk firmly in the rear-view mirror.

The bottom line Both CPI and PCE measure the health of the economy, but follow the latter if you want to be on the same page as the Fed.

---


---

Learn More
Find more perspectives on the economy and government policy at schwab.com/policy.

---
Dear Carrie,
I have two young children from a previous marriage and my soon-to-be husband has one (we will be sharing custody of all three kids). Given that we’re facing major adjustments as a new family, I’d like to ease the way. Do you have suggestions for how we should manage our finances?

Q

Dear Reader,
First, thank you for asking a question crucial to so many families. Whether it’s the result of marriage, divorce or remarriage, now more than ever parents and kids alike are having to adjust to changing circumstances. According to data from the Pew Research Center, one in six children is living with a stepparent, stepsibling or half-sibling in what the U.S. Census Bureau terms “blended families.”

But as common as these transitions have become, as a child of divorce myself, I know they aren’t easy. Divorce can strain a family’s finances, and money in general can stir up emotions and rivalries.

Of course, every family is different in terms of wealth, structure and dynamics. Therefore, I can’t give you hard-and-fast rules—but I can offer you some things to think about.

Agree on the basics
I believe a strong relationship starts with understanding and supporting each other’s values. As much as a compatible financial relationship can support your mutual goals, differences can pull you apart. In fact, a 2012 study found that disagreements about money are the top predictor of divorce, regardless of age or income level.

So, I’d advise you to reach an understanding now. You can start by asking yourselves:

- As a couple, what do you want for each other?
- As parents, what example do you want to set for your children?
- How do you feel about spending now versus saving for the future?

A
Would you prefer to spend your extra money on your dream home, family vacations or top-notch schools?

Decide what’s fair
In addition, discuss what “fair” means to each of you, especially as it pertains to your children. One of you may be coming into the marriage with more assets, or come from a family with greater resources. And different kids have different needs. How will you deal with these and other imbalances?

Think, too, about the role your two exes and multiple grandparents will play. Because you will share custody, discuss the impact these potential caregivers will have on your family and finances.

As in all other matters, I wouldn’t make assumptions about what your fiancé believes; rather, ask for his thoughts and be open to surprise. If you’re honest, you’re much more likely to stimulate an interesting and meaningful conversation—and to reach common ground. And later, when you’re caught up in the whirlwind of your daily lives, you’ll be able to use these discussions as the basis for your financial decisions.

Settle day-to-day matters
Once you’ve talked big picture, get to the practical. If you each own a home, will you sell one or both? How will you equalize ownership and register the title or titles?

Next, will you have joint or individual bank and investment accounts? I’m a big believer in having a combination—yours, mine and ours—so you can each have autonomy as well as share in joint responsibilities and goals. That said, every couple has their own preferences.

Also, talk about how you will split up financial tasks: paying bills, managing investments, preparing your tax return, etc. To my mind it doesn’t much matter how you divvy up these responsibilities so long as you both have complete knowledge of and access to the family assets and fully participate in every important financial decision.

Look to the future
Looking ahead, think about how you will pay for cars, college and other big-ticket items. Do you intend to save and purchase these things on your own, or do you expect your children to contribute? Do you plan to pay for private school and extracurricular activities or would you prefer to save your education dollars for college?

And don’t forget about retirement. As much as we all want to support our children, it’s essential to put retirement savings at the top of your list. My recommendation is that you each figure out how much you can afford to set aside for retirement every month and automate your contributions. Your kids will have options for paying for college, but you can’t count on anyone but yourselves for financial support once you’re no longer working.

Finally, don’t neglect your estate plan. As a responsible spouse and parent, you’ll want to appoint a guardian for your kids and ensure that any inheritance goes to the right people. My advice is to consult with an estate-planning attorney before you get married; that way you can be confident that everything will be handled according to your wishes.

Consider a prenuptial agreement
Even if you don’t create a legal document, I’d recommend you and your fiancé discuss the issues that would normally be covered in a prenup, including the extent to which you want to combine your assets and who will pay for what. The key is to find a solution that works for both of you. Even if you never formalize the document, these conversations can serve as a road map for the ways you will share expenses and responsibilities, especially as they pertain to your children.

An important part of every prenup is full disclosure. Coming into the marriage, you and your fiancé have already established separate financial lives. As you combine them, you each need to know exactly how much the other earns, owes and owns. That’s not to say you shouldn’t have separate property. You just shouldn’t have secrets.

Keep talking
As you and your fiancé enter this new and exciting phase of your lives, you have a lot to discuss. But once you get the conversation started, don’t let it fade. As your needs evolve, keep talking. And as your kids grow, include them in family discussions about how you manage and spend your money. That way, you’ll all be in the best possible position to flourish in your new lives.

Carrie Schwab-Pomerantz (@carrieschwab), CFP®, is president of Charles Schwab Foundation and senior vice president of Schwab Community Services at Charles Schwab & Co., Inc.


See page 42 for important information. • The Charles Schwab Foundation is a 501(c)(3) nonprofit, private foundation that is not part of Charles Schwab & Co., Inc., or its parent company, The Charles Schwab Corporation. Schwab Intelligent Advisor℠ is made available through Charles Schwab & Co., Inc., a dually registered investment advisor and broker-dealer. (0517-TAEE)
Socially Responsible Investing Comes of Age

The twin goals of doing good and doing well have never been more aligned. By Michael Iachini

There's never been a more opportune time to sync your personal values with your investments. Socially responsible investing (SRI)—which seeks to effect positive social change while also generating competitive financial returns—has emerged as a significant, grass-roots trend. According to a 2016 study by US SIF: The Forum for Sustainable and Responsible Investment, 85% of fund
managers who have incorporated such strategies into their portfolios did so in response to requests from individual and institutional investors.¹

There also has never been more choice. From 2012 to 2014, the number of U.S. investment funds that incorporated environmental, governmental or social criteria increased by 28%, and their assets quadrupled to more than $4.3 trillion over the same period.² What’s more, great strides in data collection and a slew of new online tools have made identifying such funds a matter of a few clicks and keystrokes. For example, Schwab’s exchange-traded fund (ETF) screener (schwab.com/ETFscreener) and mutual fund screener (schwab.com/fundscreener) both have a “socially conscious” filter that allows clients to search for and compare SRI funds.

But let’s get down to brass tacks: When it comes to returns, can such funds really hold their own against their less socially responsible competition? Let’s take a look.

The SRI advantage
Far from compromising on returns, SRI funds may offer a competitive advantage. The MSCI KLD 400 Social Index, for example, averaged an annual rate of return of 10.44% from 1990 through January 2017, compared with 9.95% for the S&P 500® Index over the same period.³ And according to data from Morningstar, SRI mutual funds have consistently kept pace with their non-SRI counterparts in the short, medium and long terms (see “Doing good does well,” above).

And although SRI funds were once criticized for their relatively high fees, they’ve become more competitive over time. Out of the 225 Morningstar-listed mutual funds that self-identify as socially conscious, nearly half had lower expense ratios than their category’s average.⁴

U.S. large- and small-cap stocks. There are even balanced funds that blend socially responsible bonds and stocks within a single investment vehicle.

However, while it’s easy enough to find a like-minded ETF if you’re interested in, say, sustainable energy, what if you have multiple goals—pinpointing sustainable-energy companies with boards that reflect gender and racial diversity, for example? To fulfill this level of specificity, you may need to do a bit of digging. Fortunately, most socially conscious funds are eager to advertise their bona fides on their websites.

The future of investing?
As the once-niche market of SRI investing continues to gain steam and demonstrate solid long-term returns, we’re likely to see more widespread adoption of these strategies. For example, in 2015 the Department of Labor responded to popular demand and cleared the way for managers of 401(k) accounts and pension funds—whose combined assets total roughly $6.7 trillion⁵—to consider socially conscious factors in their investment decisions.

Millennials, too, are fueling the SRI trend. One study found that two-thirds of those age 22 to 34 are likely to invest in a company well-known for its social responsibility, compared with less than half of those over age 34.⁶ And as Millennials continue to grow and mature as investors, the SRI market will likely grow with them.

Use the Socially Conscious Funds List at schwab.com/sociallyconsciousfunds to help identify SRI funds that fit your investment strategy.

¹2016 Report on US Sustainable, Responsible and Impact Investing Trends. ²Ibid. ³Morningstar, as of 01/31/2017. Returns represent the average annualized performance of U.S. equity open-end socially responsible and non-socially responsible mutual funds.

²Morningstar, as of 01/31/2017. | 4Ibid. | 5Aflac 2016 Investment Company Fact Book | 62016 Report on US Sustainable, Responsible and Impact Investing Trends

Michael Iachini, CFA®, CFP®, is vice president, head of manager research at Charles Schwab Investment Advisory, Inc.

See page 42 for important information. • Investors should carefully consider information contained in the prospectus or, if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-435-4000. Please read the prospectus carefully before investing. • Past performance is no guarantee of future results. • Investment value will fluctuate and shares, when redeemed or sold, may be worth more or less than their original cost. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV). • All fund names and market data shown above are for illustrative purposes only and are not a recommendation, offer to sell or a solicitation of an offer to buy any security. (0517-UR9X)
3 Ways to Declutter Your Portfolio
Tips for taming an unwieldy investment strategy.
By Mark Riepe

Minimalism has become a pop-culture phenomenon for good reason: By whittling down your possessions, you free yourself from all that unnecessary chaos.

The same is true of your investment portfolio. Streamlining a cumbersome collection of duplicate holdings, impulse buys and investments that no longer fit your strategy can provide a clearer picture of your financial health.

Here are three ways you may be overcomplicating your portfolio—and what you can do about each.

**Problem**
Redundant accounts
It’s not uncommon to acquire multiple accounts over the years—401(k)s, Individual Retirement Accounts (IRAs) and multiple brokerage accounts, often spread across various firms. Keeping track of how your holdings work together can be difficult under such conditions. Worse, financial firms vary widely in what they charge to maintain each account, and all those fees can add up.

