Money Talks

How to navigate potentially fraught financial conversations.
Page 38
Dear Client,

With autumn upon us—and the holidays and family gatherings just around the corner—now’s a good time to start thinking about how best to share your estate plan with those you love. On page 38, three Schwab wealth strategists provide tips for navigating these and other frank financial conversations.

Elsewhere in this issue you’ll find strategies for couples who invest both separately and together (page 26), estate-planning options for those without immediate heirs (page 11), and a detailed countdown of important steps to take in the years leading up to retirement (page 34).

If you have questions about the information or strategies in this issue, I encourage you to reach out to us at 877-297-1126. We welcome every opportunity to help you plan for a brighter tomorrow.

Sincerely,

Jonathan Craig
Senior Executive Vice President
.contents

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 79999-2600. 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. MAG105674Q319-00
Learn more about Charles Schwab’s new memoir, *Invested: Changing Forever the Way Americans Invest*, at aboutschwab.com/invested. And turn to page 30 for a sneak peek.

The new season of *Choiceology®* kicks off with an episode about the urge to influence things beyond our control. To get it when it launches in September, subscribe for free at schwab.com/podcast.

Want to become a better trader? Schwab experts break down fundamental and technical strategies in *Trading Up-Close*, a new video series from Schwab. Subscribe now at youtube.com/charlesschwab.

### Board of Advisors

<table>
<thead>
<tr>
<th>Joe Carberry</th>
<th>Mason Reed</th>
<th>Tamar Dorsey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Vice President, Corporate Communications</td>
<td>Senior Vice President, Brand &amp; Corporate Marketing Services</td>
<td>Vice President, Brand Journalism</td>
</tr>
<tr>
<td>Greg Gable</td>
<td>Mark W. Riepe, CFA®</td>
<td>Chandra Stanley</td>
</tr>
<tr>
<td>Senior Vice President, Office of the Chairman</td>
<td>Senior Vice President, Schwab Center for Financial Research</td>
<td>Vice President, Digital Marketing</td>
</tr>
<tr>
<td>Helen Loh</td>
<td>Leila Chism</td>
<td></td>
</tr>
<tr>
<td>Senior Vice President, Digital, Product &amp; Content Marketing</td>
<td>Vice President, Media</td>
<td></td>
</tr>
</tbody>
</table>

### Editorial Staff

<table>
<thead>
<tr>
<th>Sara Smith</th>
<th>Jeremy Hartley</th>
</tr>
</thead>
<tbody>
<tr>
<td>Editor in Chief</td>
<td>Managing Editor</td>
</tr>
<tr>
<td>Tamar Dorsey</td>
<td>Stacia Miller</td>
</tr>
<tr>
<td>Vice President, Brand Journalism</td>
<td>Associate Managing Editor</td>
</tr>
</tbody>
</table>

**Listen**

**Follow**

- Fixed income: @kathyjones
- International: @jeffreykleintop
- Markets and economy: @lizannonders
- Personal finance: @carrieschwab
- Research: @schwabresearch
- Trading: @randyafrederick
Planning Made Easy

With Schwab Intelligent Portfolios Premium™, creating a financial plan is easier and more affordable than ever.

Time and time again, investors with a financial plan say it helps them save regularly, better manage their debt and achieve greater wealth. Indeed, research has shown that those who have a plan and stick with it achieve three times more wealth than those without a plan.¹ So why don’t more of us have one?

According to Schwab’s 2019 Modern Wealth Survey—which tracks how well Americans across the wealth spectrum are planning, managing and engaging with their money—only 28% of people have a written financial plan. Of those respondents without a plan, nearly half believe they don’t have enough money to warrant one, while others assume the planning process is too complex or time-consuming.

That’s why we launched Schwab Intelligent Portfolios Premium. It combines the powerful automated investing technologies behind Schwab Intelligent Portfolios® with unlimited one-on-one guidance from a CERTIFIED FINANCIAL PLANNER™ professional who can help prioritize your saving goals and create a personalized plan for reaching them.

Schwab Intelligent Portfolios Premium is subscription-based: After a one-time planning fee, there’s a monthly subscription similar to what you might pay for music and movie services. Everyone enjoys the same pricing, regardless of how much they have to invest.

The sooner you get started on your financial plan, the better. For your future, please consider taking the next step today at schwab.com/portfoliospremium.

Sincerely,

Walt Bettinger
President & CEO


See page 46 for important information. 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. (0819-9NX2)
The Charles Schwab Cards from American Express are only available to clients who maintain an eligible Schwab account.*

The Cards under this program are issued by American Express National 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.

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

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

*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.
ADP9441110619-00 (0619-9UU9) (5/19)
00230449

Own your tomorrow.
Cashing In

Where to park your cash to help capture higher yields.

Repeated interest rate hikes by the Federal Reserve since 2015 have boosted returns on some cash investments—so much so that three-month Treasury bills (which are considered a form of cash investment) were delivering their highest yields in more than a decade earlier this year.¹

That doesn’t mean you should sell other investments to stockpile more cash; after all, past performance is no guarantee of future results. But it does mean the time is ripe to put your cash to work. How hard depends on your time horizon:

- **Everyday funds** should be kept somewhere ultraliquid—think a standard checking or savings account. Such accounts have recently been earning just a fraction of a percentage point, however, so if you’ve got cash you don’t need for daily use, you might want to park it elsewhere.

