Retirement’s New Frontier

Next-level tax planning. Page 26
Returning to work the right way. Page 30
Dear Client,

Many people assume they’ll be in a lower tax bracket in retirement than they are today, but the speed with which the Tax Cuts and Jobs Act of 2017 was passed demonstrates just how quickly tax laws can change. One way to manage this uncertainty is to spread your savings across accounts with different tax treatments, a strategy known as tax diversification. Turn to page 26 to learn more.

Of course, the very idea of retirement is changing, with many viewing it not as an end to work but rather an opportunity to take a step back or pursue other ambitions. No matter your vision, there is a lot to consider about earning a paycheck in retirement. Read more on page 30.

If you need help creating or reevaluating your retirement plan I encourage you to reach out to us at 877-297-1126. We welcome every opportunity to help you achieve your goals.

Sincerely,

Terri Kallsen
Executive Vice President
Schwab Investor Services
CONTENTS

DEPARTMENTS

2 SCHWAB ORIGINALS
  Watch, learn and subscribe.

3 CEO’s NOTE
  Our multilayered approach to cyber security.
  By Walt Bettinger

THE BOTTOM LINE

5 Why waiting for a market rebound could cost you.

6 Putting recent stock market volatility in perspective.

8 Tax-advantaged savings accounts get a boost.

9 What to know about grandparent-owned 529s.

11 FAMILY MATTERS
  Is it better to give or lend? That is the question.

PERSPECTIVES

13 Why financial plans work.
  By Mark Riepe

16 Cracks in corporate debt?
  By Collin Martin

18 Four reasons to consider REITs.
  By Anthony Davidow

21 TRADING
  Minding your trades while on vacation.
  By Lee Bohl

24 THE BIG PICTURE
  Not all stock market recoveries are created equal.

26 Power Up Your Tax Planning
  How tax diversification can give you greater control in retirement.

30 Going Back to Work in Retirement
  Pros, cons and other considerations.

34 Reducing Risk
  Playing defense in turbulent times.

38 Honor or Burden?
  Three questions to ask before becoming an executor or a trustee.

FEAT URES

21 Power Up Your Tax Planning
  How tax diversification can give you greater control in retirement.

30 Going Back to Work in Retirement
  Pros, cons and other considerations.

34 Reducing Risk
  Playing defense in turbulent times.

38 Honor or Burden?
  Three questions to ask before becoming an executor or a trustee.

Onward (ISSN 2330-3514) is published quarterly. This publication is mailed at Standard A postal rates. If you prefer not to receive Onward, please call 877-908-0065. POSTMASTER: Send address changes to Onward, Charles Schwab & Co., Inc., P.O. Box 982600, El Paso, TX 79998-2600. Onward 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 Onward may have active positions in securities or companies discussed in this issue. MAG105674Q219-00
Golf is built on tradition, but these visionaries challenged the status quo and changed the game forever. See The Challengers documentary series at schwabgolf.com.

As seniors age, they become increasingly susceptible to scams and other forms of financial exploitation. For help keeping your loved ones safe, visit schwab.com/seniors.

From weekly webcasts to special events, Schwab Live offers timely advice and practical insights. Become a Schwab Live Insider at schwab.com/liveinsiders.
Man Meets Machine

Schwab’s cybersecurity defenses layer humans and technology.

For added peace of mind, we offer the Schwab Security Guarantee.

It used to be that storing your money under lock and key was an effective way of keeping thieves at bay. But with the rise of digital transactions—and the cybercriminals looking to exploit them—defending your money isn’t as straightforward as it once was.

At Schwab, we’re committed to helping you bolster your digital defenses. Our cybersecurity approach is multilayered, relying on both human and technological monitoring techniques to thwart would-be thieves and quickly address any issues that may arise.

One example is our automated alerts, which use advanced analytical systems to recognize account usage patterns, deter unauthorized access and notify you of suspicious activity right away. We also leverage biometric technologies that allow you to sign in to Schwab’s mobile app using your face or fingerprint, and offer voice ID to help confirm your identity when you call us.

And to give you added peace of mind, we offer the Schwab Security Guarantee: We will cover 100% of any losses in your Schwab accounts due to unauthorized activity. Learn more at schwab.com/guarantee.

Sincerely,

Walt Bettinger
President & CEO
Did you know you’re eligible for Cards exclusively for Schwab clients?

Visit schwab.com/cards or call 866-912-8258 to learn more about the Charles Schwab Cards from American Express.

The Charles Schwab Cards from American Express are only available to clients who maintain an eligible Schwab account.*

Visit schwab.com/cards or call 866-912-8258 to learn more about the Charles Schwab Cards from American Express.

The Cards under this program are issued by an American Express bank and not Charles Schwab & Co., Inc. (“Schwab”). Schwab is the broker dealer subsidiary of The Charles Schwab Corporation. Brokerage products, including the Schwab One® brokerage account, are offered by Schwab, Member SIPC.

*The Platinum Card® from American Express exclusively for Charles Schwab and the Charles Schwab Investor Credit Card® from American Express are only available to you if you maintain an eligible account at Schwab (an “eligible account”). An eligible account means (1) a Schwab One® or Schwab General Brokerage Account held in your name or in the name of a revocable living trust where you are the grantor and trustee or (2) a Schwab Traditional, Roth, or Rollover IRA that is not managed by an independent investment advisor pursuant to a direct contractual relationship between you and such independent advisor. Eligibility is subject to change. American Express may cancel your Card Account and participation in this program if you do not maintain an eligible account.

Charles Schwab & Co. Inc, 211 Main Street, San Francisco, CA 94105
©2019 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.
ADP94411Q9219-00 (0518-86C3) (09/18)
here’s nothing like a stock market correction to scare off investors. That was certainly the case late last year, when a series of stock market drops triggered panic selling at a record pace. But those who fled for the safety of cash may have done more harm than good. “The problem
The early bird gets the return
Waiting to jump back into the market even a month after it hits bottom can lead to significantly lower gains over time.

<table>
<thead>
<tr>
<th>Cumulative returns following market bottom</th>
<th>1 YEAR LATER</th>
<th>2 YEARS LATER</th>
<th>3 YEARS LATER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stayed fully invested through bear market</td>
<td>46%</td>
<td>70%</td>
<td>83%</td>
</tr>
<tr>
<td>Moved investments into cash for 1 month</td>
<td>29%</td>
<td>46%</td>
<td>57%</td>
</tr>
<tr>
<td>Moved investments into cash for 3 months</td>
<td>20%</td>
<td>41%</td>
<td>50%</td>
</tr>
<tr>
<td>Moved investments into cash for 6 months</td>
<td>13%</td>
<td>32%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Schwab Center for Financial Research and Morningstar. Data from 01/1970 through 12/2017. Market returns are represented by the S&P 500® Total Return Index, and cash returns are represented by the total returns of the Diversified U.S. 30-Day Treasury Bill Index. Cumulative returns are calculated using the simple average of returns from each period and scenario. Past performance is no guarantee of future results.

"The problem with selling when the market takes a dive is that by the time you act, the worst may already be behind you," says Mark Riepe, head of the Schwab Center for Financial Research.

"The risk here is double-edged: If you sell during a slump, you could look in your losses. And if you're sitting on the sidelines, you may also miss out. Analysts at the Schwab Center for Financial Research studied the five periods since 1970 when stocks—as measured by the S&P 500® Total Return Index—fell 20% or more. They found stocks generated their biggest gains in the first 12 months of the recovery, and that missing even the first month of gains after the market hit bottom led to substantially lower returns over time (see "The early bird gets the return," above).

"As investors, we often wait to make sure it's safe to go back in the water," Mark says. "But the idea that you can simply wait for all the positive news to come out and still enjoy robust returns just isn't true."

Then again, it needn’t be an all-or-nothing decision. "Consider putting even half your money back in the water," Mark says. "That way, you're less likely to regret it whether the market goes up or down."

Swing Shift
Putting recent stock market volatility into perspective.

20 years of volatility—ranked
While 2018 may have seemed volatile, it likely suffered from its proximity to the historic calm of 2017.

Unsure if your portfolio is in line with your goals and risk tolerance? Visit schwab.com/portfolioevaluation to learn how to benchmark your performance and check your asset allocation.
Take It to the Limit

You can now contribute more to your tax-advantaged savings accounts.

Are you saving enough for retirement? If you don’t regularly increase your contribution amounts, you may not be.

“When you save the same amount year after year, your savings rate actually decreases over time due to inflation,” says Hayden Adams, CPA and director of tax and financial planning at the Schwab Center for Financial Research. “Fortunately, contribution limits for tax-advantaged accounts increase periodically, which can help preserve your purchasing power down the road—provided you take advantage of them.”

To the right you’ll find the 2019 contribution limits for a variety of popular savings accounts and brief explanations of how contributions to each can affect your tax bill.

See page 46 for important information.

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. (0519-9TFY)

<table>
<thead>
<tr>
<th>2019 contribution limits</th>
<th>Increase from 2018</th>
<th>Tax implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>$19,000 ($25,000 if age 50+)</td>
<td>$500</td>
<td>Contributions reduce your taxable income dollar for dollar up to the annual limits.</td>
</tr>
<tr>
<td>$3,500 ($4,500 if age 55+)</td>
<td></td>
<td>Contributions reduce your taxable income dollar for dollar up to the annual limits.</td>
</tr>
<tr>
<td>$7,000 ($8,000 if age 55+)</td>
<td>$100</td>
<td>Contributions reduce your taxable income dollar for dollar up to the annual limits.</td>
</tr>
<tr>
<td>$6,000 ($7,000 if age 50+)</td>
<td>$500</td>
<td>Contributions do not reduce your taxable income, but distributions in retirement are completely tax-free.</td>
</tr>
<tr>
<td>$13,000 ($16,000 if age 50+)</td>
<td>$500</td>
<td>Contributions reduce your taxable income dollar for dollar up to the annual limits.</td>
</tr>
<tr>
<td>$6,000 ($7,000 if age 50+)</td>
<td></td>
<td>Contributions reduce your taxable income, so long as your modified adjusted gross income doesn’t exceed certain limits. Your deduction may be reduced if you or your spouse participates in a workplace retirement plan.</td>
</tr>
</tbody>
</table>

1 For individuals who participate in multiple workplace retirement plans, the aggregate total contributions cannot exceed these amounts. |
2 Single filers must have a modified adjusted gross income under $137,000 to contribute to a Roth IRA, and contributions are reduced starting at $122,000. For those married and filing jointly, the figures are $203,000 and $193,000. |
3 Account holder must be age 59½ or older and have owned the account for at least five years in order to qualify for tax-free income distributions. |
4 See footnote 1. |
5 For full details, see irs.gov/retirement-plans/ira-deduction-limits.