**Solution**
Consolidate
Ask yourself why you opened each account in the first place. Those with a unique goal—a 529 college savings plan, for example—are worth keeping. However, it might be time to consolidate accounts with similar purposes, particularly if they’re held at multiple firms. You might be better served by paring down providers to those with lower costs or better investment options.

**Problem**
Overlapping funds
Some people invest in multiple mutual funds or exchange-traded funds (ETFs) in order to diversify. However, the number of funds you own is less relevant than how they work together to manage your overall risk. If you own multiple funds with overlapping holdings, you could be less diversified than if you owned a single fund with broad market exposure.

**Solution**
Streamline
Use Schwab’s comparison tools for mutual funds (schwab.com/comparerefunds) and ETFs (schwab.com/compareETFs) to help identify funds in your portfolio that are redundant in their holdings and/or investment styles. Investigate, too, whether you’re overpaying for actively managed funds that mirror, rather than outperform, their benchmark indexes.

**Problem**
Competing advice
Two heads may be better than one, but not if they’re taking different approaches to the same goal and canceling each other out in the process. Different advisors may not always align their strategies for the greater good of your portfolio—leaving you to coordinate and guard against unnecessary fees and taxes.

**Solution**
Simplify
Settle on one comprehensive advisor, or assign advisors discrete tasks. One might manage your short-term investments or philanthropic endeavors, for example, while another administers your retirement funds.

Let’s Talk
Need help simplifying your portfolio? Call 888-484-5340 to speak with a Schwab investment professional.

Mark Riepe, CFA®, is senior vice president at the Schwab Center for Financial Research.

See page 42 for important information. (0517-UMVF)
Do You Speak Fed?

Understanding the Federal Reserve’s most important communications.

By Kathy Jones

If you feel as though the Federal Reserve’s every utterance is breaking news, you’re right. In 1999, the Fed began issuing statements after each Federal Open Market Committee (FOMC) meeting, where its 12 voting members set U.S. interest-rate policy through the federal funds rate—the interest rate banks and credit unions charge each other to lend Federal Reserve funds overnight. Since then, the Fed has been working to become even more transparent, issuing not only statements but also meeting notes and conclusions.

All that candor is a welcome change from the days when analysts and investors were forced to divine policy from open market operations—the central bank’s buying and selling of U.S. government securities to regulate the amount of money in the banking system.

However, many critics believe the Fed now overcommunicates, with its individual members sending sometimes contradictory signals. To help you make sense of the chatter, here’s an overview of the institution’s most common communications.

FOMC statements

The FOMC meets eight times a year. After each meeting, it issues an announcement that typically addresses U.S. employment and wages, inflation, and the level of overall economic activity. The wording is key:

Employment and wages: If job growth is picking up and wages are rising, the labor market is said to be “tightening” and a rate hike might not be far off. However, if there’s “slack” in the labor market—that is, not enough jobs for the people who want

Kathy Jones (@kathyjones) is senior vice president and chief fixed income strategist at the Schwab Center for Financial Research.
them—the Fed might lower rates to stimulate the economy and boost employment and wages.

**Inflation:** When inflation is “quickening,” it’s moving closer to the central bank’s 2% target and rates might rise. When it’s “softening,” it’s falling short of the Fed’s expectations, and a cut might be in the offing.

**Economic activity:** If it’s “picking up,” the FOMC may hike rates to keep the economy from overheating. If overall economic activity is “slowing” or “losing momentum,” however, the FOMC might well cut the federal funds rate.

**Dissent:** Each announcement will note the magnitude of disagreement among FOMC members by referring to the dissenting views of “a few,” “some” or “many.” When only a few members oppose the committee’s decision, it’s unlikely to have an impact on policy. When some or many members disagree, it’s more likely that the decision will be revisited sooner rather than later.

**Timing:** If a change in the federal funds rate is imminent, the FOMC statement might suggest that a hike is likely “at the next meeting” (as was the case in the Fed’s October 2015 announcement, which preceded a rate hike that December). “In the next few meetings” indicates the likelihood of a rate change in the near future, while “in the medium term” suggests a change is farther off.

**Summary of Economic Projections**

At every other meeting, the FOMC releases its Summary of Economic Projections, or SEP, a detailed projection of U.S. gross domestic product growth, inflation and the path of short-term interest rates over the next three years and beyond. This assessment also includes the so-called dot plot, which shows where each FOMC member thinks the federal funds rate should be at the end of the year, for the next few years and in the longer term (see “Connecting the dots,” above).

Connecting the dots

The Federal Reserve’s dot plot shows where each Federal Open Market Committee member thinks the federal funds rate should be at the end of the year, for the next few years and in the longer run.

The SEP is significant because it provides a window into what the FOMC is thinking. That said, it shouldn’t be interpreted as predictive. According to former Fed Chair Ben Bernanke, the dot plot, in particular, is intended to reflect a diversity of views, not a consensus forecast. Indeed, the SEP has historically proven to be a poor indicator of future interest-rate policy.

**Comments from Fed members**

The Fed chair’s role is to guide policy and forge consensus among FOMC members. As a result, Janet Yellen’s views invariably carry the most weight and her public comments can move markets. Other FOMC members frequently express their opinions as well—even when they differ from the majority—which can muddy the outlook on interest-rate policy.

**Ignoring the chatter**

FOMC members observe a self-imposed communications blackout in the week leading up to a committee meeting in order to avoid undue speculation about policy. Unfortunately, the Fed’s silence doesn’t deter the markets or the media from speculating about possible policy moves, generating a great deal of heat but very little light. Better to tune out the noise and focus on your long-term goals—on which the Fed’s near-term policy moves should have little if any impact.


See page 42 for important information.

(0517-SHRL)
Announcing the lowest cost index funds in the industry.

Schwab Funds now have the lowest costs for market cap index funds with no minimums.

Pay up to 80% less than Vanguard and 70% less than Fidelity when you invest with Schwab. Plus, you'll pay the same low cost whether you have $5 or $5 million to invest.

Are you getting the lowest costs for market cap index funds with no minimums? If not, then visit schwab.com/indexfunds or call us at 877-804-3521 to get started.

<table>
<thead>
<tr>
<th>Investment</th>
<th>Fidelity</th>
<th>Vanguard</th>
<th>Schwab</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Index Fund</td>
<td></td>
<td></td>
<td>0.03%</td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>Industry Lowest</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.09%</td>
<td>0.14%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.04%</td>
<td>0.04%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.035%</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Total Stock Market Index Fund</td>
<td></td>
<td></td>
<td>0.03%</td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>Industry Lowest</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.09%</td>
<td>0.15%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.04%</td>
<td>0.04%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.035%</td>
<td>0.03%</td>
<td></td>
</tr>
<tr>
<td>Small-Cap Index Fund</td>
<td></td>
<td></td>
<td>0.05%</td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>Industry Lowest</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.19%</td>
<td>0.18%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.07%</td>
<td>0.06%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.06%</td>
<td>0.05%</td>
<td></td>
</tr>
<tr>
<td>International Index Fund</td>
<td></td>
<td></td>
<td>0.06%</td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>Industry Lowest</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.19%</td>
<td>0.17%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.08%</td>
<td>0.07%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.06%</td>
<td>0.06%</td>
<td></td>
</tr>
<tr>
<td>U.S. Aggregate Bond Index Fund</td>
<td></td>
<td></td>
<td>0.04%</td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>Industry Lowest</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.15%</td>
<td>0.15%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.05%</td>
<td>0.05%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.04%</td>
<td>0.04%</td>
<td></td>
</tr>
</tbody>
</table>

Expenses shown as of 3/1/17. Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can download a prospectus by visiting www.schwab.com/prospectus. Please read it carefully before investing.

1. This claim is based on prospectus net expense ratio data comparisons between Schwab market cap index mutual funds (no minimum investment required) and ETFs and non-Schwab market cap index mutual funds and ETFs in their respective Lipper categories. Schwab operating expense ratios (OERs) and competitor net OERs represent the lowest OERs reported from annual reports, prospectuses, and Strategic Insight Simfund, as reflected on 3/1/17. Funds in the same Lipper category may track different indexes, have differences in holdings, and show different performance. Competitors may offer more than one market cap index mutual fund in a Lipper category, including funds that are not market cap index mutual funds. Expense ratios are subject to change. Minimums are subject to change.

2. An Institutional share class is expected to become available on 5/10/17 with an OER of 0.035%, according to an amended prospectus filing on 4/10/17. Vanguard offers the Vanguard Institutional Index Fund – Institutional class at 0.04%, which is a separate fund from the Vanguard 500 Index Fund, but is designed to track the S&P 500 Index.

3. The table is based on net expense ratio data comparisons between Schwab market cap index mutual funds and non-Schwab market cap index mutual funds. The non-Schwab mutual funds shown represent Vanguard and Fidelity index mutual funds with the lowest expense ratio with a $10,000 minimum investment within their fund family in their respective Lipper category. Schwab operating expense ratios (OERs) and competitor net OERs represent the lowest OER reported from annual reports, prospectuses and Strategic Insight Simfund, as reflected on 3/1/17. Expense ratios are subject to change. Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can download a prospectus by visiting www.schwab.com/prospectus. Please read it carefully before investing.

Investing involves risk including loss of principal. Expenses subject to change. Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab Funds, and Charles Schwab & Co., Inc. (Schwab), Member SIPC, the distributor for Schwab Funds, are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation.

©2017 Charles Schwab Investment Management, Inc. All rights reserved. (0517-W/HC) ADP96827-00
Announcing the lowest cost index funds in the industry.

Schwab Funds now have the lowest costs for market cap index funds with no minimums.

Pay up to 80% less than Vanguard and 70% less than Fidelity when you invest with Schwab. Plus, you’ll pay the same low cost whether you have $5 or $5 million to invest.

Are you getting the lowest costs for market cap index funds with no minimums? If not, then visit schwab.com/indexfunds or call us at 877-804-3521 to get started.