- **Short-term reserves** set aside to cover unexpected expenses could be invested in a money market fund—a very liquid type of mutual fund that invests in high-quality short-term debt securities such as Treasury bills. Although yields fluctuate, such funds strive to preserve the value of your investment, at the very least.

- **Money you won’t need for at least a month** also could be appropriate
for money market funds. However, certificates of deposit (CDs) might make more sense, depending on your time horizon. That’s because CDs offer higher yields the longer your cash is invested (though if you need the money sooner than expected, you may be charged an early withdrawal penalty). What’s more, CDs offer a fixed rate of return, which can be advantageous when interest rates are in decline.

“It helps to have a clear understanding of your choices,” says Rob Williams, CFP® and vice president of financial planning at the Schwab Center for Financial Research. “That way, you can put your cash to the best possible use.”

The Leftovers
What to do if you over-contribute to a 529 college savings plan.

The prospect of a scholarship, grant or gift may have some parents wondering how much is too much when it comes to funding a 529 college savings account.

“An overfunded 529 is a common concern but actually not that common an occurrence,” says Robert Aruldoss, a senior financial planning analyst at the Schwab Center for Financial Research. “Finding that college costs more—not less—than expected is a much likelier scenario.”

Be that as it may, there are several options for oversavers—no matter the reason.

- **Save it for later:** Once the beneficiary has earned an undergraduate degree, the remaining funds can be used at any point in the future for graduate, trade or vocational education.

- **Change the beneficiary:** You can reassign a 529 to any direct relative, meaning not just offspring but also nephews, nieces, cousins, aunts and uncles—even yourself.

- **Pay the penalty:** You can use 529 funds for noneducational purposes, but you’ll have to pay a 10% penalty and federal income tax on at least a portion of the withdrawal (not to mention state taxes if you benefited from a state tax credit or deduction). Why just a portion? Because only gains are taxable. For example, if a 529 account’s overall holdings are 75% contributions and 25% gains, then 25% of any non-qualified withdrawal is taxable:

<table>
<thead>
<tr>
<th>Nonqualified withdrawal</th>
<th>$20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage gains</td>
<td>25% ($5,000)</td>
</tr>
<tr>
<td>Taxes</td>
<td>$1,250*</td>
</tr>
<tr>
<td>10% penalty</td>
<td>$500</td>
</tr>
<tr>
<td>Total taxes</td>
<td>$1,750</td>
</tr>
</tbody>
</table>

That said, there are exceptions to the 10% penalty. If a student secures an employer-sponsored education benefit, tax-free scholarship, or certain other awards or grants, for instance, the 529 account holder is permitted to withdraw an equivalent amount without penalty, though ordinary income taxes will still apply.

“The important thing is to save away, secure in the knowledge you’ve got options if you happen to overdo it,” says Robert.

*Assumes a federal income tax rate of 25%, no state income tax liability, and no state tax credit or deduction on contributions.

See page 46 for important information.

(0819-9CEH)
Spotting Scams

How awareness of common financial schemes can help you avoid them.

W hen a scammer succeeds in parting you from your money, there’s an added insult you don’t have with other types of financial fraud: You’ve been sucked in—duped—and that hurts. “You lose a bit of your self-respect along with your money,” says Peter Campbell, a managing director in Charles Schwab’s Financial Crimes Risk Management group.

Cybercrimes accounted for $2.7 billion in financial losses in 2018, according to the FBI’s most recent Internet Crime Report. And while identity theft gets most of the headlines, other types of fraud cost consumers more.

Here are some potentially costly scams—and how to avoid them.

1. Email account compromise

- **What it is:** Scammers target individuals by hacking or phishing their email to request unauthorized wire transfers.

- **What you can do:** “Real estate scams, in particular, can cost consumers tens of thousands of dollars per transaction,” Peter says. “As a result, you should verbally verify all wire transfers by calling the escrow or title company at a known phone number—not one contained in an email that might have been written by a fraudster.”

2. Confidence fraud/romance

- **What it is:** Perpetrators gain trust by pretending friendship or romantic interest, then persuade the victim to reveal sensitive financial information or even send money.

- **What you can do:** “An interaction that occurs entirely online is a tip-off for a potential friendship/romance scam,” Peter says. “Never send money to anyone you haven’t met in person.”

3. Nonpayment/nondelivery

- **What it is:** Sending goods without ever getting paid, or paying without ever receiving goods.

- **What you can do:** “When buying something valuable online that’s not from a known retailer, ask to physically inspect the item or get an appraisal—or request proof of the seller’s identity,” Peter says.

4. Investment

- **What it is:** Fraudsters offer large returns with minimal risk based on false information—think Ponzi, pyramid and retirement schemes.

- **What you can do:** “If it sounds too good to be true, it probably is,” Peter says. In particular, turn down opportunities that are available today only. “That’s another sure sign of a scam,” he says.

See all the ways Schwab helps keep your data safe at schwab.com/schwabsafe.

Consumers are particularly vulnerable to this scam during real estate transactions, when they anticipate moving large sums of money.

See page 46 for important information. (0819-920K)
Green Screen

Are environmental bonds worthy of the label?