Want to contribute to your IRA for 2019? Log in to schwab.com/contribute today.
The Gift of Education

Opening a 529 plan on a grandchild’s behalf can be a boon come college—so long as you wisely manage the distributions.

When a grandchild arrives, grandparents are often eager to help out financially. At the same time, parents facing a whole host of new expenses may find it difficult to prioritize college—which, like retirement, benefits greatly from early action. In such instances, a grandparent-owned 529 college savings plan can be just what the doctor ordered.

Assets in state-sponsored 529s grow tax-deferred, and withdrawals are exempt from federal taxes when used for qualified education expenses. “Every dollar saved is one your grandchild won’t have to borrow,” says Robert Aruldoss, a senior research analyst at the Schwab Center for Financial Research. “And you may get a tax deduction to boot.” That’s because 34 states and the District of Columbia offer a full or partial tax credit or deduction for in-state contributions to their 529 plans, and seven states offer a full or partial tax deduction to any state’s plan.1

Not only that, but grandparent-owned 529 assets aren’t factored in to the Free Application for Federal Student Aid (FAFSA®), which helps determine eligibility for grants, work-study programs and loans. With parent-owned 529s, on the other hand, 5.64% of assets are counted.2

One potential downside is that once a distribution from a nonparent-owned 529 plan is made, up to 50% of those funds may be counted as income on a student’s future financial aid applications. However, federal financial aid calculations count such distributions only from the “prior-prior year”—that is, two tax years before the funds were distributed. Hence, delaying distributions from nonparent-owned accounts until the final two years of a child’s college career can help sidestep this potential pitfall.

“Some families use parent-owned accounts to help pay for the early years of college and save distributions from grandparent-owned accounts for the final years,” Robert says. “The point is, if you time it right, you can help a grandchild pay for college without affecting financial aid eligibility.”

1For a complete list of deductibility by state, see finaid.org/savings/state529deductions.phtml.
2Assets and income may be excluded from calculations if below certain thresholds. For more details, see studentaid.ed.gov.

Ready to start saving for college? Learn about Schwab’s 529 Savings Plan at schwab.com/529.

See page 46 for important information. • Investors should consider, before investing, whether the investor’s or designated beneficiary’s home state offers any state tax benefits or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available in that state’s qualified tuition program. (0519-9TDC)
A trusted partnership.

A corporate trustee provides financial expertise, unbiased decision making, and fiscal responsibility for the full duration of a trust. At Charles Schwab Trust Company, our promise to you and your family is to:

- Put the interests of the trust and your beneficiaries first
- Administer your trust according to its terms to continue your legacy
- Wisely invest your trust’s assets to benefit the next generation and beyond
- Provide services with a competitive fee structure you expect from Schwab

Call your financial consultant or visit personaltrust.schwab.com to learn about Schwab Personal Trust Services.
Give or Lend?

That is the question when deciding how to financially assist family members.

It may be better to give than to receive—but what about to lend?

Many well-off individuals choose to extend a helping hand to family members, be it a down payment on a new home, a bridge loan when times turn tough or even an advance on an inheritance. But how they give can be as consequential as how much.

That’s because there are potential tax implications depending on whether such financial assistance comes in the form of a family loan—to be paid back at a later date, with interest—or an outright gift. And while loans are often seen as furthering financial discipline, gifts may be less likely to foster conflict, since by definition they often come without formal strings attached.

So which one’s right for your family, and under what circumstances? Start by considering the following.
## Gifts

Generally speaking, if an individual gives away more than $15,000 to another person in 2019, the donor must report the gift to the IRS on a Form 709. But that doesn’t necessarily mean you’ll owe taxes on it, thanks to the lifetime gift tax exemption, which is the total amount you can give away tax-free during your lifetime. (A gift may be excluded from one’s lifetime limit if the money is paid on another’s behalf directly to the provider to cover certain costs, including medical and tuition expenses.)

Before the Tax Cuts and Jobs Act of 2017, the lifetime gift tax exemption was $5.49 million for individuals and $10.98 million for married couples. The new law significantly increased that amount—to $11.4 million for individuals and $22.8 million for married couples in 2019—but there’s a catch. The boost is good only through 2025 (barring an extension), which is encouraging some individuals to transfer wealth from one generation to the next before the exemption potentially drops back down.

“If you have significant means and you’re primarily concerned with your tax exposure, then it may make sense to give money or other assets to family members before this window closes,” says Anh Bishop, a Schwab wealth strategist in Westlake, Texas.

That said, even the older exemption limit was so high that most taxpayers didn’t worry about exceeding it. “For most people, estate and gift taxes haven’t been of primary concern for some time—and that’s doubly true today with the increase in the exemption,” Anh says.

## Loans

For those who don’t want to give an outright gift, an intrafamily loan, which can encourage fiscal discipline in the form of regular repayments, is another way to go. “You don’t necessarily want to give your kids everything without them having to work for it,” Anh says. “A family loan can serve as the foundation for financial independence.”

Before you extend a loan to family, however, be aware that it’s not as simple as just writing a check. The IRS mandates that any loan between family members be made with a signed written agreement, a fixed repayment schedule and a minimum interest rate. (Applicable Federal Rates [AFRs] are published monthly at https://apps.irs.gov/app/picklist/list/federalRates.html.) Should you fail to charge an adequate interest rate, the IRS could tax you on the interest you could have collected but didn’t. What’s more, if the loan exceeds $10,000 or the recipient of the loan uses the money to produce income (such as by using it to invest in stocks or bonds), you will need to report the interest income on your taxes.

There’s also the question of delinquency to consider. If a family member can’t repay a loan, it’s rarely reported to a credit bureau, never mind a collection agency. However, should the lender want to deduct a bad loan on her or his taxes, the IRS requires proof that there was an attempt to collect the delinquent funds. Conversely, if the lender wants to forgive the loan, the unpaid amount will be treated as a gift for tax purposes, and the borrower may owe taxes on the remaining unpaid interest. (The rules are even more complicated if the loan is considered a private mortgage, so it’s best to consult a qualified tax advisor or financial planner before finalizing the details.)

“Don’t think you can give a large amount of money and call it a loan in name only.” Anh says. “An intrafamily loan needs to have a formal structure. If not, you might be better off just gifting the money.”

Be that as it may, lending a large sum to a family member can help her or him save a tidy sum in interest payments over the life of the loan (see “All in the family,” above).

## Family dynamics

In the end, whether to give a gift or extend a loan may come down to the strength of your familial relationships and the nature of the individuals involved. But whichever path you take, communication is key, particularly when it comes to setting expectations. “It’s just like any other family dynamic,” Anh says. “The more you talk and share your feelings, the less room there is to veer off track.”

---

### All in the family

Intrafamily loans, which can be offered at rates lower than those for mortgage and personal loans, can help borrowers save big on interest.

<table>
<thead>
<tr>
<th>Loan amount</th>
<th>Intrafamily loan</th>
<th>Mortgage</th>
<th>Personal loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest rate</th>
<th>Intrafamily loan</th>
<th>Mortgage</th>
<th>Personal loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.91%*</td>
<td></td>
<td>3.67%†</td>
<td>9.80%‡</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan term</th>
<th>Intrafamily loan</th>
<th>Mortgage</th>
<th>Personal loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 years</td>
<td></td>
<td>15 years</td>
<td>15 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total interest paid</th>
<th>Intrafamily loan</th>
<th>Mortgage</th>
<th>Personal loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$23,527.05</td>
<td></td>
<td>$30,186.80</td>
<td>$91,232.51</td>
</tr>
</tbody>
</table>

*IRS.gov, as of 02/2019. Total interest paid assumes a fixed interest rate and a loan term of nine or more years. †Bankrate.com, as of 02/08/2019. Total interest paid assumes a 15-year fixed-rate mortgage and 20% down payment. ‡Bankrate.com, as of 02/08/2019. Total interest paid assumes a fixed interest rate and a credit score from 720 to 850. The example is hypothetical and provided for illustrative purposes only.

---

See page 46 for important information. 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. (0519-9HFP)
Just Do It

Financial plans work—so why do so few of us have one?

By Mark Riepe

Like any good road map that gets you where you’re going, a financial plan is designed to keep you on the path toward your goals—from college and retirement to everything in between.

Financial planning is helpful because it encourages people to do a better job of budgeting, which in turn helps control spending and saving. Those who plan are also better able to spot potential problems and address them in a timely manner. In fact, Schwab’s 2018 Modern Wealth Index survey of 1,000 Americans revealed that those who were following a financial plan ranked highest in accumulating wealth, managing debt and achieving multiple savings goals.

Unfortunately, the same survey found that those folks are squarely in the minority: Only one in four respondents had a formal financial plan. In other words, we like to dream big when it comes to our financial goals, but many of us don’t root those dreams in reality by creating a plausible step-by-step strategy for getting there.

The good news is there are proven tactics for training ourselves to overcome inertia and choose a more predictable path forward.