How much are you paying for market cap index funds?

<table>
<thead>
<tr>
<th>Investment</th>
<th>Fidelity</th>
<th>Vanguard</th>
<th>Schwab</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S&amp;P 500 Index Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>0.03%</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.09%</td>
<td>0.14%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.04%</td>
<td>0.04%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.03%</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td><strong>Total Stock Market Index Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>0.03%</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.09%</td>
<td>0.15%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.04%</td>
<td>0.04%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.03%</td>
<td>0.03%</td>
<td></td>
</tr>
<tr>
<td><strong>Small-Cap Index Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>0.05%</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.19%</td>
<td>0.18%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.07%</td>
<td>0.06%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.06%</td>
<td>0.05%</td>
<td></td>
</tr>
<tr>
<td><strong>International Index Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>0.06%</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.19%</td>
<td>0.17%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.08%</td>
<td>0.07%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.06%</td>
<td>0.06%</td>
<td></td>
</tr>
<tr>
<td><strong>U.S. Aggregate Bond Index Fund</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1</td>
<td>n/a</td>
<td>n/a</td>
<td>0.04%</td>
</tr>
<tr>
<td>$5,000</td>
<td>0.15%</td>
<td>0.15%</td>
<td></td>
</tr>
<tr>
<td>$1,000,000</td>
<td>0.05%</td>
<td>0.05%</td>
<td></td>
</tr>
<tr>
<td>$5,000,000</td>
<td>0.04%</td>
<td>0.04%</td>
<td></td>
</tr>
</tbody>
</table>

Expenses shown as of 3/1/17.²

Learn more at schwab.com/indexfunds

Investors should consider carefully information contained in the prospectus, or if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can download a prospectus by visiting www.schwab.com/prospectus. Please read it carefully before investing.

1. This claim is based on prospectus net expense ratio data comparisons between Schwab market cap index mutual funds (no minimum investment required) and ETFs and other Schwab market cap index mutual funds and ETFs in their respective Lopper categories. Schwab operating expense ratios (OERs) and competitor net OERs represent the lowest OERs reported from annual reports, prospectuses, and Strategic Insight Simfund, as reflected on 3/1/17. Funds in the same Lopper category may track different indexes, have differences in holdings, and show different performance. Competitors may offer more than one market cap index mutual fund in a Lopper category, including funds that are not market cap index mutual funds. Expense ratios are subject to change. Minimums are subject to change.

2. An Institutional share class is expected to become available on 5/10/17 with an OER of 0.035%, according to an amended prospectus filing on 4/10/17. Vanguard offers the Vanguard Institutional Index Fund – Institutional class at 0.04%, which is a separate fund from the Vanguard 500 Index Fund, but is designed to track the S&P 500 Index.

3. The table is based on net expense ratio data comparisons between Schwab market cap index mutual funds and non-Schwab market cap index mutual funds. The non-Schwab mutual funds shown represent Vanguard and Fidelity index mutual funds with the lowest expense ratio with a $10,000 minimum investment within their fund family in their respective Lopper category. Schwab operating expense ratios (OERs) and competitor net OERs represent the lowest OER reported from annual reports, prospectuses and Strategic Insight Simfund, as reflected on 3/1/17. Expense ratios are subject to change.

Investing involves risk including loss of principal. Expenses subject to change. Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab Funds, and Charles Schwab & Co., Inc. (Schwab), Member SIPC, the distributor for Schwab Funds, are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation.©2017 Charles Schwab Investment Management, Inc. All rights reserved. (0517-W1HC) ADP96827-00
THE BIG PICTURE

How (and Why) to Build a Bond Ladder

Buying bonds with staggered maturity dates can help even out your portfolio's yields over time—and provide a steady stream of income.

**Setup**
Purchase a number of bonds with varying maturity dates so they come due at regular intervals—say, every 12 months. For adequate diversification, Schwab recommends a ladder of at least 10 high-quality, noncallable bonds, though for simplicity's sake we've created a five-bond ladder of Treasuries, based on historical data from 1997 through 2007 (right). Why that time period? “Because it's the last decade during which the federal funds rate (and hence bond yields) had significant ups and downs—something every investor should be prepared for,” says Collin Martin, a fixed income strategist at the Schwab Center for Financial Research.

**Upkeep**
After the first year, the one-year bond comes due and the rest of the bonds are one year closer to maturity. To keep the ladder going, reinvest the principal from the maturing one-year bond in a new five-year bond, and so on as each bond comes due.

**Payoff**
By perpetually reinvesting your principal, you more frequently capture prevailing interest rates—both the highs and the lows—evening out your portfolio's yield over time. What's more, many bonds make their interest, or coupon, payments twice a year, barring default; these too can be staggered to provide a predictable, if not monthly, flow of income.

Need help building your bond ladder? Call 866-893-6699 to speak with a Schwab fixed income specialist.
<table>
<thead>
<tr>
<th>Year</th>
<th>Bond Type</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
<tr>
<td>2001</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
<tr>
<td>2002</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
<tr>
<td>2003</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
<tr>
<td>2004</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
<tr>
<td>2005</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
<tr>
<td>2006</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
<tr>
<td>2007</td>
<td>5-year</td>
<td>2.73%</td>
</tr>
</tbody>
</table>

Source: Schwab Center for Financial Research, with data from Bloomberg L.P. The one-year bond is represented by the U.S. Generic Government (USGG) 12-Month Yield Index as of 01/01/1997. The two-year bond is represented by the USGG 2-Year Yield Index as of 01/01/1997. The three-year bond is represented by the USGG 3-Year Yield Index as of 01/01/1997. The four-year bond is a five-year Treasury bond (CUSIP 912827W65) dated 01/31/1996 and purchased on 01/01/1997. All five-year bonds are represented by the USGG 5-Year Yield Index; the bonds were purchased on January 1, from 1997 through 2007.
You compare cars. You compare TVs. You compare smartphones. Why not bonds?

Are you getting the best price for the bonds you purchase?
Move your bond portfolio to Schwab and you'll have access to bond specialists: a dedicated team with access to over 50,000 bonds from 200 dealers. Who can show you the lowest price available to us. Who aren’t paid on commission and, as a result, can offer you specialized, personalized guidance.

Get a free consultation. Call 1-866-893-6699.
After decades of hard work and diligent saving, most people see retirement as a chance to enjoy the fruits of their labors. But for some, retirement also means taking a more active role in the markets—a trend to which Lou Mercer, a regional manager at Schwab Trading Solutions in San Francisco, can attest. “I’m fielding more questions from retirees than ever before,” he says. “Many have long been interested in the subject, but only now do they have the time and resources to get involved.”

Beyond the thrill, many retirees are drawn to trading for its potential to generate extra income—something that may have eluded recent retirees.

3 Tips for Trading in Retirement

Avoiding the pitfalls that afflict older traders.

A
as a decade of rock-bottom interest rates undercut returns across income-producing investments. “Trading can absolutely generate income,” Lou says, “but retirees in particular need to understand the risks involved.” In addition to potential losses, for example, there’s the cost of the transactions themselves. Most brokers charge a commission when you buy or sell a stock, and those fees can add up.

Here are Lou’s top tips for trading during retirement:

1. **Change your mindset**
   Inexperienced traders often fail to establish a plan for profit taking or an exit strategy in advance, Lou says. Instead, they buy stocks they believe in and trade out of them when they go up, typically for small gains. When a stock moves against them, on the other hand, they can be reluctant to part with it, preferring to wait for the price to rebound—with sometimes devastating consequences. “When you reach retirement, you don’t have as much time to make up for losses,” Lou says, “so they can hurt a lot more.”

   Lou recommends that retirees looking to trade stocks divide their savings into three buckets: invest, trade and speculate. The majority of your portfolio—no less than 75%—should be invested for the long term, and include bonds for income, stocks for growth and cash equivalents to help you weather downturns. Up to 20% can be used for active trading, with the remaining 5% reserved for speculative ideas that carry the greatest risk—and, potentially, the greatest reward. Though as a practical matter, you should invest only as much as you’re willing to lose in this last category.

2. **Pick stocks differently**
   When it comes to researching stocks, Lou says retirees might be tempted to look for those at 52-week lows. After all, a common mantra among long-term investors is “buy low, sell high.” But for near-term trading, the key is often to “buy high and sell higher,” Lou says. “Unfortunately, retirees have been focused on the long term for so many years that they have a hard time changing their approach.”

   Case in point: After the most recent U.S. presidential election, financial and industrial stocks surged on the promise of new government policies that would reduce the number of regulations and boost infrastructure spending. Many investors assumed these stocks couldn’t rise any further and stayed on the sidelines—only to miss out as many continued their ascent. “Unlike investors who typically have time to wait for a low-value stock to rise, retirees should focus on stocks that are already working, and have an exit strategy if and when they stop working,” Lou says.

3. **Sell stocks differently**
   Because average investors are focused on the long term, they’re rarely concerned with short-term price fluctuations. But for traders, those fluctuations can make or break a transaction—which is why they must be ready for a trade to move against them.

   For this part, Lou advises active traders to set a stop-loss order—a price below the current price that will trigger an automatic sale—whenever they place a new trade. “Stop losses take the emotion out of sell decisions,” he says. “Otherwise, you might try to convince yourself to stay in the position, leaving open the possibility of significant losses if it keeps trending lower.”

   But how do you determine the right stop-loss price? Lou’s rule of thumb is to limit losses to one-third to one-half the potential reward. For example, if the goal is a profit of $6 per share, then set a stop-loss price at $2 to $3 below the purchase price.

   After the profit target is hit, then a trailing-stop order may be placed, which automatically adjusts the stop-loss price higher as a stock rises. Lou specifically recommends trailing stops for retirees who are frequently away from their computers or devices and so can’t continually monitor their positions. “Let’s face it, you want to enjoy yourself in retirement,” Lou says, “not be glued to some machine.”

---

**TOOLS TO TRADE BY**

Retirees just starting to trade should acquaint themselves with these three tools, says Schwab Trading Solutions’ Lou Mercer.