Global issuance of environmentally conscious “green” bonds has exploded in recent years—from roughly $10 billion in 20131 to $168 billion in 2018.2 Such bonds were created to fund projects with direct environmental benefits such as clean energy, low-carbon transportation and water-management systems. Unfortunately, they don’t all live up to the name.

Climate Bonds Initiative, a London-based nonprofit that certifies and tracks green bonds, has reportedly denied certification to hundreds of issuances that failed to meet its low-carbon requirements. In one case, an issuer was purportedly planning to use the proceeds of a green-bond issuance to finance upgrades to coal- and gas-power facilities.3

“It can be very difficult for individual investors to identify truly green bonds,” says Cooper Howard, director of fixed income and income planning at the Schwab Center for Financial Research. “Bond offering statements will sometimes say what the proceeds are being used for, but those documents can be cumbersome to wade through.”

That said, Cooper has two tips for investors interested in such bonds:

- **Use a bond fund:** Fund managers can shoulder some of the burden of ensuring that funds intended for green projects are being used as promised. However, a fund’s green bona fides won’t always be evident from its name, so investors may need to do some research to find a fund that matches their goals. Also be aware that some green-bond funds might include a portion of bonds from nongreen projects to round out their holdings.

- **Check reputable sources:** The Climate Bonds Initiative, for example, maintains a list of certified green bonds at climatebonds.net. Schwab also includes green-bond funds on its quarterly Socially Conscious Funds List (see “Next steps,” left).

The yields on green bonds and green-bond funds are often only slightly less than those paid by their nongreen counterparts. “Our research shows that you may take a bit of a haircut on yield,” Cooper says, “but many investors see it as a fair trade-off for knowing their money is being used to finance projects that align with their values.”

Investors looking for other ways to make a social impact with their investing might also consider municipal bonds. “Not all bonds issued by state and local governments are focused on the environment,” Cooper says, “but some offer another way to invest in projects that can have a positive social benefit.”

---


See page 46 for important information.

- 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.

(0519-982B)
Prospecting Prospectuses

How to identify the most useful information in mutual fund filings.

or something that’s supposed to supply information, the average mutual fund prospectus seems to do a better job of obfuscating it.

Nearly 80 years after the Securities and Exchange Commission (SEC) mandated such disclosure documents, most existing and prospective fund investors disregard them because they contain too much information or are too difficult to understand, according to the Investment Company Institute. Last year, the SEC even solicited feedback from everyday investors about how to improve disclosures in fund prospectuses and other shareholder reports.

While the SEC has yet to make improvements, investors can still unearth useful nuggets—particularly in the following three areas, says Michael Iachini, vice president and head of manager research at Charles Schwab Investment Advisory.

1. **Fund fees and expenses:** When comparing similar funds, be wary of those allocating a disproportionate amount of their overall operating expenses to costs other than management fees. “Distribution fees and other costs unrelated to the quality of the fund’s management can come at a cost to shareholders,” Michael says. If a fund’s “other expenses” category (which includes administrative and legal costs) is more than its management fee, for example, you may want to keep looking.

2. **Principal investment strategies:** The more reputable mutual funds go into some detail about the types of companies in which they’re looking to invest and their process for buying and selling their shares. “The vaguer their strategy, the more cautious investors should be,” Michael says. This is also where you find out how far a fund is permitted to deviate from its strategy. An investment-grade bond fund that allows up to 25% of its holdings in high-yield debt, for example, might be too risky for some.

3. **Principal risks:** Investing inevitably involves risks; the question is, are they within the limits of what you’d expect? If your plain-vanilla index fund cites “counterparty risk,” for example, it’s likely using outside parties of varying quality to gain exposure to different parts of the market. “There might be a perfectly good reason for it,” Michael says, “but without knowing your specific exposure, such unexpected risks can sometimes be cause for concern.”

“Taken together, these and other prospectus sections can give investors a much fuller picture of a prospective mutual fund—and ultimately lead to better decision-making,” Michael says.

---

To find a fund’s prospectus and other filings, log in to schwab.com/research, enter its ticker symbol and then click the Prospectus link.

---


See page 46 for important information.

- Investing involves risks, including loss of principal. (0819-95HL)
With over 25 years of investment experience in Asia, we aim to uncover unique companies across Asia that have the potential to benefit from consumer trends that are often overlooked in broader international and emerging markets.

Find out more about our experience, insight and passion for Asia—and the role Asia can play in your portfolio—at www.matthewsasia.com/opportunity or view the Matthews Asia Funds available on the Schwab Mutual Fund OneSource Select List® at www.schwab.com/matthewsasia.

Put the full power of Asia behind your investments.

Are your international investments missing something?

With over 25 years of investment experience in Asia, we aim to uncover unique companies across Asia that have the potential to benefit from consumer trends that are often overlooked in broader international and emerging markets.

Find out more about our experience, insight and passion for Asia—and the role Asia can play in your portfolio—at www.matthewsasia.com/opportunity or view the Matthews Asia Funds available on the Schwab Mutual Fund OneSource Select List® at www.schwab.com/matthewsasia.