TACTIC 1: Identify your goals

You can’t create an effective plan until you know what you’re trying to achieve, so start by listing each of your goals.
The vaguer your goals, the harder it is to measure your progress toward them, so be as specific as possible. For instance, if one of your goals is to “live comfortably in retirement,” push yourself to define what that means in practical terms. Perhaps you want to pay off your mortgage before you stop working to eliminate your housing payment, or budget for potentially expensive hobbies like golf and skiing.

Think, too, about things like quality healthcare and even the possibility of working in retirement to supplement your savings (see “Going Back to Work in Retirement,” page 30). Defining clear, actionable goals—and the means to achieve them—can be challenging, so consider enlisting a financial planner to help you think through your vision. He or she can help fine-tune your objectives, determine how to approach your goals in practical terms and even act as a reality check for your vision should you need it.

**TACTIC 2: Break it up**

As with any complex undertaking, it pays to break the task into clear, discrete pieces. Computer programmers, for example, use this strategy when troubleshooting software. They don’t tackle every programming problem at once but rather resolve each individual bug before bringing all the code back together to form a working whole.

It can be helpful to approach financial planning in much the same way:

- First, rank your financial goals and attach a price tag to each.
- Next, set a deadline for achieving each goal.
- Finally, determine how much money you need to set aside per month to reach each goal.

If, after running these numbers, you decide your goals feel unattainable, take a step back and reassess your assumptions. Perhaps that second home needs to be smaller or in a more affordable location than originally envisioned. Or maybe you need to rethink your spending to free up funds for a goal down the road. The point is not to eliminate today’s comforts in order to achieve tomorrow’s dreams, but rather to find a balance that satisfies both near- and long-term needs.

While there are as many priorities, price tags and target dates as there are individual investors, a host of online tools can help you run the numbers, weigh competing priorities and determine the best course of action for you. At schwab.com/planningtools, for example, you can find calculators for retirement and college savings, various worksheets and questionnaires and even sign up for workshops at Schwab branches near you.

**TACTIC 3: Base it in reality**

Guestimates are part and parcel of any planning process—but some are more realistic than others. One way to combat overly optimistic expectations is to pay attention to base rates, or prior probabilities. For example, you can look to the past for historical growth rates in everything from inflation and the S&P 500® Index to specific expenses such as health care and higher education.

That said, base rates are just a starting point, and past performance is never a guarantee of future results. Between 1970 and 2018, for example, U.S. large-cap stocks returned an average 10.1% annually. But many analysts, including those at Charles Schwab Investment Advisory, are projecting much lower returns during the next decade, due to a combination of historically low inflation and interest rates, and relatively high equity valuations. If such a scenario comes to pass, predicating your future on past performance could leave you well short of your goals.

It can also help to rerun your projections using a more pessimistic number. For example, if your plan is based on a 7% average annual rate of return over 30 years, how would 6% or 6.5% change your results? If achieving even a slightly lower rate of return would upend your goals, you might consider saving more each month, if possible, to make up for the projected shortfall.

**You’re not alone**

Dreams are important. They give us goals to go after. But realizing them often involves an honest reckoning of what’s possible and what we’re willing to sacrifice to get there.

Whatever your goals, be sure to root them in a plan that is considered and practical—and be sure to revisit it regularly to ensure your assumptions still hold true.


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

See page 46 for important information. © Please read the Schwab Intelligent Portfolios Solutions™ disclosure brochures for important information, pricing, and disclosures related to the Schwab Intelligent Portfolios and Schwab Intelligent Portfolios Premium programs. Schwab Intelligent Portfolios® and Schwab Intelligent Portfolios Premium™ are made available through Charles Schwab & Co. Inc. (“Schwab”), a dually registered investment advisor and broker dealer. (0419-9DRF)
Cut through the fog. Focus on the facts.

Out of 8,000 mutual funds, Morningstar® has named 8 American Funds to its “28 Terrific Funds” list.*

Now available at Schwab. Find us at schwab.com/americanfunds

*Morningstar, Fund Spy, Russel Kinnel: “28 Terrific Funds,” September 2018. Morningstar’s criteria for the Terrific list included: cheapest quintile of broad level category groupings; manager investment of more than $1 million in the fund; Morningstar Risk rating below the High level; Morningstar Analyst Rating of Bronze or higher; Parent rating of Positive; returns above the fund’s benchmark over the manager’s tenure; category benchmark for allocation categories; no institutional share classes; and no funds of funds.

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, risk, 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. For details, please contact your financial professional.

Securities offered through American Funds Distributors, Inc.
Cracks in Corporate Debt?

Why a staple of fixed income portfolios may be headed for trouble, by Collin Martin

What a difference a decade makes. Following the 2008–2009 financial crisis, U.S. Treasuries yielded next to nothing, as investors flocked to the relative safety of government-issued debt and the Federal Reserve slashed its benchmark interest rate to help stimulate the economy. Meanwhile, low borrowing costs and a growing U.S. economy helped riskier U.S. corporate bonds outperform their federal counterparts.

Today, U.S. Treasuries offer relatively attractive yields, while investment-grade U.S. corporate bonds last year suffered their worst annual performance in a decade.1

What happened? And could the U.S. corporate bond market continue its recent slide?

More of the same

We believe U.S. corporate bond yields are poised to move modestly higher throughout 2019 and into 2020—which could continue to pull prices lower and negatively impact total returns from U.S. corporate bond funds. (Remember, bond prices fall when yields rise.) Four key factors are to blame:

■ A surge in U.S. corporate debt: Over the past decade, the amount of debt issued by nonfinancial U.S. companies ballooned 48%, to nearly $9.8 trillion—which is raising fears of a potential bubble (see “Precarious heights,” below).
■ Rising interest rates: Repeated interest rate hikes have caused Treasury yields to rise, giving income-seeking investors a viable alternative to riskier U.S. corporate bonds, even as they’ve made it more expensive for corporations to borrow. Higher borrowing costs can eat into not only a company’s profitability but also its ability to service outstanding debt, increasing the risk of default.
■ The rise of triple Bs: More than half the market now consists of U.S. corporate bonds rated the lowest in the investment-grade category (BBB+ through BBB- by Standard and Poor’s and Ba1 through Ba3 by Moody’s Investors Service). That could be a problem for risk-averse investors who rely on funds or strategies that passively track an index.
■ The risk of downgrades: The investor base for high-yield U.S. corporate debt is limited, and if the glut of triple Bs previously mentioned is downgraded, the price of high-yield U.S. corporate bonds may need to move sharply lower in order to sufficiently entice prospective buyers.

What can you do?

As a result of these risks, we suggest investors take a more cautious stance toward U.S. corporate bonds in 2019. Investors needn’t abandon their U.S. corporate fixed income holdings, but they should consider moving up in quality.

Precarious heights

Total nonfinancial U.S. corporate debt surged 48% from year-end 2008 through year-end 2018, raising concerns of a bubble.

Investors in triple-B-rated U.S. corporate bonds, for example, might consider reducing their exposure in favor of those with ratings of A or above. Although triple-B-rated corporate bonds were yielding 4.3% in mid-February, those rated A were yielding 3.6%—among their highest levels since 2011.2

Bond-fund investors, in particular, should bear in mind that many index-tracking investments have a lot of exposure to BBB-rated securities. If that’s outside your comfort zone, you may want to consider strategies that take a more active approach and focus on higher-rated parts of the market.

Finally, if you’re a high-yield U.S. corporate bond investor, make sure you’re comfortable with the risks. High-yield bonds can suffer large price declines in short periods of time. In the fourth quarter of 2018, for instance, the average price of the Bloomberg Barclays U.S. Corporate High Yield Bond Index dropped by more than 6%. If that kind of price decline is too steep for your tastes, consider moving up to higher-rated, intermediate-term bonds.3

Source: Bloomberg, as of fourth quarter 2018. Nonfinancial U.S. corporate debt is represented by FOF Nonfarm Nonfinancial Corp. Business; Credit Market Instruments; Liability Index. Total debt includes both bonds and loans from private and public issuers.

See page 46 for important information. • Past performance is no guarantee of future results. • 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. Lower rated securities are subject to greater credit risk, default risk, and liquidity risk. (0519-9EAF)
Reasons for REITs

There’s more to real estate investment trusts than just income.
By Anthony Davidow

Real estate investment trusts (REITs)—typically publicly traded companies that finance or own real estate—are prized for the income they provide. That’s because by law REITs must pass along at least 90% of their income to shareholders as dividends.

Critics believe REITs are poor investments during periods of increasing interest rates, when rising yields from fixed income investments make REITs—which are riskier—less attractive. They may have a point: REITs generated their lowest returns in a decade in 2018, a year in which the Federal Reserve raised rates four times. (Distributions from REITs are also taxable, unlike some fixed income investments.)

That said, we believe short-term underperformance is rarely sufficient reason to jump ship, whatever the investment. And despite last year’s paltry returns, REITs actually outperformed several other asset classes, including U.S. stocks.

The case for REITs

Here are four reasons why REITs might deserve a place in your portfolio:

1. **Diversification:** REITs rarely perform in lockstep with stocks or bonds. In recent years, the divergence was partly the result of low interest rates, which caused yield-hungry investors to drive REIT prices higher. Additionally, REITs tend to follow the real estate cycle, which typically lasts a decade or more, whereas bond- and stock-market cycles typically last an average of roughly 5.75 years.

2. **Income:** In 2018, U.S. REITs yielded 4.68%, outpacing most other income-generating investments (see “REIT returns,” left).

3. **Inflation hedge:** Real estate has tended to fare well in the face of rising prices. In particular, REITs with commercial holdings frequently have agreements that allow them to raise rents in tandem with inflation.

4. **Long-term growth:** Past performance is no guarantee of future returns, but U.S. REITs have outperformed U.S. stocks in seven of the past 10 years. Globally, real estate investments outperformed equities by an average of more than a full percentage point per year from 1960 through 2015.