**Gain/Loss Analyzer**
This tool allows you to analyze and review your realized gain/loss performance. See page 38 for details.

**Portfolio Checkup**
The Sector Diversification tab within this tool helps you determine your exposure across industries. “If you find that you’re overconcentrated in one or more sectors,” Lou says, “you might want to focus your next trade on a different area of the market.” [schwab.com/portfoliocheckup](http://schwab.com/portfoliocheckup)

**Recognia**
Available through Schwab’s StreetSmart Edge® trading platform and at schwab.com, this tool “is a boon to new traders who are still learning the basics because it finds a stop-loss price for you,” Lou says. [schwab.com/SSE](http://schwab.com/SSE)

*The Gain/Loss Analyzer and Recognia are available only to qualified traders enrolled in Schwab Trading Services™.

---

**When you reach retirement, you don’t have as much time to make up for losses, so they can hurt a lot more.”** —Lou Mercer, regional manager, Schwab Trading Solutions

---

Read more insights from Schwab’s trading experts at schwab.com/tradinginsights.
Do You Have The Capital Advantage℠?

Our equity funds have beaten their Lipper peer indexes in 10- and 20-year periods¹:

10-Year Periods | 20-Year Periods
---|---
93% | 98%

“We’re always aiming to beat the market over the long term. That isn’t easy. But our low management fees,² high manager tenure and proven investment approach have helped us do it very well. And that’s the real advantage – we pursue superior results so our investors can pursue their real-life goals.” – Keiko McKibben

American Funds are available through the Schwab Mutual Fund OneSource℠ Service, including several funds on the Q2 2017 Mutual Fund OneSource Select List.²

Visit www.schwab.com/AmericanFunds to learn more.

¹Based on Class F-2 share results for rolling periods through December 31, 2016. Periods covered are the shorter of the fund’s lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on Class A share results without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds’ Class F-2 shares sold after the funds’ date of first offering. Please see americanfunds.com for more information on specific expense adjustments and the actual dates of first sale. Our fixed income funds have beaten their indexes 80% for 10-year periods and 80% for 20-year periods.

²On average, our management fees were in the lowest quintile 73% of the time, based on the 20-year period ended December 31, 2016, versus comparable Lipper categories, excluding funds of funds.

Charles Schwab & Co., Inc., member SIPC, receives remuneration from fund companies participating in Schwab’s Mutual Fund OneSource® service for record keeping, shareholder services and other administrative services. Schwab also may receive remuneration from transaction fee fund companies for certain administrative services.

Charles Schwab Investment Advisory, Inc. (CSIA) is an affiliate of Charles Schwab & Co., Inc.

Schwab Mutual Fund OneSource Select List® is a registered mark of Charles Schwab & Co., Inc. and used with permission.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

© 2017 American Funds Distributors, Inc.
ANALYSIS

PARALYSIS

6 SIGNS YOU MAY BE EXPERIENCING INVESTOR INDECISION—AND WHAT TO DO ABOUT IT.
YOU’VE POPPED INTO

the drugstore to pick up some cold medicine but are now overcome by the sheer number of choices. Daytime or nighttime? Liquid or pill? With or without antihistamines, decongestants and pain relievers?

Don’t look now, but you may be experiencing analysis paralysis. This behavioral tendency can occur when we’re confronted with too many choices or tasks. The symptoms include:

- Fear of making the wrong decision
- Delaying decisions
- Sticking with the status quo by default
- Repeatedly analyzing existing alternatives
- Endlessly searching for new alternatives

While forgoing the right cold remedy might cause discomfort, analysis paralysis in investing can have far costlier consequences.

“The abundance of choice can be paralyzing,” says Mark Riepe, senior vice president at the Schwab Center for Financial Research. “But the longer you delay making decisions, the worse off you’re likely to be.”

The good news, Mark says, is that with a few relatively painless prescriptions—and some assistance from trusted advisors and the latest technology—sufferers of analysis paralysis can not only learn to make informed decisions more quickly and confidently but also reduce the number of decisions they need to make to begin with.

Prescription #1

Narrow the field

This is an important first step, as research shows that people are increasingly unlikely to act as their number of options increases. In one seminal study, shoppers presented with various varieties of jam were 10 times more likely to make a purchase when confronted with fewer options. (See “Less is more,” above right.)

“It’s the same for choosing investments,” Mark says. “The universe of bonds, exchange-traded funds (ETFs), mutual funds and stocks is huge—you need to narrow your choices to make your decision less daunting.”

Begin by asking a few questions: If you’re just starting out, what’s your time horizon—and how much money will you need when you get there? If you’re an established investor looking to add a new position, how will it fit into your existing portfolio; are there any asset classes to which you’re over- or underexposed? “You have to put each investing decision in the context of the rest of your financial life,” Mark says.

Too often, though, investors revert to rules of thumb—like don’t put all your eggs in one basket. Research published in 2001 by economists Shlomo Benartzi and Richard Thaler found that savers tend to spread their money evenly across all available options, rather than allocating among those that make the most sense for them.1

“It’s always struck me how people revert to rules of thumb in the face of analysis paralysis,” Mark says, “but there’s no real connection to their individual situation. It’s like taking the same medication no matter what your medical condition.”

Prescription #2

Trust your tools

Once you determine which types of investments are best suited to your goals, any number of online tools can help you make faster, more informed choices. Bond, ETF, mutual fund and stock screeners like those available at schwab.com allow you to create lists of individual funds or securities based on criteria such as dividend yield, market capitalization and/or sector exposure. The ETF Select List® and Mutual Fund OneSource Select List® include top picks from Schwab’s experts every quarter. Schwab Equity Ratings® grades securities on a wide range of performance measures. And Schwab’s Portfolio Checkup tool (schwab.com/portfoliocheckup) can help you identify asset classes to which you may be over- or underexposed. (For more, see “Your technology tool kit,” right.)

Prescription #3

Break big decisions into manageable bites

One study of 401(k) plan participants found that many left their funds in their former employers’ plans simply because they thought it would be too difficult or time-consuming to roll them over. “Because their money is already invested, these people probably feel a little less urgency to act, but in many cases they can get something that’s a better fit for their particular situation,” Mark says.

In cases such as these, Mark suggests an incremental approach:

- Determine whether you might be better off in an Individual Retirement Account (IRA) or your new employer’s plan by comparing fees, taxes, plan rules and other key factors
- If you decide on an IRA, request the necessary paperwork and set aside time to complete it
- If you decide on your new employer’s plan, request the necessary paperwork and set aside time to complete it

For each action, Mark recommends putting a deadline on the calendar. “It’s usually easier to take a series of small steps rather than one big one,” he says.

YOUR TECHNOLOGY TOOL KIT

Schwab’s wealth of resources makes it easy to find and evaluate investments.

VIEW OUR TOP PICKS
ETFs: schwab.com/ETFselectlist
Mutual funds: schwab.com/selectlist

Stocks: schwab.com/stocklists

SCREEN AND COMPARE
ETFs: schwab.com/ETFscreener
Mutual funds: schwab.com/ mutualfund screener
Stocks: schwab.com/stock screener

RESEARCH BONDS
schwab.com/findbonds

GET INVESTMENT ADVICE
schwab.com/advice
LESS IS MORE

A 2000 study found that more shoppers were attracted to a display showcasing a large number of jams—but that they were far more likely to make a purchase from one with a more limited selection.

![Display 1](image1.png)

<table>
<thead>
<tr>
<th>Number of jams</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% of shoppers stopped</td>
<td></td>
</tr>
<tr>
<td>3% of shoppers who stopped also purchased</td>
<td></td>
</tr>
</tbody>
</table>

![Display 2](image2.png)

<table>
<thead>
<tr>
<th>Number of jams</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>40% of shoppers stopped</td>
<td></td>
</tr>
<tr>
<td>30% of shoppers who stopped also purchased</td>
<td></td>
</tr>
</tbody>
</table>


Prescription #4

Harness the latest innovations

Today, investors can automate everything from investment contributions to stop orders that limit their losses on a single security.

The latest step in this revolution is the so-called robo advisor. Technology platforms such as Schwab Intelligent Portfolios® (available through Schwab Wealth Investment Advisory, Inc.) use algorithms to help investors allocate and continually manage their savings across a range of assets, based on their own needs and goals. What’s more, some robo advisors can make investing more tax efficient by strategically realizing capital losses in order to offset capital gains—a process known as tax-loss harvesting.

“While Schwab Intelligent Portfolios was designed as a total portfolio solution, it can also streamline many of the decisions most likely to cause investors angst,” Mark says.

Prescription #5

Reach out

When in doubt, Mark says it can be helpful to talk with people who have been in situations similar to yours. “You can learn a lot—and avoid some of the biggest missteps—through these shared experiences,” he says.

That doesn’t mean delegating your most important financial decisions to people without the necessary expertise, of course. Sometimes there’s no substitute for a qualified financial professional who can help point you in the right direction—particularly when dealing with a specific issue.

Prescription #6

Keep evaluating

After your mind is made up and you move from analysis to execution, it’s important to create a process not only for making a decision but also for evaluating whether it was the right one.

“Nobody gets it right all of the time, and of course people’s goals change,” Mark says. “So, you need to be willing to take stock—and change course—when your action plan no longer makes sense.”

And if you’re still having trouble making up your mind, consider cost. While it shouldn’t be the driving force behind every financial decision, it can be a critical differentiator, all other factors being equal. “It’s so easy to compare similar investments these days,” Mark observes, “and any cost savings you realize can really add up over the span of your working lifetime.”