Investors should consider the investment objectives, risks, charges and expense of the Matthews Asia Funds carefully before making an investment decision. This and other information about the Funds is contained at matthewsasia.com. Read the prospectus carefully. Investing involves risk including the possible loss of principal. International and emerging markets may involve additional risks including higher volatility and market illiquidity. Foreside Funds Distributors LLC. 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. Schwab and Mutual Fund OneSource are trademarks of Charles Schwab & Co., Inc. and used with permission. 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, or does any fund pay Schwab to be included in the Select List. Trades in no-load mutual funds available through Mutual Fund OneSource® service (including Schwab Funds) as well as certain other funds, are available without transaction fees when placed through schwab.com or our automated phone channels. For each of these trade orders placed through a broker, a $25 service charge applies. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Funds are also subject to management fees and expenses. Matthews Asia and Charles Schwab & Co., Inc. are not affiliated. ©2019 Matthews International Capital Management, LLC
One of the most important parts of estate planning is determining how to divide your assets. But what if you don’t have a spouse, children or other obvious heirs?

“Those in this situation might genuinely wonder, ‘What’s the point?’” says Bob Barth, a Schwab wealth strategist based in Orlando, Florida. “But passing without a will or immediate heirs increases the odds your money will go to someone you’d rather it not.”

**Inheritance hierarchy**

While the process differs by state, the inheritance hierarchy usually goes like this: surviving spouse, followed by children and then grandchildren. If none of those relatives can be identified, your assets could go to parents, grandparents, siblings, nephews, nieces—or even the state.

“With no will or next of kin, your assets become escheated—which is just a fancy way of saying the state...
lays claim to them,” Bob says. Indeed, such funds have long been used for the public good unless and until they are recovered by their rightful owner, reports the National Association of Unclaimed Property Administrators.

**Alternative heirs**

Rather than let the state decide, most of Bob’s clients prefer to designate as their beneficiary a relative, friend or charitable organization.

Anyone can inherit your assets, Bob says—except the attorney who drafted your will. (Beware, though, that some states levy inheritance taxes, and they tend to be higher for nonrelatives than for relatives.) “In pretty much every case, it’s better to pick someone yourself than allow an outsider to do it for you,” Bob says.

Similarly, you can name any recognized charity of your choosing. That said, many of Bob’s clients want to begin their philanthropic efforts while they’re still around to witness the benefits. One woman he recently worked with, for example, wanted to create a giving legacy with her four nieces so they could decide together on the right causes to fund. In such instances, you have several options, including:

- **Charitable remainder trusts:** The donor receives an immediate charitable deduction based on the present value of the cash or other property that is transferred to this irrevocable trust. The donor also receives an income stream from the trust for years or for life, and a designated charity receives the remaining assets upon the donor’s death.

- **Donor-advised funds:** The donor makes an irrevocable, tax-deductible contribution of cash, securities or appreciated noncash assets; the donor can invest those funds for future potential growth and recommend grants to qualified 501(c)(3) charities at any time.

- **Private foundations:** This type of charitable organization is typically founded by a family or an individual with an initial tax-deductible gift and is managed by a board of directors or trustees, who may be paid for their efforts and who control the disposition of all assets; grants are not limited to qualified 501(c)(3) charities.

Bob says the choice between them comes down to personal factors, including how much oversight you want to have and whether other family members will be involved. Be sure to talk to a tax professional with experience in charitable giving prior to implementing one of these giving strategies, to ensure your charitable goals are met in the most tax-efficient manner. You can also work with your financial advisor to combine two or more of these approaches. (Find out how Schwab can help achieve your charitable goals at schwab.com/charitable.)

### Beyond money

In addition to stipulating what to do with your financial assets, those without obvious heirs should designate a person who can make critical decisions in case of incapacitation:

- A durable power of attorney for finances, for example, authorizes someone to handle your financial and legal affairs in the event you become incapable of doing so yourself.
- A durable power of attorney for health care authorizes someone to make medical decisions on your behalf.
- A living will details the medical interventions you would and would not like to receive to keep you alive.

Without such legal documents and ironclad instructions, your next of kin (as determined by the state), even if a distant relation, may decide for you. “Many people have very strong preferences when it comes to these kinds of decisions,” Bob says. “Without these documents in place, it’s out of your hands.”

You’ll also want to name an estate administrator (a.k.a. executor or personal representative) to take over upon your death. An administrator will handle probate court proceedings, distribute your assets, manage the sale of your property, and notify your banks and credit card companies of your passing (which can help protect the deceased—and hence the estate—from identity theft). When a responsible family member isn’t available to serve in this capacity, you could instead choose an accountant, an attorney, a financial planner or even a professional executor, if available in your state.

“No all aspects of estate planning have to do with money,” Bob says. “A few hours spent today can take a lot of uncertainty out of the future.”

---

**LEARN MORE**

Need a professional trustee? To learn about how Charles Schwab Trust Company can help invest and administer your trust, either now or in the future, contact your Schwab financial consultant or visit schwab.com/trusts.

---

In most states. 2 Limitations on the tax deduction may apply based on the donor’s adjusted gross income and whether the donor itemizes her or his deductions. For additional information on private foundations, visit irs.gov/charities-non-profits/charitable-organizations/private-foundations.

See page 46 for important information. Charles Schwab & Co., Inc. (“Schwab”) is affiliated with Charles Schwab Trust Company (“CSTC”), the corporate trustee for Schwab Personal Trust Services. Schwab introduces clients to CSTC but does not evaluate whether their services are appropriate for each client or recommend their services to any particular client. Schwab does not provide legal or tax advice. Always consult with your legal counsel and tax advisors about your particular circumstances. A donor’s ability to claim itemized deductions is subject to a variety of limitations depending on the donor’s specific tax situation. Consult your tax advisor for more information.