Investing in REITs

As with stocks, it can be difficult to consistently make successful choices when investing in individual REITs. Therefore, investors might be best served by an exchange-traded fund or a mutual fund that tracks a broad-based REIT index, such as the MSCI U.S. REIT Index or the S&P U.S. REIT Index.

And because REITs tend to be volatile, they should constitute no more than 5% of your portfolio. However, even that small allocation can help capture a degree of diversification, growth potential and income that would be tough to replicate with any other asset class—without taking on undue risk.

REITs

<table>
<thead>
<tr>
<th>U.S. high-yield corporate bonds</th>
<th>U.S. Treasuries</th>
<th>Global bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>5%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>4%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>3%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>2%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>1%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Schwab Center for Financial Research.

Asset classes are represented by the following: Alerian MLP Index (master limited partnerships), Bloomberg Barclays U.S. High Yield Very Liquid Index (high-yield corporate bonds), S&P U.S. REIT Index (U.S. REITs), Bloomberg Barclays U.S. Credit Index (corporate bonds), MSCI EAFE Index (international stocks), Bloomberg Barclays U.S. 7–10 Year Treasury Bond Index (Treasuries), S&P 500® Index (U.S. stocks), and Bloomberg Barclays Global Aggregate ex-USD Total Return Index (global bonds). Past performance is no guarantee of future results. Indexes are unmanaged; do not incur management fees, costs and expenses; and cannot be invested in directly.

1REIT dividends typically aren’t treated as qualified dividends and will generally be taxed at higher ordinary income tax rates. 2The National Bureau of Economic Research. 3Standard & Poor’s U.S. REITs are represented by the S&P U.S. REIT Index and U.S. stocks are represented by the S&P 500 Index. 4Ronald Q. Doeswijk, Trevin Lam and Laurens Swinkels, “Historical Returns of the Market Portfolio,” ssrn.com, 01/2019.

See page 46 for important information. • 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. (0519-9BH6)
When Market Ups and Downs Make It Tough to Navigate...

It Helps to Stay Active.

Our domestic equity funds were in the top half of their Lipper classification over the 10-year period¹

88%

How do you keep up with market changes and keep your long-term strategy on track? Look out for the downside while trying to capture the upside. As an active manager, MFS® has been doing this for nearly a century. Finding opportunities and actively managing risk to help you stay on course.

Put 90 years of active management expertise to work toward your long-term goals.

To view a list of MFS funds that are available without a transaction fee or load through the Schwab Mutual Fund OneSource® service, please visit www.schwab.com/MFS.

¹ Source: Lipper as of 12/31/18, based on Class A shares at NAV and Class A assets.

Keep in mind that a high relative ranking does not always mean the fund achieved a positive return during the period. Lipper rankings do not take into account sales charges and are based on historical total returns, which are not indicative of future results.

Past performance is no guarantee of future results. Keep in mind that all investments, including mutual funds, carry a certain amount of risk, including the possible loss of the principal amount invested.

Trades in no load funds available through Mutual Fund OneSource® service, as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. 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 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. Funds are also subject to management fees and expenses.

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 fund companies for certain administrative services.

Schwab Mutual Fund OneSource® is a registered mark of Charles Schwab & Co., Inc. and used with permission. MFS and Charles Schwab & Co., Inc. are not affiliated.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Before investing, consider the fund's investment objectives, risks, charges, and expenses. For a prospectus, or summary prospectus, containing this and other information, contact your investment professional or view online at Schwab.com/OneSource. Please read it carefully.

MFS Fund Distributors, Inc., 111 Huntington Avenue, Boston, MA 02199

40406 3
Put the real power of Asia in your portfolio.

With Asia representing one-third of global GDP and more than half of the world’s annual growth, we believe that investors should consider making a dedicated allocation to the world’s fastest growing region.

For over 25 years, we have pursued an active, fundamental approach to investing in Asia, resulting in portfolios with an average active share of 85% and holdings that we believe represent a better exposure to the future growth of the region.

Find out more about our experience, insight and passion for Asia—and the role Asia can play in your portfolio—at matthewsasia.com/missing or view the Matthews Asia Funds available with no transaction fee (NTF) through Schwab Mutual Fund OneSource® service at www.schwab.com/matthewsasia.
Trading Places

Minding your positions while on vacation.

By Lee Bohl

People approach vacation differently. Some want a complete break from their day-to-day lives. Others see it as a chance to focus on their passions. Traders are often caught between these two desires. For many, trading is an activity that provides satisfaction along with potential profits. Stepping away from that can be tough, even when it comes time to unwind.
But trading while on vacation can itself be problematic. Depending on where you’re traveling to, internet access may be spotty. Even under the best of circumstances, it’s unlikely you’ll be able to monitor your positions as closely as when you’re sitting at your desk.

So before you head out, think through the following four questions to help decide whether—and how—to trade on your next vacation.

1. **What kind of trader are you?**

First off, consider your time horizon. If you’re a short-term trader accustomed to buying and selling positions within a single day, you might want to leave the laptop at home. After all, you’ll have time for little else if you’re constantly monitoring the market for profit opportunities.

It’s a different story for swing and intermediate-term traders, who hold positions from a couple of days to several months, respectively. The question isn’t whether to pack a laptop but rather which order types you can use to protect your positions while you’re away. The key is to add some built-in protection, so be sure to place bracket orders—identifying your stop and profit prices—on every open position before you leave. This can help limit your losses if the market moves against you, or lock in your desired profit if things go as you hope.

2. **How much time will you realistically have to trade?**

If the answer is none, you should close out your positions before heading out, particularly if you’ll be away for a while. Otherwise, you should be able to keep them open, with a bracket order in place, even if you have only a few minutes to check on them each day.

If that’s the case, here’s how to make the most of your limited time online:

- Each day, either after the market closes or before it opens for trading, briefly scan the news to see how the market is shaping up and if there are any developments that might change your views on your existing holdings.
- If your views have changed, consider altering your bracket order to align with your new thinking.
- You could also add a position, assuming you’ve done your homework and the price is right.

For the latter, use a conditional order—one that triggers a purchase only if certain conditions are met—and even then place a bracket order to protect your downside and lock in your upside.

3. **How connected will you be?**

Traveling can mean hours or even days without a reliable internet connection. Roughing it on a weeklong African safari is a grand adventure—but it’s no place to trade. Neither is a Paris apartment that promises speedy Wi-Fi but fails to deliver.

If you suspect your internet access may be unreliable, set up email or text alerts so you’ll be notified via cellular service if certain market conditions are met. You can do this not only for price movements, relevant news, and more. Notifications can be delivered via email or the Schwab mobile app.

4. **How has your trading performance been?**

Let’s face it: We all go through rough patches. Emotion can get the best of us when losses start to pile up, leading to some less-than-optimal decisions. At times like these, the best course of action may be to take a mental break—and there’s no better time for doing so than a holiday.

Even if your trading portfolio has been performing well, it can help to step away from the screen. We’ve all felt the push and pull of watching market prices move minute by minute, and sometimes the best way to enforce discipline is to hang back and let your automatic orders mind the store.

The time away might also give you a chance to reflect on your performance. The storied investor Jesse Livermore, for example, made a point of locking himself in a Chase Manhattan bank vault the last weekend of every year to analyze all the trades he’d made over the previous 12 months.

Nobody’s suggesting you spend your hard-earned vacation inside a bank vault, but a little self-reflection without the day-to-day distractions of the market can help recharge your batteries for when you do return to trading.

---

**ALERTS ON THE GO**

Whether you’re out to lunch or out of the country, Schwab makes it easy to keep tabs on your trades.

**Recognia®**

This third-party tool, available to Schwab traders, allows you to set price, technical and trailing-stop alerts to be delivered to your inbox. Learn more at schwab.com/recognia.

**Securities alerts**

Log in to schwab.com/securitiesalerts to set up alerts for earnings reports, price and volume movements, relevant news, and more. Notifications can be delivered via email or the Schwab mobile app.

---

See page 46 for important information. Investing involves risks, including loss of principal. Hedging and protective strategies generally involve additional costs and do not ensure a profit or guarantee against loss. There is no guarantee that execution of a stop order will be at or near the stop price. (0519-9AL2)
Your investments deserve the full story.

Strategic investing takes us beyond the numbers. That’s why over 400 of our experts go out in the field to examine investment opportunities firsthand—like a biopharmaceutical company that engineers a patient’s own cells to fight cancer. Our rigorous approach helps us select and manage investments for our funds.

Explore 35 funds on the Q1 2019 Mutual Fund OneSource Select List®.
Visit Schwab.com/troweprice

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.

All funds are subject to market risk, including possible loss of principal, and are subject to management fees and expenses.

Charles Schwab & Co., Inc., Member SIPC, receives remuneration from fund companies and/or their affiliates in the Mutual Fund OneSource® service for recordkeeping, shareholder services and other administrative services. The amount of fees Schwab or its affiliates receive from funds participating in the Mutual Fund OneSource® service is not considered in the Select List selection, nor does any fund pay Schwab to be included in the Select List. Schwab and Mutual Fund OneSource® are trademarks of Charles Schwab & Co., Inc. and used with permission. T. Rowe Price and Charles Schwab & Co., Inc. are not affiliated.

T. Rowe Price Investment Services, Inc., Distributor.
Regaining Lost Ground

Not all recoveries are created equal.

Sometimes the stock market takes a beating and bounces right back. Other times—not so much. After the start of the past five bear markets, for example, it took the S&P 500® Index from as few as 21 months to as many as 7½ years to return to its previous peak.

If you won’t need to tap your savings for at least three to five years, it’s reasonable to have a meaningful portion of your portfolio invested in equities. But if you’ll be drawing on some funds sooner, that portion should be kept in relatively safer, more stable investments (think bonds and cash).

“This chart shows why your portfolio needs to reflect your time horizon,” says Mark Riepe, head of the Schwab Center for Financial Research. “In a worst-case scenario, a retiree who needs the money to live on could be forced to sell stocks in a down market, locking in steep losses. It’s much tougher for a portfolio to bounce back in those circumstances—especially if the recovery proves to be protracted.”