See page 42 for important information. *Investors should consider carefully information contained in the prospectus or, if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-435-4000. Please read the prospectus carefully before investing.*

*Mark Riepe is president of Charles Schwab Investment Advisory, Inc. (CSIA), a registered investment advisor. A rollover of retirement plan assets to an IRA is not your only option. Carefully consider all of your available options, which may include but are not limited to, keeping your assets in your former employer’s plan, rolling over assets to a new employer’s plan or taking a cash distribution (taxes and withdrawal penalties may apply). Prior to a decision, be sure to understand the benefits and limitations of your available options and consider factors such as differences in investment-related expenses, plan or account fees, available investment options, distribution options, legal and creditor protections, the availability of loan provisions, tax treatment and other concerns specific to your individual circumstances.*

* Schwab Intelligent Advisory™ is made available through Charles Schwab & Co., Inc., a dually registered investment advisor and broker-dealer. *Tax-loss harvesting is available for clients with invested assets of $50,000 or more in their Schwab Intelligent Portfolios account. Clients must enroll to receive this service.*

*Please read the Schwab Intelligent Portfolios disclosures brochures for disclosures, pricing and other important information relating to Schwab Intelligent Portfolios. * Schwab Intelligent Portfolios is made available through Schwab Wealth Investment Advisory, Inc. (SWIA), a registered investment advisor. Portfolio management services are provided by CSIA. Free credit balances are swept into deposit accounts at Charles Schwab Bank (Schwab Bank). Brokerage products and accounts are offered by Charles Schwab & Co., Inc. (Schwab), Member SIPC. CSIA, SWIA, Schwab Bank and Schwab are separate but affiliated companies and are subsidiaries of The Charles Schwab Corporation.*

*(0517-VEWR)*

---

**DISPLAY 1**

<table>
<thead>
<tr>
<th>Number of jams</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% of shoppers stopped</td>
<td></td>
</tr>
<tr>
<td>3% of shoppers who stopped also purchased</td>
<td></td>
</tr>
</tbody>
</table>

**DISPLAY 2**

<table>
<thead>
<tr>
<th>Number of jams</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>40% of shoppers stopped</td>
<td></td>
</tr>
<tr>
<td>30% of shoppers who stopped also purchased</td>
<td></td>
</tr>
</tbody>
</table>

---

Ticker-tape machines were the earliest electronic means of transmitting stock prices. Today, digital tickers also convey the ups and downs of the indexes at the heart of the multitrillion-dollar index-mutual-fund market.
Index Funds

How Much Do You Really Know

Not since the stock ticker has a market innovation proved so influential. Take our quiz to test your knowledge of these ubiquitous investment vehicles—and learn more.
A decade ago, index funds represented less than one-fifth of the U.S. equities market. Today, they constitute nearly a third, with more than $5 trillion in assets under management. Despite their popularity, however, index funds remain relatively misunderstood. How much do you know? Take our true-or-false quiz to find out.

1- An index fund invests in the same securities as its underlying index, or benchmark.
   - True
   - False

2- Index mutual funds and exchange-traded funds (ETFs) are basically the same thing.
   - True
   - False

3- Not all index funds define developed and emerging-market countries the same way.
   - True
   - False

1 Answer: A | Actually, make that mostly true. An index fund attempts to deliver the same returns as a specific index by owning most, if not all, of the same securities. However, some securities trade infrequently or are very expensive, which could cause fund managers to omit them, depending on their strategy. Also, many funds keep a percentage of their holdings in cash equivalents, which allows fund managers to meet day-to-day redemptions without selling securities. But too much cash can cause a fund to underperform its index. “Anything in excess of 3% should raise concerns,” says Michael Iachini, vice president and head of manager research at Charles Schwab Investment Advisory.

2 Answer: B | Although both are passive investments that mirror the performance of an underlying index, they trade differently. An ETF trades on a stock exchange throughout the day, during which time its price is free to fluctuate—just like a stock.

3 Answer: A | For example, Morgan Stanley Capital International (MSCI) classifies South Korea as an emerging market, while the Financial Times Stock Exchange (FTSE) considers it a developed market. Accordingly, South Korean stocks account for roughly 15% of the MSCI Emerging Markets Index and none of the FTSE Emerging Index. By the same token, FTSE has classified Pakistan as an emerging market for some time, while MSCI only recently updated the country’s status from frontier to emerging.

4 Answer: B | Market-capitalization-weighted indexes, such as the Russell 1000® and the S&P 500®, do indeed weight companies according to the value of their outstanding shares. An index mutual fund trades only at the end of the trading session, when its share price is calculated by deducting the fund’s liabilities from the value of its outstanding shares, then dividing by the number of outstanding shares.

5- When picking an index fund, the single most important factor is cost.
   - True
   - False

6- Smart-beta funds cost more than market-capitalization-weighted funds.
   - True
   - False

7- You can achieve adequate diversification in your domestic stock portfolio by investing in an index fund that tracks the entire U.S. equities market.
   - True
   - False

8- Not all funds that track the same index perform equally.
   - True
   - False

Chart source: 2016 Investment Company Fact Book, Investment Company Institute. Data include total net assets of U.S. bond, equity and hybrid index mutual funds; data exclude ETFs and mutual funds that invest primarily in other mutual funds.

Turn to page 18 to learn about Schwab’s latest innovations in index funds.
outstanding shares. However, other indexing strategies, known collectively as smart beta, emphasize factors other than market capitalization. Among the most popular are: equal weight, which weights every security equally, regardless of capitalization; fundamental, which screens and weights securities according to financial fundamentals such as book value, cash flow and sales; and low volatility, which overweights securities whose prices historically have fluctuated less than the market as a whole.

**Answer: B** | Other considerations include whether an index fund adheres to a market-capitization-weighted or smart-beta methodology, how it has performed both relative to its benchmark and in absolute terms, and which asset class or classes it represents.

**Answer: A** | Though substantially less expensive than most actively managed investments, smart-beta funds are nevertheless costlier than their more passively managed market-cap-weighted counterparts. Even so, “our research has shown that the potential outperformance of certain smart-beta strategies, such as fundamental, can offset their higher costs,” says Tony Davidow, asset allocation strategist at the Schwab Center for Financial Research. Investors can use Schwab’s ETF Select List® (schwab.com/ETFselectlist) or Mutual Fund OneSource Select List® (schwab.com/selectlist) to compare the expense ratios of actively managed, market-capitalization-weighted and smart-beta funds.

**Answer: B** | Even an index fund that tracks, say, the Wilshire 5000®—which represents nearly all actively traded U.S. stocks—may not be adequate when it comes to diversification. That’s because, like other market-cap-weighted indexes, the Wilshire 5000 assigns the most weight to the biggest companies. Investors looking to diversify their domestic exposure should also consider smaller-cap funds.

**Answer: A** | A landmark 2002 study found that returns varied by as much as 2% a year among index mutual funds tracking the S&P 500—owing in part to the fees they charge. Mutual funds charge different expense ratios, and some charge “loads”—one-time fees to buy (front-end loads) or sell (back-end loads). What’s more, some mutual funds are more tax efficient than others in terms of dividends, interest and realized capital gains.

See page 42 for important information. Investors should carefully consider information contained in the prospectus or, if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-435-4000. Please read the prospectus carefully before investing. Investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV). (0517-VGBT)
INFLATION

TACTICS FOR TACKLING EVEN A MILD UPWARD PRESSURE ON PRICES.
For help recalibrating your portfolio, call us at 888-484-5340.

THINK BACK TO 1980.

It was the year Ronald Reagan was elected president. It was also the year the average annual U.S. inflation rate reached a whopping 13.5%.¹

What a difference three decades make. During the 30 years from 1981 through 2010, U.S. inflation averaged just 3.1% annually. And in the following half decade it was even lower—averaging a mere 1.7% annually from 2011 through 2016.² (See “Taming inflation,” below.) But with commodity prices on the rise, health care costs increasing and bond prices in developed countries inching lower, inflation is again on investors’ minds.

In fact, a little inflation is a good thing—a welcome sign of economic vitality following a decade of slow growth. However, even modest levels of inflation can undercut returns and erode purchasing power, particularly for those on a fixed income.

“No one expects inflation levels to reach those of the early 1980s,” says Kathy Jones, chief fixed income strategist at the Schwab Center for Financial Research, who anticipates inflation rates of perhaps 2% to 3% for the foreseeable future. “Still, it’s important to understand how even modest inflation can affect your investments.”

Here’s a look at how five major asset classes are expected to fare in the face of inflation, and tactics investors can employ to help weather its effects.

BONDS

A rise in inflation typically causes the price of bonds and bond funds to drop. Short-term bond funds usually fare better. However, even intermediate- and long-term bond funds generally recover by gradually reinvesting in higher-yielding bonds as rates rise.

Looking beyond maturity, there are two varieties of bonds specifically designed to counter inflation:

- **Floating-rate notes** (a.k.a. floaters): Unlike traditional bonds, floaters have variable coupons that are based on a benchmark rate—plus a fixed spread—so a floater’s coupon payments rise along with its benchmark. For example, if a floater were to pay a spread of 50 basis points over a three-month London Interbank Offered Rate of 1%, its coupon would be 1.5%. Of course, a floater’s spread tends to reflect its risk level, so floaters with a higher spread may have a greater risk of default and therefore a lower credit rating.

- **Treasury Inflation-Protected Securities** (TIPS): The principal value of these low-risk, government-issued bonds increases along with inflation, as measured by the Consumer Price Index (see “Measure for Measure,” page 10). Once they mature, the bonds pay either the original or an adjusted principal—whichever is greater. However, this inflation protection comes at a price: TIPS tend to offer lower yields than other government bonds, so if inflation doesn’t rise you may miss out on better returns elsewhere.

CASH

While cold hard cash may lose purchasing power in the face of inflation (see “Diminishing dollars,” right), cash equivalents like certificates of deposit, money market funds and short-term Treasuries tend to move in tandem with inflation. That said, cash equivalents don’t always keep pace with inflation and historically have underperformed equities over the long term.

COMMODITIES

So-called real assets such as livestock and precious metals can be an effective short-term hedge against inflation. That’s because as goods become more expensive, so do many of the raw materials used to produce them. Of course, it’s impractical for regular investors to store pigs or platinum, so Schwab Asset Allocation Strategist Tony Davidow instead recommends mutual funds or exchange-traded funds that track a commodity index. However, Tony reminds investors that commodities should typically make up no more than 5% of a well-diversified portfolio.