Gifts of appreciated property can involve complicated tax analysis and advanced planning. The above article is meant only to be a general overview of some of the considerations and is not intended to provide tax or legal guidance. Please consult with your legal or tax advisor. (0819-9H9L)
Picking stocks isn’t simply a matter of choosing a few companies you like, then executing some trades—just because a company makes stellar products doesn’t guarantee it will be a good investment.

If you want to find quality stocks that have the potential to go the distance, it’s far better to dig into their financials. How are profit margins? Is the company overleveraged? What about cash flow?

The fundamental goal here is to identify companies that might be undervalued in the marketplace, also known as value stocks. Here are our four favorite metrics for evaluating the financial health of such stocks.
**Price-to-earnings ratio**

Looking at a company’s price-to-earnings (P/E) ratio—that is, its current stock price relative to its earnings per share—is useful for determining its intrinsic worth relative to its market value. A lower P/E ratio, for example, suggests the stock may be underpriced and could have room to rally.

Some investors look at a P/E ratio based on expected earnings; however, that introduces another layer of guesswork. We suggest sticking with historical earnings and looking at profits over the past four quarters. And since these ratios tend to vary between sectors, make sure you’re comparing the P/E ratios for companies within the same sector.

- To view a company’s P/E ratio over time, log in to schwab.com/research, enter its ticker symbol, click the Charts tab and then select P/E Ratio from the Indicators dropdown.

**Return on equity**

After gauging a company’s valuation, you’ll want to know about the quality of its earnings. Does the company have the financial strength to maintain its profits or, ideally, to grow them? One way to assess this is by looking at its return on equity (ROE), or how efficiently the company uses its capital. One formula for determining this is:

$$\text{net income} + (\text{assets} - \text{liabilities})$$

A higher percentage is better, but, as with P/E ratio, a company’s ROE should be assessed relative to its peer group.

Be aware that a sudden jump in ROE may be due to an increase in a company’s debt—not an improvement in its profitability. So always check to see whether a company’s debt levels have changed significantly.

- To find a company’s ROE, log in to schwab.com/research, enter its ticker symbol and then click the Ratios tab.

**Volatility**

Swings in the price of a stock can be an indication that investors are uncertain about its earnings. What is the degree to which the daily share price fluctuates relative to its industry peers?

Generally speaking, you want a stock to have lower-than-average volatility, as it may signal steadier earnings. Unfortunately, such analyses can be difficult for individual investors to perform, in which case consulting volatility forecasts from industry experts can help.

- Schwab Equity Ratings® include a Price Volatility Outlook for all rated stocks. To screen for stocks by their volatility outlook, log in to schwab.com/stockscreener, click Analyst Ratings, select SER Volatility Outlook, and then choose Low, Medium and/or High.

**Momentum**

Increasing investor interest is a positive sign, all else being equal. If, over the past six months, a stock’s price has broken above the range it had been trading within for an extended period, the stock could have momentum and may continue to climb. That said, positive momentum is more like extra credit and shouldn’t trump other metrics such as valuation.

- To view a company’s momentum over time, log in to schwab.com/research, enter its ticker symbol, click the Charts tab and then select Momentum from the Indicators dropdown.

**Do it yourself (with help)**

For those wishing to pick their own value stocks, Schwab Equity Ratings can help.

Schwab Equity Ratings is a system we developed at the Schwab Center for Financial Research that evaluates some 3,000 U.S.-traded stocks using a wide variety of financial metrics. We assign each stock a letter grade from A through F, depending on how likely we think it is to outperform or underperform the market over the next 12 months. Stocks that earn an A rating, for example, are expected to strongly outperform the market, while those that earn an F are expected to strongly underperform.

Just how well does the ratings system work? If you look back at nearly 17 years of data, top-rated (A) stocks outperformed middle-rated (C) stocks by an average of 3.47 percentage points, while the lowest-rated (F) stocks underperformed the middle group by an average of 8.58 percentage points.*

If you have your own ideas for how to pick stocks but want to narrow the pool you select from, screening for A or B stocks may be a good place to start.

- To find the Schwab Equity Rating for a prospective stock investment, log in to schwab.com/research, enter its ticker symbol and then click its Schwab Equity Rating letter grade to view the full report.

---

*Source: Schwab Equity Ratings. Data from 05/06/2002 through 04/23/2019.

**See page 46 for important information.** Schwab Equity Ratings and the general buy/hold/sell guidance are not personal recommendations for any particular investor or client and do not take into account the financial, investment or other objectives or needs of, and may not be suitable for, any particular investor or client. Investors and clients should consider Schwab Equity Ratings as only a single factor in making their investment decision while taking into account the current market environment. Investing involves risks, including loss of principal. (0819-9P9T)
Protect your legacy with Schwab Personal Trust Services.

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.

Charles Schwab & Co., Inc. (“Schwab”) is affiliated with Charles Schwab Trust Company (CSTC), the corporate trustee for Schwab Personal Trust Services (SPTS). ©2019 Charles Schwab Trust Company. All rights reserved. CC2173624 (0918-8316) ADP1036600W-00 (09/18) 00215655
Conscientious Investing

Putting your money where your values are can be enriching in more ways than one.