Source: Schwab Center for Financial Research. Data from 01/02/1970 through 02/15/2019. Bear markets are defined as stock market declines of 20% or more. Past performance is no guarantee of future results. See page 46 for important information. (0519-964T)
Power Up Your Tax Planning

How tax diversification can help give you greater control in retirement.

Like the weather, the financial future is often difficult to predict. That’s one reason it’s so valuable to diversify your portfolio. By holding a mix of assets, you’re better positioned to ride out a rough patch for any one investment.

But diversification isn’t just for your investment portfolio. It’s also possible to diversify your tax exposure. In fact,
Broadly speaking, you have four
The big four
Williams, CFP® and vice president
saver to do? “One approach,” says Rob
historical standards, and it’s conceivable
T oday’s rates are relatively low by his-
ment investments and other potential
What will your future tax rate be?
that you can better control
Contributions to
the other hand, you may be able to
securities and contribute or withdraw
brokerage accounts are also funded
Roth: Unlike tax-deferred accounts, contributions to Roth 401(k)s and
income—taxed in the year it’s
earned; and
ment income is taxed in the year it’s
without penalty; any taxable invest -
accounts for you? “That depends on sev-
multiply tax-deferred and Roth accounts.
One approach is to have increased medical expenses in a
leave it on the table,” Rob says.
free money, and you’d be ill-advised to
mizing your tax-deferred accounts
possibility that your tax rate in
ually taxable, but there are strategies
...nancial-planning professional.
No matter your tax bracket or personal
No, contributions to a Roth IRA may preclude you from contrib-
sing to a Roth IRA. If, however, you contribute a portion of your
income precludes you from contrib-
consider splitting your retirement savings between
to decide which retirement accounts to fund first:
investment is income dollar for dollar in the year
you make the contribution (see “Take
What's more, pretax contributions and gains typi-
cially aren’t taxed until retirement, at which point withdrawals are subject to
ordinary income tax rates. You can’t leave your savings in these accounts
forever; though, The IRS mandates annual required minimum distribu-
(1%) and IRAs are made with after-tax dollars, meaning contributions won’t reduce
your current taxable income. However, you won’t owe taxes on appreciation,
income or withdrawals in retirement.” A Roth IRA is exempt from RMDs, but a
Roth 401(k) is not—though you can still avoid RMDs by rolling it into a Roth IRA when you retire.
T axable: These traditional bank and
To determine your tax rate in retirement will be the same as or lower than it is today, so maxi-
One reason to contribute to both types of tax-
investment is income up to annual limits; invest-
ments grow tax-free, and you pay no tax on withdrawals used for qualified
medical expenses. Once you reach age 65, withdrawals made for nonmedical
purposes will be taxed as ordinary income.” HSAs are also exempt from RMDs.
Tax diversification in action
So, what’s the right mix of retirement
accounts for you? “That depends on sev-
eral factors, including your current mar-
ginal tax rate, your projected tax rate in
retirement and how much flexibility, especially if you like when making withdrawals in
retirement,” says Hayden Adams, CPA, CFP® and director of tax planning at the
Schwab Center for Financial Research. Nevertheless, there are basic guidelines you can consider when deciding which
退休金账户搭配使用有多种方法。您可以考虑多种税优账户，包括
考虑你所在州的税率。例如，如果你在加利福尼亚州，征税税率约为13.3%，而
考虑一个合适的 Roth 转换：如果您预算中包括一个 Roth IRA，一个可能的
选项是 Roth 转换。通过这种方式，您将可以获得一部分或全部的
资金从一个传统IRA到一个 Roth IRA并按普通收入税计算
在转换年份。
尽管有额外的税收，Roth 转换可以帮助您根据您的具体情况在不同税区
间进行平滑。然而，您可能需要在采取诸如 Roth 转换策略之前先考虑您
的实际情况。这不仅涉及您的税前收入、税后收入和退休金账户类型，还
包括您的风险承受能力、税收环境和长期投资目标。如果您不确定该如何
进行 Roth 转换，或者您对如何选择合适的税区不熟悉，都可以咨询相
关的税务专业人士。

Exchange-traded funds, index mutual funds and other tax-efficient investments typically don’t
create as many taxable distributions as actively managed funds.

The bottom line
No matter your tax bracket or personal
situation, it’s always a good idea to con-
sult with a tax or financial-planning
professional.

“Anticipating future tax rates is always a bit of a guessing game,” Rob
says. “But with a number of account types at their disposal, today’s retire-
ment savers can build in flexibility and a surprising level of control over their
future tax bills.”

For example, if your income precludes you from contrib-
uting to a Roth IRA, a potential option is a Roth conversion. With this strat-
egy, you convert all or a portion of your funds from a traditional IRA to a Roth
IRA and pay ordinary income tax on the converted amount in the year of the
conversion.

While Roth conversion can help diversify a mostly tax-deferred portfolio,
Rob says, however, “the conversion amount is considered income, which
would nudge you into a higher bracket if you’re not careful.” Hayden warns.
“Why is that anyone may opt to
perform several Roth conversions over multiple tax years?”

If you’re unsure of how much to con-
vert in a given year, a tax professional can help you decide.

If your employer offers matching contributions to your retirement account, your first priority should be to save enough to get the full match. “That’s free money,” Rob says.

If your income precludes you from contributing to a Roth IRA, a potential option is a Roth conversion. With this strategy, you convert all or a portion of your funds from a traditional IRA to a Roth IRA and pay ordinary income tax on the converted amount in the year of the conversion.

Despite the additional taxes, a Roth conversion can help diversify a mostly tax-deferred portfolio. Rob says, however, “the conversion amount is considered income, which could nudge you into a higher bracket if you’re not careful.” Hayden warns. “That’s why many people opt to perform several Roth conversions over multiple tax years.”

If you’re unsure of how much to convert in a given year, a tax professional can help you decide.

No matter your tax bracket or personal situation, it’s always a good idea to consult with a tax or financial-planning professional.

“Anticipating future tax rates is always a bit of a guessing game,” Rob says. “But with a number of account types at their disposal, today’s retirement savers can build in flexibility and a surprising level of control over their future tax bills.”

For example, if your income precludes you from contributing to a Roth IRA, a potential option is a Roth conversion. With this strategy, you convert all or a portion of your funds from a traditional IRA to a Roth IRA and pay ordinary income tax on the converted amount in the year of the conversion.

While Roth conversion can help diversify a mostly tax-deferred portfolio, Rob says, however, “the conversion amount is considered income, which would nudge you into a higher bracket if you’re not careful.” Hayden warns. “Why is that anyone may opt to perform several Roth conversions over multiple tax years?”

If you’re unsure of how much to convert in a given year, a tax professional can help you decide.

Exchange-traded funds, index mutual funds and other tax-efficient investments typically don’t create as many taxable distributions as actively managed funds.

The bottom line
No matter your tax bracket or personal situation, it’s always a good idea to consult with a tax or financial-planning professional.

“Anticipating future tax rates is always a bit of a guessing game,” Rob says. “But with a number of account types at their disposal, today’s retirement savers can build in flexibility and a surprising level of control over their future tax bills.”

For example, if your income precludes you from contributing to a Roth IRA, a potential option is a Roth conversion. With this strategy, you convert all or a portion of your funds from a traditional IRA to a Roth IRA and pay ordinary income tax on the converted amount in the year of the conversion.

While Roth conversion can help diversify a mostly tax-deferred portfolio, Rob says, however, “the conversion amount is considered income, which would nudge you into a higher bracket if you’re not careful.” Hayden warns. “That’s why many people opt to perform several Roth conversions over multiple tax years.”

If you’re unsure of how much to convert in a given year, a tax professional can help you decide.

Exchange-traded funds, index mutual funds and other tax-efficient investments typically don’t create as many taxable distributions as actively managed funds.

The bottom line
No matter your tax bracket or personal situation, it’s always a good idea to consult with a tax or financial-planning professional.

“Anticipating future tax rates is always a bit of a guessing game,” Rob says. “But with a number of account types at their disposal, today’s retirement savers can build in flexibility and a surprising level of control over their future tax bills.”

For example, if your income precludes you from contributing to a Roth IRA, a potential option is a Roth conversion. With this strategy, you convert all or a portion of your funds from a traditional IRA to a Roth IRA and pay ordinary income tax on the converted amount in the year of the conversion.

While Roth conversion can help diversify a mostly tax-deferred portfolio, Rob says, however, “the conversion amount is considered income, which would nudge you into a higher bracket if you’re not careful.” Hayden warns. “That’s why many people opt to perform several Roth conversions over multiple tax years.”

If you’re unsure of how much to convert in a given year, a tax professional can help you decide.
Going Back to Work in Retirement

Pros, cons and other considerations.

Gone are the days when retirement signified the end of one’s working life. Thanks to increased life expectancy, the shift away from physically demanding labor and a host of other factors, Americans are increasingly embracing what was once an oxymoron: working in retirement. For the decade ending in 2024, the Bureau of Labor Statistics predicts a 55% rise in labor participation among those 65 to 74 years old and an 86% increase for those 75 and older. This compares with an estimated increase of 5% for the labor force as a whole during the same period—and far exceeds the projected growth rate for any other age group (see “The growth in gray workers,” page 32).
While some retirees continue to work out of financial necessity, the bulk of older workers “tend to be among the more educated, the healthiest and the wealthiest,” according to the Center for Retirement Research at Boston College. “People in the highest percentiles of household income may not need to work, but often they want to continue to take advantage of their skills and the opportunities that come with them,” says Robert Arnouds, a senior financial planning analyst at the Schwab Center for Financial Research.

While working in retirement has advantages beyond the additional income, there are potentially negative consequences for health care coverage and Social Security benefits, along with a host of other important considerations. Here, then, are the pros and cons and the intangibles when contemplating this alternative to full-fledged retirement.