TAMING INFLATION

From 1980 through 2016, the average annual U.S. inflation rate dropped 12.2%.

Over 30 years, the purchasing power of $100,000 in cash is undercut by even modest annual levels of inflation.

**STOCKS**

Over the long term, equities have outpaced all but the worst bouts of inflation. From 1980 through 2016, for example, the average annual return of the S&P 500® Index was 11.5%, compared with an average annual rate of inflation of just 3.3% during the same period.1

Of course, not all stocks are equally good at taming inflation, but two types in particular worth considering are:

- **Banks and other lending institutions:** Financial firms generate a significant portion of their revenue from the spread between the interest paid on deposits and the fees and interest earned from loans. As inflation rises, banks tend to charge higher nominal rates on their products, thus widening their spreads and producing higher profits. By the same token, a slowdown in inflation and/or economic growth can have a disproportionately negative effect on such stocks.

- **Energy stocks:** Inflation and rising energy costs often go hand in hand, leading to higher profits (and stock prices) for energy producers—provided global demand keeps up with production.

**REAL ESTATE**

The value of commercial and residential property tends to rise with inflation, making real estate investments a potentially effective long-term hedge. Specifically, investors may wish to consider real estate investment trusts (REITs), which typically derive rental income from apartments, malls and storage facilities; as real-estate prices increase, rents may climb with them, boosting investor returns. REITs are generally a far less effective hedge in the near term, however. That’s because rising rates can lead to a cut in the dividends they pay and send prices lower.

**RECALIBRATING YOUR PORTFOLIO**

“Investors should always be aware of inflation and its impact, but I wouldn’t do anything drastic since we’re not expecting runaway inflation,” Kathy says. Instead, she advocates deploying extra cash toward investments that can help combat the effects of a slight uptick in prices, such as the bond, commodity, real estate and stock recommendations above. “Just a little bit of hedging should go a long way,” she says.


See page 42 for important information. • Investors should consider carefully information contained in the prospectus or, if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-435-4000. Please read the prospectus carefully before investing. • Investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV). (0517-TACH)
Tools of the Trade: Gain/Loss Analyzer

An innovative tool to help you become a smarter trader.

Schwab’s new Gain/Loss Analyzer tool provides a visual, interactive way for you to review and analyze the realized gain/loss performance of your exchange-traded fund (ETF) or stock trades. It’s a unique combination of high-level analytics, commentary and interactive visualizations that aims to help traders make sense of past performance and identify areas for improvement.

THE GAIN/LOSS ANALYZER ALLOWS YOU TO:

- **Analyze performance**
  See three key metrics with pop-ups explaining why they matter.

- **Visualize profitability**
  The trade activity bubble chart shows closing transactions over a specified time frame. See how you’ve done overall, or click a bubble for a deeper look.

- **Review trade history**
  You can review price movement throughout the life of a trade, and how you reacted in those moments.

Try it out

If you’re enrolled in Schwab Trading Services™, log in to schwab.com/analyzertool. You’ll see the Gain/Loss Analyzer in a module at lower right; expand the module for the full experience. Need help? Call us at 877-807-9240.

Not enrolled?

It’s free to enroll in Schwab Trading Services. Call 877-807-9240 to speak with a representative.

All corporate names and market data shown above are for illustrative purposes only and are not a recommendation, offer to sell, or a solicitation of an offer to buy any security. Securities were selected randomly, and prices are dated.
Schwab Bank is pleased to offer exclusive new mortgage-rate discounts for clients.

Buying a house is a big deal. Whether it’s your primary residence or a holiday getaway, closing on the sale of a home is the culmination of hard work and careful financial planning.

Charles Schwab Bank gets it. That’s why we’ve introduced exclusive new mortgage-rate discounts for Schwab clients through our Investor Advantage Pricing program.

How it works

No matter your balance, if you have a Schwab Bank account, Schwab brokerage account or Schwab Individual Retirement Account (IRA) you may be eligible for a 0.250% rate discount on a purchase loan through Schwab Bank’s home-lending program provided by Quicken Loans®. That could mean bigger savings on your monthly mortgage payments—and more money to invest toward your other goals.

Other benefits

The advantages don’t stop with the discount. When you work with Schwab Bank and Quicken Loans on your next home purchase, you can also expect:

**Competitive costs:** Affordable rates on conforming and jumbo loans of up to $4 million.

**Helpful guidance:** Schwab Bank and a dedicated Quicken Loans team will help you throughout the mortgage process. You may also enjoy same-day preapproval, and specialists will reach out with regular updates on your loan.

**A timely closing process:** A team of experts will work to close your loan in an expedient manner. You can also monitor your home-loan status online and sign and upload documents electronically.

A home is one of life's biggest investments. That's why Schwab Bank wants to make sure you have the best pricing discounts we can offer.

**NEXT STEPS**
Visit schwab.com/mortgagerates or call 877-535-4021 for more information.

---

**Terms and conditions apply. See page 42 for additional offer information.**  
◆ This offer is subject to change or withdrawal at any time and without notice. Nothing herein is or should be interpreted as an obligation to lend. Loans are subject to credit and property approval. Other conditions and restrictions may apply. Hazard insurance may be required.  
◆ Charles Schwab Bank and Charles Schwab & Co., Inc., are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Investment products are offered by Charles Schwab & Co., Inc. (Member SIPC). Charles Schwab & Co., Inc., does not solicit, offer, endorse, negotiate or originate any mortgage loan products and is neither a licensed mortgage broker nor a licensed mortgage lender. Home lending is offered and provided by Quicken Loans Inc., Equal Housing Lender (NMLS 3030). Quicken Loans Inc. is not affiliated with The Charles Schwab Corporation, Charles Schwab & Co., Inc., or Charles Schwab Bank. Deposit and other lending products are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender.  
◆ Quicken Loans is licensed in all 50 states as Quicken Loans Nationwide Mortgage Licensing System #3030. Restrictions may apply. Equal Housing Lender. Lending services provided by Quicken Loans Inc., a subsidiary of Rock Holdings Inc. (0517-VA7G)

**Home Loans Provided by Quicken Loans®**

1Discount available for all adjustable-rate mortgages and 15-year fixed-rate jumbo loans.
GET EXPERT HELP WITH A SCHWAB SELECT LIST®

If you’re looking to diversify your portfolio or fill an investment gap, mutual funds and exchange-traded funds (ETFs) can be excellent options. But with thousands to choose from, it can be difficult to find those that best fit your needs.

A prescreened list by the Charles Schwab Investment Advisory team can greatly simplify the process. Our easy-to-use Mutual Fund OneSource Select List®, Income Mutual Fund Select List® and ETF Select List® comprise our experts’ top choices (see below).

Whatever type of fund you’re looking for, a Schwab Select List can help you match investment opportunities with your financial goals.

MUTUAL FUND ONESOURCE SELECT LIST

The mutual funds on this list, which trade online without loads or transaction fees,1 are screened for performance, risk and expense.

Categories:
• Large-cap U.S. stock funds
• Small- and mid-cap U.S. stock funds
• International stock funds
• Sector funds
• Taxable and tax-free2 bond funds and more

INCOME MUTUAL FUND SELECT LIST

The mutual funds on this list, which trade online without loads or transaction fees,1 are screened for their potential for income generation and growth.

Categories:
• Taxable and tax-free2 bond funds
• Large-cap U.S. stock funds
• International stock funds
• Real estate funds and more

ETF SELECT LIST

The ETFs in this list cover more than 68 asset categories and are screened for liquidity, viability and structural stability; many trade commission-free online.3

Categories:
• Large-cap U.S. stock funds
• Small- and mid-cap U.S. stock funds
• International stock funds
• Taxable and tax-free2 bond funds
• Sector funds
• Commodity funds and more

If you're looking to diversify your portfolio or fill an investment gap, mutual funds and exchange-traded funds (ETFs) can be excellent options. But with thousands to choose from, it can be difficult to find those that best fit your needs.

A prescreened list by the Charles Schwab Investment Advisory team can greatly simplify the process. Our easy-to-use Mutual Fund OneSource Select List®, Income Mutual Fund Select List® and ETF Select List® comprise our experts’ top choices (see below).

Whatever type of fund you’re looking for, a Schwab Select List can help you match investment opportunities with your financial goals.
GET STARTED TODAY:
Explore a Schwab Select List online at schwab.com/selectlist.

QUESTIONS?
Call us at 866-782-1480.

Getting started: Turning information into action

Step 1: Evaluate your portfolio. Use the Portfolio Checkup tool (schwab.com/portfoliocheckup) to help identify opportunities to diversify or gain exposure to other asset classes, such as large-cap U.S. stocks or tax-free bonds.

Step 2: Choose a Select List. After determining your desired exposure, choose among the Mutual Fund OneSource Select List, the Income Mutual Fund Select List and the ETF Select List, based on your needs and goals.

Step 3: Compare funds. Use the mutual fund comparison tool (schwab.com/comparefunds) or ETF comparison tool (schwab.com/compareETFs) to evaluate your choices using past performance, price, risk and other key indicators.

Step 4: Place your trade. Once you’ve selected the fund that best matches your investing criteria, complete your transaction by clicking the Trade button.