By Michael Iachini

Some people have investing goals that go beyond earning a return. For those who want to use their investment dollars to support their personal values, socially conscious investing—which seeks to deliver environmental and social improvements alongside competitive financial returns—is one way to go.

Once considered an investment fad, socially conscious investing is today a $12 trillion business,1 with nearly 400 exchange-traded funds (ETFs) and mutual funds guided by socially responsible investing (SRI) strategies.2 What's more, these funds have demonstrated they can keep up with—if not exceed—the performance of more traditional funds.

So, how do you go about identifying and selecting an SRI fund that aligns with your values? Here are three factors to consider.

Investment approach

Most SRI funds follow one of three strategies:

- **Exclusionary**: A fund manager begins with a broad market index—say, the S&P 500®—and then removes those companies that don’t align with the fund’s stated social goals. Some funds exclude companies in certain lines of business—firearms, gambling or tobacco, for instance—while others screen based on company behavior, such as those in violation of international human rights standards.

- **Thematic**: Employing an inclusive rather than exclusionary approach, fund managers use environmental, social and governance (ESG) criteria—such as business ethics, carbon emissions and human rights—to determine a company’s ethical and environmental impact and potential future financial performance. Thematic funds tend to be dominated by a single industry and concentrated on issues such as air quality, alternative energy or clean water. Because thematic funds are relatively narrow in focus, they may be better suited to the margins of your portfolio.

- **Best in class**: A fund manager selects securities based on strong ESG criteria relative to industry peers. Best-in-class funds may therefore include defense, energy, paper/timber and utility companies among their holdings—sectors that might be prohibited by other SRI approaches. Although often more diverse, these funds might be regarded as less socially responsible than exclusionary or thematic SRI funds.

Exclusionary approaches may eliminate entire sectors, which could reduce diversification and lead to significant performance differences relative to a fund’s benchmark index.

Exclusionary approaches may eliminate entire sectors, which could reduce diversification and lead to significant performance differences relative to a fund’s benchmark index.

Performance

For years, critics argued that SRI investors sacrificed performance on the altar of good intentions. While that may have been the case in the past, today’s SRI funds have been keeping pace with their non-SRI peers.

For example, the MSCI KLD 400 Social Index produced an average annual return of 7.53% over the 15-year period ending December 2018—just a quarter of a percentage point below the S&P 500’s 7.77% over the same period.3 And data from Morningstar shows that, on average, SRI mutual funds have slightly outperformed their non-SRI counterparts in the short, medium and long terms (see “Doing well by doing good,” above).

That said, many SRI funds have limited performance histories, meaning it may not be clear how they will perform under varying market conditions.

Fees

Selecting companies for socially responsible investments is an involved, time-consuming process that requires specialized skills, which may lead to higher operating expense ratios than those of comparable non-SRI funds—although SRI pricing has become more competitive over time.

Of the funds that Morningstar identifies as socially conscious, for example, 53% have lower expense ratios than their non-SRI peers.4 You should nevertheless determine for yourself whether the fees associated with a particular SRI fund are acceptable vis-à-vis its non-SRI counterparts.

Building a values-based portfolio

While most socially conscious funds are eager to advertise their bona fides, don’t assume that an SRI fund aligns with your values until you have verified its holdings and methodology. One resource to a fund’s prospectus document, which details principal investment strategies and risks, among other information (see “Prospecting Prospectuses,” page 9). Schwab’s ETF screener (schwab.com/etf screener) and mutual fund screener (schwab.com/funds screener) both have filters that allow clients to find and compare SRI funds that meet certain ESG criteria. You can also consult the Schwab Socially Conscious Funds List (schwab.com/social) to find socially responsible ETFs and mutual funds prescreened by Schwab experts.5

Be that as it may, the methodology used to score companies and optimize performance can get complicated. What’s more, the skill of the manager and the rules governing the construction of the SRI index (in the case of passively managed funds) are of key concern. Make sure you understand both when selecting an investment that’s suitable for you.

Source: Charles Schwab Investment Advisory, Inc., with data from Morningstar, as of 12/31/2018. Returns represent the average annualized performance of U.S. equity open-end socially responsible and non-socially responsible mutual funds. Past performance is no guarantee of future returns. Morningstar defines funds as socially responsible if their returns according to non-economic guidelines such as environmental responsibility, human rights or religious values.
End of an Era

The Federal Reserve paused on rate hikes—now what?
By Kathy Jones

After raising interest rates nine times between December 2015 and December 2018, in January the Federal Reserve hit pause on further hikes, citing slowing global and U.S. growth.

This new “neutral” stance means the Fed is now neither encouraging nor inhibiting economic growth. Let’s take a look at what prompted the policy shift, the likelihood of any future Fed rate adjustments and how investors should navigate the current environment.

What drives the Fed?

Many global central banks are easing their monetary policies to accommodate weakened growth due to a slowdown in business investment and trade. Meanwhile, the domestic economy has been cooling—so much so that the Fed downgraded its U.S. gross domestic product growth estimates, from 2.3% to 2.1% for 2019.

As a result, we believe the Fed’s next move is more likely to be a rate cut than a hike—especially if the following four key indicators start to signal a more significant economic slowdown.

■ Lending conditions: Banks’ willingness to lend is key to Fed policy decisions. Credit standards are already tightening; if they become too tight, the Fed may consider cutting rates to help stimulate borrowing and investing.