The potential advantages

Additional income: The benefits of increased cash flow in retirement should not be underestimated, even for those who are financially well-off. “After all, every additional dollar you don’t need to withdraw from your retirement savings is a dollar that can remain invested,” says Rob Williams, vice president of financial planning at the Schwab Center for Financial Research. What’s more, such outside income can give you more flexibility as to when, or even if, you tap retirement savings, so you aren’t forced to liquidate assets during periods of market upheaval—which can be particularly damaging to retirees (see “Timing is everything,” opposite page).

The growth in gray workers

The coming decade may see a significant increase in older workers.

Projected Total Growth in Labor Force, 2014–2024

This chart is hypothetical and for illustrative purposes only. Both investors had a starting balance of $1 million, took an initial withdrawal of $50,000 and increased withdrawals 2% annually to account for inflation. Performance of Investor 1’s portfolio assumes an 8% return for the first two years, a –15% return for years 3–10 and a 6% return for years 11–19. Performance of Investor 2’s portfolio assumes a –15% return for the first two years and a 6% return for years 3–19.

Portfolio balance

The intangibles

“Returning to work is often a personal decision,” Rob says. “The decision to no longer working and the reality can be two very different things, and so

Premium premiums

Depending on how much you earn, your Medicare Part B premiums could increase from $133.50 to as much as $460.50 per month.

Alternative ways to work

“Alternatively, think of things you’d genuinely enjoy doing that could also generate income—consulting in your area of expertise, for instance, or even working at local bookstore.” Rob says. “Work from the demands of full-time employment, while the employer continues to leverage the wealth of experience unique to older workers. And don’t forget that part of the reason you retired in the first place is to relax and enjoy yourself.” Ideally, work in retirement is just part of the picture,” Rob says, citing hobbies, travel and passion projects as other potential pastimes. “Full-time workers in their peak earning years, in particular, often struggle with work-life balance. But workers in retirement can usually afford to put life first.”

Some key considerations

“Timing is everything,” says Rob. “Each individual’s situation is different, so there’s no one-size-fits-all answer. But there are some general principles you can keep in mind.”

"Timing is everything. Being forced to sell when the market is down—especially in the early years of retirement—can substantially diminish the long-term prospects of your retirement portfolio."
Your game plan for playing defense in turbulent times.

ILLUSTRATIONS BY BEN KIRCHNER
1. Re-assess

Before you make any adjustments to your holdings, make sure your financial plan is up to date:

- Does your portfolio mix still match your risk tolerance?
- Does your risk tolerance still match your goals?

A spike in volatility can remind investors why it’s often wise to take a more conservative stance the closer you are to retirement—by selling off stocks into bonds and other fixed income investments, for example. Indeed, those in or near retirement may want to keep enough cash on hand to cover two to four years’ worth of spending needs (after accounting for other sources of income, including Social Security). This degree of financial flexibility can help investors manage unforeseen expenses without having to liquidate stocks under less-than-ideal conditions.

On the flip side, if retirement is at a comfortable distance, you shouldn’t be too spooked by swings in the market. You may have sufficient time—so long as you stay invested—to weather a downturn and capture the longer-term gains that stocks have historically delivered (see “Time Is Money,” page 5).

2. Rebalance

Your portfolio should match your appetite for risk. If the recent stock market volatility made you want to jump ship, you may consider revisiting your allocation. Equally important, you want to make sure your intended asset allocation matches your actual one. If it doesn’t, consider rebalancing by selling overweight positions and buying underweight ones.

When you fail to rebalance as stocks climb, your equity allocation can become an ever-larger part of your portfolio. A portfolio that began in 2009 with 60% equities and 40% fixed income, for example, would have shifted to roughly 79% equities and 21% fixed income 10 years later, if left unchecked.1 “That means not only less diversification but also greater risk and volatility,” Anthony says, “all without the investor ever consciously changing strategy.”

3. Remain calm

By all means, reassess and rebalance, but don’t forget to stay calm while doing so. “That head-for-the-exits feeling isn’t defense—it’s panic,” says Anthony. If such feelings are familiar, you may be the kind of investor who would benefit from a more conservative portfolio—as part of your long-term strategy, not as a response to a market upset.

“It’s not about timing the market; it’s about time in the market,” Anthony says. “In fact, our research shows that even bad market timing bears sitting on the sidelines” (see “Get in, stay in,” right).

**Moves you can make**

If, after reassessing your plan and rebalancing your portfolio, you want to take an even more defensive stance, there are other minor adjustments you might make. For example, you could bump up your holdings of less- risky asset classes and trim your long-term allocation to riskier ones. For example:

**Consider more**

- **Cash:** Anthony keeps at least 5% of his portfolio in cash for the diversification benefit, even when markets are climbing steadily. “Generically speaking, your upside is unimpeded when it retains its value in the face of even the steepest market declines,” he says. That said, the three-month Treasury bill, a form of cash investment, delivered better returns in 2018 than both 10-year Treasuries and the S&P 500 Index.2

- **Consumer staples, health care and utilities:** When the economy slows, companies that sell products most people need regardless of the state of the economy—think food, prescription drugs and other household necessities—tend to lose less value than those that produce nonessential products. “Even if you cut back during tough times, you’re still going to need laundry detergent,” says Brad Sorenson, managing director of market and sector analysis at the Schwab Center for Financial Research. Owning these and other so-called defensive stocks can be a good way to potentially capture at least some of the market’s gains while remaining relatively protected from its bigger swings.

- **Gold:** The precious metal has a history of holding its value—and even rising—when other asset classes are under pressure. In fact, it was one of the few investments with positive returns during the worst days of the 2008 crash. Keep an eye on the metal, however, that while gold and other precious metals can shine when market conditions are uncertain, their prices can be volatile.

- **Treasuries:** Backed by the full faith and credit of the U.S. government, these are the safest fixed income investments you can own. Short-term Treasuries (which mature in a year or less) or intermediate-term Treasuries (which mature in less than 10 years) can provide decent income with low risk. Longer-term Treasuries may offer even more income, though their prices are more sensitive to a bit of interest rates continue to rise.

- **Corporate and high-yield debt:** The value of outstanding debt owed by businesses outside the financial sector has nearly doubled over the past decade, to a record $9.8 trillion,3 as companies capitalized on strong economic sector has nearly doubled over the past decade, to a record $9.8 trillion,3 as companies capitalized on strong economic

**With many analysts forecasting a slowdown in the global economy, now may be the time to reexamine your investing strategy.**

**Get in, stay in**

Here’s where four hypothetical investors who invested $2,000 a year would have ended up after 20 years.

<table>
<thead>
<tr>
<th>Investor</th>
<th>Source of Income</th>
<th>Investment Strategy</th>
<th>After 20 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Diversification</td>
<td>Buy and hold</td>
<td>$64,925</td>
</tr>
<tr>
<td>B</td>
<td>Tech stocks</td>
<td>Buy and hold</td>
<td>$176,679</td>
</tr>
<tr>
<td>C</td>
<td>Small-cap stocks</td>
<td>Buy and hold</td>
<td>$163,918</td>
</tr>
<tr>
<td>D</td>
<td>Emerging-market stocks</td>
<td>Buy and hold</td>
<td>$103,918</td>
</tr>
</tbody>
</table>

*Source: Schwab Center for Financial Research. Investors A & C put their yearly contributions in a nonretirement account, and, when rebalancing a portfolio, they added new contributions. Investors B & D invested their contributions in a 401(k) and, when rebalancing a portfolio, they subtracted contributions. past performance is no guarantee of future results.

**USP**

**Next steps**

Is your portfolio positioned to help you weather volatility?

If you’re unsure, call your Schwab financial consultant today to schedule a portfolio review.
An Honor or a Burden?

When Marcus Baker’s grandfather asked him to be executor of his will and a successor trustee of his trust, Marcus didn’t hesitate. The two had long confided in each other about various investment opportunities, and because Marcus worked in the financial services industry, he felt well-equipped to manage the trust’s assets.

When his grandfather passed away, however, Marcus discovered that the trust’s structure and the estate itself were far more complex than he had anticipated. “When someone asks you to take on that role, it’s an honor and a sign of trust,” he says. “But it can also be a burden.” Indeed, fulfilling his duties eventually brought Marcus into conflict with other family members, leading to a lawsuit that stretched on for years.

Family members are frequently asked to serve as an executor or a trustee because of their presumed familiarity with an individual’s wishes and the beneficiaries involved. But the flip side of this intimacy comes when an executor faces demands from competing heirs. These conflicts can strain family relationships and even spill over into legal battles. And by definition they come during the most trying of times: in the wake of a loved one’s death.

“Money conversations can be especially difficult when you’re grieving,” says Tanya Simpson, a managing director of trust services consulting at Charles Schwab Trust Company. “Even under the best of circumstances, it’s like putting those family relationships into a pressure cooker and turning up the heat.”

If you’re asked to be an executor or a trustee, it’s worth weighing the responsibilities before agreeing to shoulder them. Here are some things to consider. *Name and details have been changed to maintain confidentiality.*
What’s required

A will’s executor is responsible for settling an estate and managing its affairs, including probate court requirements and tax returns. A trustee acts as a legal owner of a trust’s assets, handling administrative duties such as taxes and record-keeping, managing its investments, and often distributing assets to various beneficiaries according to the dictates of the trust. Trusts in particular can be complex and involve oversight that can continue for years.

“I used to think anyone could succeed as an executor or a trustee,” says Bob Barth, a wealth strategist in Orlando who joined Schwab after a career as an estate attorney. “However, as the complexities of estate planning, tax law and trusts have evolved, I’ve come to the reluctant conclusion that it can be very difficult for nonprofessionals to manage on their own.”

For these reasons, Bob and Tanya suggest asking yourself three questions before deciding whether to serve as executor or trustee.

Do I have the time?