1Trades in no-load mutual funds available through Mutual Fund OneSource® (including Schwab Funds®), as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. For each of these trade orders placed through a broker, a $25 service charge applies. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Schwab’s short-term redemption fee of $49.95 will be charged on redemption of funds purchased through Schwab’s Mutual Fund OneSource service (and certain other funds with no transaction fees) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds, which may charge a separate redemption fee, and funds that accommodate short-term trading. Charles Schwab & Co., Inc., receives remuneration from fund companies for record keeping, shareholder services and other administrative services for shares purchased through its Mutual Fund OneSource service. Schwab also may receive remuneration from transaction fee fund companies for certain administrative services. | 2State, local and the federal Alternative Minimum Tax may apply. Capital gains are not exempt from federal taxation. | 3Conditions apply: Trades in ETFs available through Schwab ETF OneSource™ (including Schwab ETFs™) are available without commissions when placed online in a Schwab account. Service charges apply for trade orders placed through a broker ($25) or by automated phone ($5). An exchange-processing fee applies to sell transactions. Certain types of Schwab ETF OneSource transactions are not eligible for the commission waiver, such as short sells and buys to cover (not including Schwab ETFs). Schwab reserves the right to change the ETFs we make available without commissions. All ETFs are subject to management fees and expenses. Please see the Charles Schwab Pricing Guide for additional information. Charles Schwab & Co., Inc., receives remuneration from third-party ETF companies participating in Schwab ETF OneSource™ for record keeping, shareholder services and other administrative services, including program development and maintenance. Schwab ETFs are distributed by SEI Investments Distribution Co. (SIDCO). SIDCO is not affiliated with Charles Schwab & Co., Inc.

See page 42 for important information. • Investors should carefully consider information contained in the prospectus or, if available, the summary prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-435-4000. Please read the prospectus carefully before investing. • Past performance is no guarantee of future results. • Investment value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. If an expense waiver was in place during the period, the net expense ratio was used to calculate fund performance. Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. Shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV). (0517-VLFX)
The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision.

All opinions are subject to change without notice in reaction to shifting market conditions. Data contained herein from third-party providers are obtained from what are considered reliable sources. However, their accuracy, completeness and reliability cannot be guaranteed.

P.6, 8-9, 15, 16-17, 20-21, 30-33, 34-37: The Schwab Center for Financial Research is a division of Charles Schwab & Co., Inc.

P.9: Supporting documentation for any claims or statistical information is available upon request.

P.13-14, 20-21, 40-41: Diversification strategies do not ensure a profit and do not protect against losses in declining markets.

P.13-14, 30-33, 40-41: Charles Schwab Investment Advisory, Inc., is an affiliate of Charles Schwab & Co., Inc.

P.20-21, 34-37: Fixed income securities 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.

P.26-29: Schwab Equity Ratings® and the general buy/hold/sell guidance are not personal recommendations for any particular investor or client and do not take into account the financial, investment, or other objectives or needs of, and may not be suitable for, any particular investor or client. Investors and clients should consider Schwab Equity Ratings as only a single factor in making their investment decision while taking into account the current market environment.

P.30-33: All corporate names and market data shown are for illustrative purposes only and are not a recommendation, offer to sell or a solicitation of an offer to buy any security.

P.34-37: An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although funds seek to preserve the value of your investment at $1 per share, it is possible to lose money by investing in a money market fund. ● Treasury Inflation Protected Securities (TIPS) are inflation-linked securities issued by the U.S. government whose principal value is adjusted periodically in accordance with the rise and fall in the inflation rate. Thus, the dividend amount payable is also impacted by variations in the inflation rate, as it is based upon the principal value of the bond. It may fluctuate up or down. Repayment at maturity is guaranteed by the U.S. government and may be adjusted for inflation to become the greater of the original face amount at issuance or that face amount plus an adjustment for inflation. ● Risks of REITs are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer. ● While the market value of a floating-rate note is relatively insensitive to changes in interest rates, the income received is highly dependent upon the level of the reference rate over the life of the investment. Total return may be less than anticipated if future interest rate expectations are not met. ● Commodity-related products carry a high level of risk and are not suitable for all investors. Commodity-related products may be extremely volatile, illiquid and can be significantly affected by underlying commodity prices, world events, import controls, worldwide competition, government regulations and economic conditions. ● Certificates of deposit available through Schwab CD OneSource typically offer a fixed rate of return, although some offer variable rates. They are FDIC insured and offered through Charles Schwab & Co., Inc.

P.38: Examples provided are for illustrative purposes only and not intended to be reflective of results you can expect to achieve.

P.38: Only one discount eligible per loan. Discounts available for all adjustable-rate mortgage (ARM) loan sizes and selected jumbo fixed-rate loans. Discount for ARMs applies to initial fixed-rate period only or to the margin depending upon the eligible loan. Qualifying balance based on Schwab brokerage (including Schwab IRAs) and Schwab Bank combined account balances, including the following retirement account types: traditional, Roth, rollover and inherited IRAs. Clients that utilize an eligible IRA account balance to qualify for certain discounts may qualify for one special IRA benefits package per loan. This includes a $200 bonus award into your Schwab IRA account with the largest balance and an in-depth personal financial plan analysis, to include a detailed review of your IRA(s), by a Certified Financial Planner™. ● Eligible balance must be verified 15 days prior to your anticipated closing for an on-time close. If you deposit your eligible assets with less than 15 days remaining before closing, your closing date may be delayed and your eligibility to receive the promotional rate may be affected. You must have applied and locked in your interest rate after 09/01/2016 to qualify for the discount offer. ● IRA account balance eligibility and the IRA benefit package is not available for clients of independent investment advisors. Details for the discount program available for these clients can be found by visiting schwab.com/advisors.

Index definitions
The S&P 500® Index is a market-capitalization-weighted index comprising 500 widely traded stocks chosen for market size, liquidity and industry group representation. ● The Russell 1000® Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000® Index and includes approximately 1,000 of the largest securities based on a combination of their market capitalization and current index membership. ● The MSCI Emerging Markets Index captures large- and mid-cap representation across 23 emerging-market countries. The index covers approximately 85% of the free-float-adjusted market capitalization in each country. ● The FTSE Emerging Markets Index is part of the FTSE Global Equity Index Series (GEIS). The series includes large- and mid-cap securities from advanced and secondary emerging markets, classified in accordance with FTSE’s transparent Country Classification Review Process. The index provides investors with a comprehensive means of measuring the performance of the most liquid companies in the emerging markets. ● The Wilshire 5000® Total Market Index measures the performance of all U.S.-headquartered equity securities with readily available price data. More than 7,000 capitalization-weighted security returns are used to adjust the index.

Indexes are unmanaged, do not incur fees or expenses, and cannot be invested in directly.

©2017 Charles Schwab & Co., Inc. All rights reserved. Member SIPC. (0517-WRU1)
Life isn’t a passive activity. Investing shouldn’t be either.

Whether it’s navigating your career, raising kids, or planning for retirement, being actively involved matters in achieving better results.

When it comes to managing our funds, we share the same active philosophy. Our investment teams navigate down markets and help manage risk so you can stay on track in reaching your goals.

**Over 85%** of T. Rowe Price mutual funds beat their 10-year Lipper average as of 12/31/16.*

Put our active investment approach to work for you today.

---

* 144 of our 284 mutual funds had a 10-year track record as of 12/31/16. (Includes all share classes and excludes funds used in insurance products.) 124 of these 144 funds (86%) beat their Lipper averages for the 10-year period. 152 of 284 (53%), 179 of 213 (84%), 142 of 178 (80%), T. Rowe Price funds outperformed their Lipper average for the 1-, 3-, and 5-year periods ended 12/31/16, respectively. Calculations based on cumulative total return. Not all funds outperformed for all periods. (Source for data: Lipper Inc.). Schwab and Mutual Fund OneSource are trademarks of Charles Schwab & Co., Inc. Used with permission. T. Rowe Price Investment Services, Inc., Distributor.

---

**Over 100 T. Rowe Price funds now available with no transaction fee (NTF) on Schwab® Mutual Fund OneSource®.**

Visit [Schwab.com/OneSource](https://www.schwab.com/onesource).

* Request a prospectus or summary prospectus at Schwab.com/OneSource; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

**Past performance cannot guarantee future results.** All funds are subject to market risk, including possible loss of principal, and are subject to management fees and expenses.
The Case for Index Funds

Don’t underestimate the value of these low-cost investment vehicles.

I have always believed in the power of investing—particularly stock investing. All companies are motivated to grow, and stock ownership gives people a chance to participate in that growth.

So, unless you need all your money in the very near future, the question isn’t whether to own stocks; the question is which ones to own. And that can be a hard question to answer. Even seasoned professionals have a difficult time picking the right stocks repeatedly.

That’s what makes index mutual funds and exchange-traded funds (ETFs) so appealing. They offer a mix of investments and often have very low management fees. And unlike actively managed funds, whose individual managers’ stock-picking skills can make or break returns, index funds track established benchmarks such as the S&P 500® Index.

At Schwab, we view index funds as one of the most valuable investment vehicles ever devised. That’s why we launched the Schwab 1000 Index® Fund more than 25 years ago, and why today there are nearly 40 Schwab mutual funds and ETFs that track a variety of domestic and international stock indexes.¹

If you need help selecting the right fund for your portfolio, give us a call or stop by your local branch. The world of index investing is large and growing, and we’ll work with you to find the funds that best match your goals.

Charles R. Schwab
Founder & Chairman

¹Schwab.com, as of 03/27/2017.
A new way to plan and invest for your financial goals.

Say hello to Schwab Intelligent Advisory™
It’s our unique approach to investing that combines professional advice with intelligent technology.

Start with our planning tool.
Use our interactive tool to identify your goals and organize your financial information, including Schwab accounts and other outside accounts.

Meet with a Planning Consultant.
Schedule a virtual appointment with a Planning Consultant, who is a CERTIFIED FINANCIAL PLANNER™ professional, to create a personalized Action Plan that offers investment advice and portfolio recommendations.

Get a portfolio managed by intelligent technology.
After you’ve funded your account, our sophisticated algorithm can monitor your portfolio daily and automatically rebalance it when needed.

All for one of the lowest advisory fees around. And pay no commissions.1 You’ll pay just a 0.28% annual advisory fee on the assets in your account, excluding cash.

Get started today.
Visit schwab.com/intelligentadvisory.
Call 1-800-548-5574.