■ Manufacturing production: Since 1984, five of nine rate-cutting cycles were preceded by a drop below 50 in the ISM Manufacturing Index—which tracks changes in manufacturing production levels. In May, the index sat at 52.1 and has been trending lower for more than a year (see “Too close for comfort,” above).

■ Unemployment: At 3.6%, the unemployment rate in May was at its lowest level in a half-century. Should it start ticking upward, as the Fed projects, even a seemingly modest increase—say, less than half a percentage point—could take a toll on the economy by way of decreased production and consumer spending.

■ Yield curve: The yield curve, which plots the difference in yields between short- and long-term U.S. Treasury bonds, has inverted several times this year—meaning short-term rates were higher than long-term rates, which is the opposite of what you’d normally expect. That makes many people nervous, because an inverted yield curve has preceded every modern recession.

What to do now

Given the spate of yield-curve inversions this year, we suggest fixed income investors hold bonds with both short-term maturities of one to three years and intermediate-term maturities of seven to 10 years. (Those with maturities between three and seven years have lately been most likely to yield less than their short-term counterparts.)

Look at what prompted the policy shift, the likelihood of any future Fed rate adjustments and how investors should navigate the current environment.

NEXT STEPS

Want to adjust your bond portfolio to fit the interest rate environment? Talk to a Schwab fixed income specialist at 866-893-6699.

Kathy Jones (@kathyjones) is a senior vice president and chief fixed income strategist at the Schwab Center for Financial Research.

See page 46 for important information. ● 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. (0819-9G1A)
Schwab ETF OneSource™

Announcing 500+ commission-free ETFs.

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.

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.

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

Conditions apply: Trades in ETFs available through Schwab ETF OneSource™ (including Schwab ETFs™) are available without commissions when placed online in a Schwab account. Service charges apply for trade orders placed through a broker ($25) or by automated phone ($5). An exchange-processing fee applies to sell transactions. Certain types of Schwab ETF OneSource transactions are not eligible for the commission waiver, such as short sells and buys to cover (not including Schwab ETFs). Schwab reserves the right to change the ETFs we make available without commissions. All ETFs are subject to management fees and expenses. Please see the Charles Schwab Pricing Guide for additional information.

Charles Schwab & Co., Inc., receives remuneration from certain third-party ETF companies participating in Schwab ETF OneSource™ for recordkeeping, shareholder services and other administrative services, including program development and maintenance. Participating firms also may make additional payments for other ETF-related opportunities, such as education and events and reporting.

Schwab’s use of the name or logo of any ETF sponsor or individual ETF in Schwab ETF OneSource promotional and informational materials prepared by Schwab is used under license. Schwab’s inclusion of a particular ETF in ETF OneSource should not be considered endorsement of any participating ETF or ETF sponsor or a recommendation of any security. Except with respect to the Schwab ETFs, Schwab is not affiliated with any participating ETF or ETF sponsor.

Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab Funds®, and Charles Schwab & Co., Inc. (“Schwab”), Member SIPC, the distributor for Schwab Funds, are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation.

©2019 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.
THE BIG PICTURE

On Track for Retirement?

Here’s how much savings you should have on hand if you’re going to reach your goal.

As a general rule, you want to enter retirement with a portfolio that’s roughly 25 times the amount you’ll need to withdraw your first year, after accounting for Social Security and other income sources. So, if you’ll need $40,000 from your portfolio, you’ll want to enter retirement with $1 million.

But once you know your retirement-portfolio goal, how much you should have saved by now—and what to do if you’re falling short.

If you’re behind

Don’t panic—but do act. Here are a few things you can do to get back on track:

1. Reassess your goal: Will you really need as much as you think? Don’t forget to consider Social Security and other sources of income when calculating how much you’ll need from your portfolio in that first year. To estimate your future Social Security benefits, visit ssa.gov/retain.

2. Cross-reference your savings rate with your age (rounding up, if necessary) to find your multiplier.

3. Multiply your first-year withdrawal by your multiplier to calculate how much you should have saved by now to be on track toward your goal.

4. Revisit your assumptions: Double-check that you haven’t underestimated how much income you’ll need in retirement—or overestimated how long you can stay in the workforce. And be sure you’ve accounted for expenses that may go up in retirement, such as health care and housing.

If you’re ahead

Congrats—your diligent saving is paying off. To maintain your cushion:

1. Keep saving: It’s wise to continue saving as much as you can for as long as you can. You never know when life—or the market—will throw you a curveball.

2. Revisit your assumptions: Double-check that you haven’t underestimated how much income you’ll need in retirement or overestimated how long you can stay in the workforce. And be sure you’ve accounted for expenses that may go up in retirement, such as health care and housing.

3. Stick with stocks: Your portfolio should become more conservative as you near retirement—but not too conservative. Consider maintaining at least some exposure to stocks to capture market growth, but not so much that you lose sleep should the market stumble. (For more, see “Retirement Countdown,” page 34)

4. Max out your retirement accounts: If you’re age 50 or older, in 2019 you can contribute up to $25,000 to a 401(k) or $12,000 to an Individual Retirement Account. (Those under 50 can contribute up to $18,500 and $6,000, respectively.)