Seeing an estate through to its conclusion can be a substantial time commitment. Not only must the executor handle probate—the potentially lengthy legal process of validating a last will and testament—but he or she must also pay any outstanding debts and disburse the estate’s assets to its beneficiaries, among other administrative tasks. And that’s just for relatively straightforward estates. If the will is contested or the estate is subject to tax, it can take much longer to tie up loose ends.

Serving as the trustee of a trust can be even more daunting, especially if you’re simultaneously working raising children and/or caring for elderly loved ones. “If the trust is complex, administering it can become a full-time job,” Tanya says. Not only that, but it’s a role that can last for years or even decades, especially in the case of special needs or lifetime trusts, both of which can persist until the death of their beneficiaries.

Do I have the expertise?

A trustee will need to draw on a variety of skills, potentially requiring accounting, investment, legal and tax expertise. Of course, trustees can hire professionals with these skills, but overseeing such a team often requires enough familiarity with these fields to make sound decisions. This is especially true when an estate’s assets include alternative investments, closely held businesses, rental properties or other unwieldy assets.

Do I have the temperament?

The trickiest part of managing a will or trust can be working with its beneficiaries. In the event of disharmony, this can require not just forbearance and sound judgment but also empathy and patience. For example, a trust may spell out how distributions will be made, but translating that legal language into the real-life needs of beneficiaries can be a delicate and emotionally taxing job. “A trust isn’t just about managing money; it’s about distributing money,” Bob says. “In some cases, beneficiaries’ vulnerabilities are on the line, and that can put enormous pressure on the executor or trustee.”

Reaching out

Before agreeing to act as an executor or a trustee, let the trust owner know you’d first like to speak with an attorney or a financial consultant to better understand what the role might entail. “That’s not a rude response—it’s a practical response,” Bob says. “And it can give you an out if necessary.”

You might also suggest appointing a co-executor or a co-trustee with whom to share the load. With trusts in particular, diverting up the responsibilities with another party—whether an individual or a corporate trustee—can make the long-term nature of the role less daunting.

“Working with a neutral third party, in particular, can help alleviate potential conflicts,” Tanya says (see “Trusts at Schwab” left). Of course, hiring a professional to act as a co-trustee is an additional expense, so be sure to weigh the costs and benefits against the size and complexity of the estate before making a decision. “That said, the fees associated with professional trust management may be money well spent if it helps ensure proper administration of the decedent’s assets,” Bob says.

Whatever your decision, reading the will or trust documents—and asking plenty of questions ahead of time—will help give you a clear idea of what’s in store.

See page 46 for important information. This is for general informational purposes only and is not intended, nor should it be construed, as tax, investment or legal advice. Neither Charles Schwab Trust Company (CSTC) nor Charles Schwab & Co., Inc. provide legal or tax advice. Consult with your legal counsel and tax advisors about your particular circumstances. Additionally, CSTC does not act as executor of estates, and Schwab Personal Trust Services (SPTS) does not act as executor of estates. CSTC and Schwab Personal Trust Services (SPTS) are wholly owned subsidiaries of Charles Schwab Corporation. CSTC is the corporate trustee for Schwab Personal Trust Services (SPTS). Schwab may introduce clients to CSTC but does not evaluate them or recommend SPTS for any particular client. It is the client’s responsibility to ensure that CSTC meets his or her trust needs and to conduct any due diligence that may be required before engaging CSTC. [0519-9849]
Stay Connected With the Schwab Mobile App

Manage your money—wherever you are.

Your phone and tablet go everywhere. Now, so can your finances. With the Schwab Mobile app,¹ you can manage your Schwab 401(k), Schwab brokerage, Schwab Bank deposit account and other accounts—and get up-to-the-minute market information.

Convenient

• Deposit checks from anywhere.¹
• Monitor accounts and check statements on the go.
• Transfer money between accounts with ease.
• Pay on the go using Schwab Bank Bill Pay.²
• Research stocks, mutual funds, exchange-traded funds and more.
• Watch financial videos or access podcasts in the Media Center.
• Place trades and receive real-time trade notifications.²

Secure

• Personal information stored on your mobile device is never accessed by Schwab.
• Industry-standard encryption technology is used to convey all data from your mobile device to Schwab.
• Face ID, fingerprint and/or password protection features are available on all applicable Android® and Apple® devices.

And Schwab adds new capabilities and enhancements all the time.

Learn more at schwab.com/mobile.

Available Now

Search for the Schwab Mobile app in your app store.

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

¹The Schwab Mobile Application and Schwab Mobile Deposit service is available for the following accounts: Schwab Bank High Yield Investor Checking®, Schwab Bank High Yield Investor Savings® (only available if client also has a brokerage account), Schwab One®, Schwab One International®, Schwab Brokerage, and Schwab IRA. Requires a wireless signal or mobile connection. Access to Electronic Services may be limited or unavailable during periods of peak demand, market volatility, systems upgrade, maintenance, or for other reasons. Mobile carrier data charges may apply. Visit schwab.com/mobiledeposit for details. |
²System availability and response times are subject to market conditions and your mobile connection limitations. Functionality may vary by operating system and/or device. Apple®, Apple Pay™, the Apple logo, iPhone®, iPad®, and App Store™ are trademarks of Apple Inc., registered in the U.S. and other countries. Android is a trademark of Google Inc. Use of this trademark is subject to Google Permissions.

Charles Schwab & Co., Inc. (Schwab) and Charles Schwab Bank are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Brokerage products and services are offered by Charles Schwab & Co., Inc., Member SIPC. Deposit and lending products and services are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender. (0319-9BM4)
Traveling? Add a Travel Notice to your Schwab Bank Visa Platinum Debit Card.

Planning to travel soon? Schwab Bank customers can now let us know by submitting a Travel Notice through the Schwab Mobile app1 or online at schwab.com. By sending us a Travel Notice, you can reduce the risk of a transaction being declined when you use your Schwab Bank Visa® Platinum Debit Card during your trip.

We’ll continue to watch for suspicious transactions, and if your card is lost or stolen, we’ll send you a new one—wherever you are. Help us keep an eye on your account so you can keep your eyes on the sights.

Here’s how to submit a Travel Notice:

Schwab Mobile app
• Log in to your Schwab Bank account.
• Select “More” in the lower-right corner and then “Travel Notice” under “Client Service.”
• Select your Schwab Bank Visa Platinum Debit Card.
• Enter your departure and return dates and add your destination(s).
• Tap “Continue,” confirm travel details and click “Submit Travel Notice.”
• Look for an email confirming your Travel Notice.

Online
• Log in to schwab.com/travelnotice.
• Under your Schwab Bank Visa Platinum Debit Card, click “+ Travel Notices.”
• Enter your departure and return dates and add your destination(s).
• Click “Add Travel Notice.”
• Look for an email confirming your Travel Notice.

Other useful information
• Check the expiration date on your Schwab Bank Visa Platinum Debit Card before submitting your Travel Notice to ensure that your card doesn’t expire during your trip. If you need a new card prior to traveling, please call Schwab Bank at 888-403-9000.
• You can update Travel Notices anytime.
• Will you be using a different phone number while traveling internationally that is not on your Schwab profile? Call Schwab Bank at 888-403-9000 so we can add it to your profile.

1Requires a wireless signal or mobile connection. Access to Electronic Services may be limited or unavailable during periods of peak demand, market volatility, systems upgrade, maintenance, or for other reasons. Functionality may vary by operating system and/or device. Mobile carrier data charges may apply.

2The Schwab Bank High Yield Investor Checking® account is available only as a linked account with a Schwab One® brokerage account. The Schwab One brokerage account has no minimum balance requirements, minimum balance charges, minimum trade requirements, and there is no requirement to fund this account, when opened with a linked High Yield Investor Checking account. To learn more about other Schwab Bank checking accounts, please contact Schwab Bank at 888-403-9000.

See page 46 for important information. • Charles Schwab & Co., Inc. and Charles Schwab Bank are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Brokerage products and services are offered by Charles Schwab & Co., Inc., member SIPC. Deposit and lending products and services are offered by Charles Schwab Bank, member FDIC and an Equal Housing Lender. • ©2019 Charles Schwab Bank. All rights Reserved. Member FDIC. (0519-94E6)
Sustain. Volatility only adds and an ability to complete portfolios, or even serve as specific goals within their overall designed to help investors meet offers a variety of strategies be a solution. That's why Schwab management of a portfolio to the difficulty.

Meeting specific financial needs amid the cut and thrust of the markets—whether you’re looking for income, global diversification or targeted exposure to certain kinds of assets—can be a challenge in the best of times. Success can demand a commitment of time, knowledge and an ability to complete transactions that may be hard to sustain. Volatility only adds to the difficulty.

Outsourcing the day-to-day management of a portfolio to a professional money manager can be a solution. That’s why Schwab offers a variety of strategies designed to help investors meet specific goals within their overall portfolios, or even serve as complete portfolios unto themselves.

**MANAGED ACCOUNT SELECT**

A portfolio of individual securities is managed on your behalf by a third-party professional asset management firm. You own the underlying stocks and bonds, allowing you to seize tax-loss harvesting opportunities and customize holdings by excluding particular securities or industries. When you invest through Managed Account Select, you can choose from a wide range of investment strategies, such as:

- Domestic and international equity strategies.
- Fixed-income strategies, including bond ladders and tax-advantaged municipal bonds.
- Strategies that incorporate multiple asset classes.

When you invest in a Managed Account Select portfolio, you are supported by a team that includes your Schwab financial consultant, who recommends appropriate strategies; a third-party asset manager, who invests on your behalf in line with their strategy; and Charles Schwab Investment Advisory (CSIA), which evaluates and monitors performance of asset managers and strategies.

**THOMSPARTNERS’ STRATEGIES**

ThomasPartners offers a variety of income-oriented strategies to support the following goals:

- Provide a source of recurring income—especially for investors in or nearing retirement—that is less influenced by near-term stock volatility.
- Reduce retirees’ need to tap principal to generate income.
- Offset the impact of inflation over time, primarily by focusing on securities offering dividend growth, so investors won’t have to rely solely on price-share appreciation.