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

1 Schwab Intelligent Advisory charges no commissions or account service fees. Schwab affiliates do earn revenue from the underlying assets in Schwab Intelligent Portfolios® accounts. This revenue comes from managing Schwab ETFs™ and providing services relating to certain third-party ETFs that can be selected for the portfolio, and from the cash feature on the accounts. Revenue may also be received from the market centers where ETF trade orders are routed for execution.

Please read the Schwab Intelligent Advisory disclosure brochures for important information about this program at schwab.com/secure/file/SIA-disclosure-brochure.

Schwab Intelligent Advisory is made available through Charles Schwab & Co., Inc. (“Schwab”), a dually registered investment advisor and broker-dealer. Portfolio management services for Schwab Intelligent Portfolios are provided by Charles Schwab Investment Advisory, Inc. (CSIA), a registered investment advisor. Please refer to the disclosure brochures for details about Schwab Intelligent Advisory. Free credit balances are swept into deposit accounts at Charles Schwab Bank (“Schwab Bank”). Brokerage products and accounts are offered by Schwab, Member SIPC. Deposit and lending products are offered by Schwab Bank, Member FDIC and an Equal Housing Lender. Schwab, CSIA, and Schwab Bank are affiliates and subsidiaries of The Charles Schwab Corporation.

Schwab Intelligent Portfolios program monitoring and trading are subject to systems as well as technology constraints and availability, and therefore may not take place daily.

©2017 Charles Schwab & Co., Inc. All rights reserved.
CC0925306 (0517-VEUE) ADP95753-00 (03/17) 00190175
In order to participate, the borrower must agree that the lender, Quicken Loans, may share their information with Charles Schwab Bank.

This offer is subject to change or withdrawal at any time and without notice. Nothing herein is or should be interpreted as an obligation to lend. Loans are subject to credit and property approval. Other conditions and restrictions may apply. Hazard insurance may be required. Program terms and conditions are subject to change.

IRA account balance eligibility and the IRA benefit package is not available for clients of independent investment advisors. Details for the discount program available for these clients can be found by visiting www.schwab.com/advisors.

Only one discount eligible per loan. Discounts available for all Adjustable-Rate Mortgage (ARM) loan sizes, and the 15-Year Fixed-Rate Jumbo loan. Discount for ARMs applies to initial fixed-rate period only or to the margin depending upon the eligible loan. Qualifying balance based on Schwab brokerage (including Schwab IRAs) and Schwab Bank combined account balances, including the following retirement account types: Traditional, Roth, Rollover, and Inherited IRAs. Clients that utilize an eligible IRA account balance to qualify for certain discounts may qualify for one special IRA benefits package per loan. This includes: a $200 bonus award into your Schwab IRA account with the largest balance, and a $100 bonus award into your Schwab IRA account with the second largest balance. This information does not constitute and 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.

Eligible balance must be verified 15 days prior to your anticipated closing for an on-time close. If you deposit your eligible assets with less than 15 days remaining before closing, your closing date may be delayed and your eligibility to receive the promotional rate may be affected. You must apply and lock your interest rate after 09/01/2016 to qualify for the discount offer.

Loan application documentation is valid for 90 days from the date of receipt. Preapproval may be voided if there are changes. Contact Quicken Loans, Inc. regarding any conditions and restrictions that may apply.

Charles Schwab Bank and Charles Schwab & Co., Inc., are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Investment products are offered by Charles Schwab & Co., Inc. (member SIPC). Charles Schwab & Co., Inc., does not solicit, offer, endorse, negotiate, or originate any mortgage loan products and is neither a licensed mortgage broker nor a licensed mortgage lender. Home lending is offered and provided by Quicken Loans Inc., Equal Housing Lender. Quicken Loans Inc. is not affiliated with The Charles Schwab Corporation, Charles Schwab & Co., Inc., or Charles Schwab Bank. Deposit and other lending products are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender.

Quicken Loans is licensed in all 50 states Quicken Loans Nationwide Mortgage Licensing System #3030. Restrictions may apply. Equal Housing Lender. Lending services provided by Quicken Loans Inc., a subsidiary of Rock Holdings Inc.

**Save with a 0.250% interest rate discount on eligible home purchase loans.**

Exclusively for Schwab clients, Investor Advantage Pricing can help with rising interest rates.

When you need a home loan, look to Schwab Bank and mortgage lender Quicken Loans® for value and award-winning service. You’ll lower your interest rate and quickly go from preapproval to close. It’s an opportunity to help you save on your monthly home purchase loan payments so you can invest more in your portfolio.

**Call 1-877-490-6837 or visit schwab.com/mortgagerates to get started.**

In order to participate, the borrower must agree that the lender, Quicken Loans, may share their information with Charles Schwab Bank.

This offer is subject to change or withdrawal at any time and without notice. Nothing herein is or should be interpreted as an obligation to lend. Loans are subject to credit and property approval. Other conditions and restrictions may apply. Hazard insurance may be required. Program terms and conditions are subject to change.

IRA account balance eligibility and the IRA benefit package is not available for clients of independent investment advisors. Details for the discount program available for these clients can be found by visiting www.schwab.com/advisors.

Only one discount eligible per loan. Discounts available for all Adjustable-Rate Mortgage (ARM) loan sizes, and the 15-Year Fixed-Rate Jumbo loan. Discount for ARMs applies to initial fixed-rate period only or to the margin depending upon the eligible loan. Qualifying balance based on Schwab brokerage (including Schwab IRAs) and Schwab Bank combined account balances, including the following retirement account types: Traditional, Roth, Rollover, and Inherited IRAs. Clients that utilize an eligible IRA account balance to qualify for certain discounts may qualify for one special IRA benefits package per loan. This includes: a $200 bonus award into your Schwab IRA account with the largest balance, and a $100 bonus award into your Schwab IRA account with the second largest balance. This information does not constitute and 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.

Eligible balance must be verified 15 days prior to your anticipated closing for an on-time close. If you deposit your eligible assets with less than 15 days remaining before closing, your closing date may be delayed and your eligibility to receive the promotional rate may be affected. You must apply and lock your interest rate after 09/01/2016 to qualify for the discount offer.

Loan application documentation is valid for 90 days from the date of receipt. Preapproval may be voided if there are changes. Contact Quicken Loans, Inc. regarding any conditions and restrictions that may apply.

Charles Schwab Bank and Charles Schwab & Co., Inc., are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Investment products are offered by Charles Schwab & Co., Inc. (member SIPC). Charles Schwab & Co., Inc., does not solicit, offer, endorse, negotiate, or originate any mortgage loan products and is neither a licensed mortgage broker nor a licensed mortgage lender. Home lending is offered and provided by Quicken Loans Inc., Equal Housing Lender. Quicken Loans Inc. is not affiliated with The Charles Schwab Corporation, Charles Schwab & Co., Inc., or Charles Schwab Bank. Deposit and other lending products are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender.

Quicken Loans is licensed in all 50 states Quicken Loans Nationwide Mortgage Licensing System #3030. Restrictions may apply. Equal Housing Lender. Lending services provided by Quicken Loans Inc., a subsidiary of Rock Holdings Inc.

Exclusively for Schwab clients, Investor Advantage Pricing can help with rising interest rates.

When you need a home loan, look to Schwab Bank and mortgage lender Quicken Loans® for value and award-winning service. You’ll lower your interest rate and quickly go from preapproval to close. It’s an opportunity to help you save on your monthly home purchase loan payments so you can invest more in your portfolio.

**Call 1-877-490-6837 or visit schwab.com/mortgagerates to get started.**

In order to participate, the borrower must agree that the lender, Quicken Loans, may share their information with Charles Schwab Bank.

This offer is subject to change or withdrawal at any time and without notice. Nothing herein is or should be interpreted as an obligation to lend. Loans are subject to credit and property approval. Other conditions and restrictions may apply. Hazard insurance may be required. Program terms and conditions are subject to change.

IRA account balance eligibility and the IRA benefit package is not available for clients of independent investment advisors. Details for the discount program available for these clients can be found by visiting www.schwab.com/advisors.

Only one discount eligible per loan. Discounts available for all Adjustable-Rate Mortgage (ARM) loan sizes, and the 15-Year Fixed-Rate Jumbo loan. Discount for ARMs applies to initial fixed-rate period only or to the margin depending upon the eligible loan. Qualifying balance based on Schwab brokerage (including Schwab IRAs) and Schwab Bank combined account balances, including the following retirement account types: Traditional, Roth, Rollover, and Inherited IRAs. Clients that utilize an eligible IRA account balance to qualify for certain discounts may qualify for one special IRA benefits package per loan. This includes: a $200 bonus award into your Schwab IRA account with the largest balance, and a $100 bonus award into your Schwab IRA account with the second largest balance. This information does not constitute and 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.

Eligible balance must be verified 15 days prior to your anticipated closing for an on-time close. If you deposit your eligible assets with less than 15 days remaining before closing, your closing date may be delayed and your eligibility to receive the promotional rate may be affected. You must apply and lock your interest rate after 09/01/2016 to qualify for the discount offer.

Loan application documentation is valid for 90 days from the date of receipt. Preapproval may be voided if there are changes. Contact Quicken Loans, Inc. regarding any conditions and restrictions that may apply.

Charles Schwab Bank and Charles Schwab & Co., Inc., are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Investment products are offered by Charles Schwab & Co., Inc. (member SIPC). Charles Schwab & Co., Inc., does not solicit, offer, endorse, negotiate, or originate any mortgage loan products and is neither a licensed mortgage broker nor a licensed mortgage lender. Home lending is offered and provided by Quicken Loans Inc., Equal Housing Lender. Quicken Loans Inc. is not affiliated with The Charles Schwab Corporation, Charles Schwab & Co., Inc., or Charles Schwab Bank. Deposit and other lending products are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender.

Quicken Loans is licensed in all 50 states Quicken Loans Nationwide Mortgage Licensing System #3030. Restrictions may apply. Equal Housing Lender. Lending services provided by Quicken Loans Inc., a subsidiary of Rock Holdings Inc.