The Dividend Growth Strategy invests in dividend-paying companies and aims to deliver dividend income every month, dividend income growth every year and competitive total returns over time.

Balanced Income strategies are similar, but provide more diversification through fixed-income investments. These strategies aim to provide monthly income, income growth and competitive total returns over time.

The account investment for these strategies is $100,000.

**WINDHAVEN STRATEGIES**

These actively managed portfolios of mutual funds or exchange-traded funds (ETFs) offer:

- Broad diversification to help manage risk and pursue growth.
- Exposure to a wide range of asset classes, potentially including stocks, real assets (such as gold), bonds and cash investments.
- Ongoing investment monitoring and portfolio rebalancing.

Every Schwab Managed Portfolios account is managed by the professionals at CSIA.

Account minimums start at $25,000.

**SCHWAB MANAGED PORTFOLIOS**

Schwab offers a variety of strategies designed to help investors meet specific goals.

See page 46 for important information. The Managed Account Select program is sponsored by Schwab. Please read the Schwab Managed Account Services Disclosure Brochure for important information and disclosures. In addition, please read the participating money manager’s (MM’s) disclosure brochures, including any supplements for important information and disclosures. Investments in managed accounts should be considered in view of a larger, more diversified investment portfolio. Investment advisors are not owned by, affiliated with, or supervised by Schwab. Services may vary depending on which MM you choose, and are subject to an MM’s acceptance of the account. Amount and type of investment restrictions must be reasonable and are subject to the manager’s acceptance. Charles Schwab Investment Advisory, Inc. (“CSIA”) is an affiliate of Charles Schwab & Co., Inc. (“Schwab”) that evaluates money managers (MM’s) in Schwab’s Managed Account Select (“Select”) program. CSIA is an affiliate of Schwab and provides research and portfolio management services to Schwab including Schwab Managed Portfolios and Schwab Intelligent Portfolio. The ThomasPartners Investment Management division (“ThomasPartners”) and the Windhaven Investment Management (“Windhaven”) are divisions of CSIA and provide portfolio management for the ThomasPartners and Windhaven Strategies, respectively. Both CSIA and Schwab are separate entities and subsidiaries of The Charles Schwab Corporation. Please refer to the Schwab Managed Portfolios Disclosure Brochure for additional information. ThomasPartners Strategies and Windhaven Strategies are available through Schwab’s Managed Account Connection (“MAC”) program. Please read Schwab’s disclosure brochure for important information and disclosures relating to Connection and Schwab’s Managed Account Services. Diversification strategies do not ensure a profit and do not protect against losses in declining markets. Investments in managed accounts should be considered in view of a larger, more diversified investment portfolio. 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. (0319-9TFU)

**LET’S TALK**

Call your Schwab financial consultant to learn more about how these managed strategies can be integrated with your portfolio and help you better meet your overall financial goals.
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 expressions of opinion are subject to change without notice in reaction to shifting market conditions. Data contained herein from third-party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed. Supporting documentation for any claims or statistical information is available upon request.

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


P. 18, 26–29: Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market.

P. 26–29: Investing involves risk, including loss of principal. • 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 not be 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 possible 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.

P. 26–29, 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. Investing in emerging markets may accentuate these risks.

P. 34–37: International investments involve additional risks, which include differences in financial accounting standards, currency fluctuations, geopolitical risk, foreign taxes and regulations, and the potential for illiquid markets. • Small-cap funds are subject to greater volatility than those in other asset categories.

Index definitions

◆ The Alerian MLP Index is a composite of the most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for this emerging asset class.

◆ The Bloomberg Barclays Global Aggregate ex-USD Total Return Index is a measure of global investment grade debt from 24 local currency markets.

◆ The Bloomberg Barclays U.S. 7–10 Year Treasury Bond Index is a component of the U.S. Treasury Index that is designed to measure U.S. dollar-denominated, fixed-rate, nominal debt with maturities of seven to 10 years issued by the U.S. Treasury.

◆ The Bloomberg Barclays U.S. Aggregate Bond Index is a component of the U.S. Corporate Bond Index that is designed to measure U.S. dollar-denominated, fixed-rate, taxable corporate bond market.

◆ The Bloomberg Barclays U.S. Corporate High Yield Bond Index covers the U.S. dollar-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody’s, S&P and Fitch ratings services. This index is part of the Bloomberg Barclays U.S. Aggregate Bond Index (Agg). The Bloomberg Barclays U.S. Corporate A Rated Bond Index and the Bloomberg Barclays U.S. Corporate Baa Rated Bond Index are sub-indices of the broad corporate bond index, broken down by credit rating.

◆ The Bloomberg Barclays U.S. Corporate High-Yield Very Liquid Bond Index covers the U.S. dollar-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody’s, Fitch, and S&P is Ba1/BB+/BB+ or below.

◆ The Bloomberg Barclays U.S. Credit Index measures the investment grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

◆ The Bloomberg Barclays U.S. High Yield Very Liquid Index is a component of the U.S. Corporate High Yield Index that is designed to track a more liquid component of the US$-denominated, high yield, fixed-rate corporate bond market. • The MSCI EAFE Index is a free float-adjusted market-capitalization index that is designed to measure the equity market performance of developed markets in Europe, Australasia, and the Far East.

◆ The S&P 500® Index is designed to measure the performance of 500 leading publicly traded companies from a broad range of industries.

◆ The S&P U.S. REIT Index defines and measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively “Bloomberg”). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, “Barclays”), used under license. Bloomberg or Bloomberg’s licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

Indexes are unmanaged, do not incur management fees, costs and expenses, and cannot be invested in directly. For additional information, please see schwab.com/indexdefinitions.

©2019 Charles Schwab & Co., Inc. All rights reserved. Member SIPC. (0519-92T8)
For a limited time, **home purchase and refinance discounts** are available exclusively through Schwab.

You may be eligible for a **closing cost discount up to $500** on any new home loan offered by Schwab Bank’s home loan provider Quicken Loans®.

Additionally, you may receive a **0.250% interest rate discount** on eligible home loans.

See current rates on schwab.com/mortgages or call 1-877-490-6837.

In order to participate, you must agree that the lender, Quicken Loans, may share your 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 collateral approval. Other conditions and restrictions may apply. Hazard insurance may be required.

**For Schwab Bank Investor Advantage Pricing:** Only one Investor Advantage Pricing 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 with the exception of the 1-month ARM where the discount is applied to the margin. Eligible balance based on Schwab 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 information does not constitute and is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. 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. 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. Where specific advice is necessary or appropriate, Schwab recommends consultation with a qualified tax advisor, CPA, financial planner, or investment manager.

**For the Closing Cost Limited Time Offer:** The borrower will receive a $500 promotional closing cost credit on all Jumbo and Conforming Loans. Closing cost credits are limited to one per loan, depending on loan type. The application date must be between March 15, 2019 and September 15, 2019, in order to qualify to receive a closing cost credit. The application date will be printed on the Loan Estimate. This offer is not valid on Home Equity Lines of Credit. The closing cost credit will appear on the borrower’s final Closing Disclosure and is non-refundable in cash to the borrower.

Charles Schwab Bank and Charles Schwab & Co., Inc. are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Investment products offered by Charles Schwab & Co., Inc. (member SIPC) are not insured by the FDIC, are not deposits or obligations of Charles Schwab Bank, and are subject to investment risk, including the possible loss of principal invested. 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 Equal Housing Lender.
If you need proof of the value of diversification, look no further than the performance of emerging-market stocks over the past two years. In 2017, they outperformed all other major asset classes, generating an impressive 37% return. In 2018, they came in dead last, ending the year down 15%.¹

At Schwab, we believe diversification is the best antidote to volatile markets. Think of it as a financial shock absorber: By spreading your investments across a range of asset classes, you can dampen the impact of any one investment.

That said, volatility is in the eye of the beholder. Some want as few bumps in the road as possible, while others can tolerate a rocky ride in pursuit of higher returns. If you’re unsure how much risk you’re truly comfortable with, Schwab Intelligent Portfolios® can help. The Investor Profile Questionnaire identifies both your goals and relative comfort with risk, then suggests a diversified portfolio that’s most appropriate for your needs. Learn more at intelligent.schwab.com.

Of course, diversification won’t eliminate market risk altogether, but it can help you stomach the rough patches. If you’re ever feeling unsure about the road ahead, feel free to give us a call or stop by your local branch. We’re here to help.

Charles R. Schwab
Founder & Chairman

¹Schwab Center for Financial Research. Emerging-market stocks are represented by the MSCI Emerging Markets Index.
You now have access to more commission-free ETFs than ever before at Schwab. Schwab ETF OneSource™ gives you:

- ETFs from industry-leading fund companies
- A broad selection of asset classes
- Niche exposure to complement your portfolio

Explore your choices at schwab.com/ETFOneSource.
Schwab Intelligent Portfolios®

Automated investing with human help when you need it.

Our robo-advisor builds, monitors, and automatically rebalances a diversified portfolio based on your goals.

Access live support from U.S.-based service professionals 24/7.

Start with as little as $5,000.

Get your portfolio recommendation in minutes.

Learn more at schwab.com/automatedinvesting.

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

Please read the Schwab Intelligent Portfolios Solutions™ disclosure brochures at schwab.com/intelligentdisclosurebrochure for important information, pricing, and disclosures related to the Schwab Intelligent Portfolios® and Schwab Intelligent Portfolios Premium™ programs.

Schwab Intelligent Portfolios® and Schwab Intelligent Portfolios Premium™ are made available through Charles Schwab & Co., Inc. (“Schwab”), a dually registered investment advisor and broker-dealer.

©2019 Charles Schwab & Co., Inc. All rights reserved.
CC2554482 (0419-9APC) ADP106051OW-00 (03/19)
00227026