5. Stay flexible: If you think you might fall short, don’t get discouraged. If you work a few years longer, or if you work part time in retirement, you may not need to tap your portfolio for your full annual target right away. That could also help delay Social Security, which could boost your benefit. (For more, see “Retirement Countdown,” page 34)

See page 46 for important information. • Examples provided are for illustrative purposes only and not intended to be reflective of results you can expect to achieve. • Investing involves risks, including loss of principal.

Onward

Investor 1 is behind

If you’re on track

Keep up the good work:

1. Max out your retirement accounts: If you’re age 50 or older, in 2019 you can contribute up to $25,000 to a 401(k) or $12,000 to an Individual Retirement Account. (Those under 50 can contribute up to $18,500 and $6,000, respectively.)

2. Stick with stocks: Your portfolio should become more conservative as you near retirement—but not too conservative. Consider maintaining at least some exposure to stocks to capture market growth, but not so much that you lose sleep should the market stumble. (For more, see “Retirement Countdown,” page 34)

3. Maximize your Social Security benefit: You’ve accounted for expenses that may go up in retirement, such as health care and housing. (For more, see “Retirement Countdown,” page 34)

Let’s talk

Need help creating a realistic retirement plan? Call your Schwab financial consultant today to schedule time to review your progress toward your goals.

Source: Schwab Center for Financial Research. These examples are hypothetical and for illustrative purposes only. The table illustrates the required portfolio size as a multiple of the retirement income needed in a 50-50 retirement starting at age 65. Calculation uses a 4% initial withdrawal rate based on current age and annual contributions as a percent of the future income need. Future income need is adjusted at a constant 2% annual inflation rate. Annual savings increase by a constant 2% until retirement. Assumes a constant 6% return. Does not assume taxes or fees.

[0x0]20 | CHARLES SCHWAB | FALL 2019

FALL 2019 | ONWARD | 21
Your investments deserve the full story.

Numbers tell only half the story.

Strategic investing takes us beyond the numbers. That’s why over 400 of our experts go out in the field to examine opportunities firsthand—like a biotech company’s advancements that could lead to the first allergy-free peanut. Our rigorous approach helps us select and manage investments for our funds.

Explore 32 funds on the Q2 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, Mutual Fund OneSource® and Mutual Fund OneSource Select List® 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.
ake a look at any intraday stock chart and you’re bound to see head-and-shoulders patterns—a central peak flanked by two smaller peaks—popping out all over the place. These triple-peaked chart patterns can be useful indicators of a major trend reversal but are also among the easiest to misread. Indeed, many investors have paid a steep price for placing a trade without waiting for signals confirming the pattern.

What to look for

To detect a true head-and-shoulders trend reversal, it helps to understand how they’re created:

1. **The left shoulder** forms when investors pushing a stock higher temporarily lose enthusiasm.

2. **The head** forms when enthusiasm peaks and then declines to a point at or near the stock’s previous low.

3. **The right shoulder** forms as the stock price rallies once again but fails to reach its previous high before falling again.

4. A fourth component—the **neckline**—is formed by drawing a line underneath the troughs established just before and just after the head. When the stock’s price dips below this trend line, it’s usually a strong indication that the pattern has broken and it’s time to sell your position.

Confirming signals

Even when the stock price breaches the neckline, it doesn’t necessarily mean it’s a lock to continue in that direction. To help confirm the trend, you should consider two more factors:

**Volume**: The number of shares trading is one indication of the strength behind a price move. With a classic head-and-shoulders pattern (see above), you’ll see the trading volume...
start to lessen as the price moves higher toward the head, and then again when it rebounds to form the right shoulder, indicating limited investor enthusiasm. A spike in volume when the price moves below the neckline suggests that selling pressure will remain intense. If neither of these volume signals is in play, the decline may be short-lived, though there are no guarantees.

**Time frame**: Profitable trend reversals require strong trends leading into them. One commonly used rule of thumb is that the uptrend heading into the pattern should be at least twice as long as the distance between the shoulders. This makes it more likely that any reversal of the trend will be significant enough to trade—and that rule of thumb applies whether you’re looking at an intraday opportunity or a lengthier one.

**Setting your stops**

Now that you know what to look for, how do you trade it? By using some of the same risk-management tools that are part of your regular trading plan.

Stop orders, in particular, can be useful for trading head-and-shoulders opportunities—both for limiting your losses from downward price moves and for initiating purchases when the stock breaks higher. However, be aware that there is no guarantee a stop order will be executed at or near the stop price. (For profit-taking, consider placing limit orders at your target price.)

If you already own a stock and believe a traditional head-and-shoulders pattern may be developing, identify the potential neckline when the stock is forming the right shoulder and set your sell-stop price just below it. For instance, if the stock retreated to $35, rebounded to a new high of $37 and then retreated back to $35 before climbing back up, consider setting your sell-stop price just under the possible new support level of $35.

If you’re looking to add a position, the formation of an inverse head and shoulders, with a stock price breaking above the neckline, often indicates a bearish trend has ended and the stock is poised for higher highs. In such cases, set your buy-stop price just above the neckline.

For example, if the stock rebounds to $35, retreats to a new low of $33 and then climbs back up to $35 before again declining, consider setting your buy-stop order just above perceived resistance at $35.

**Measure twice, sell once**

A unique feature of inverse head-and-shoulders patterns is that they can be used to estimate a profit target after the pattern is complete (as shown in the chart above). To determine the target spread:

- **Measure** the vertical distance from the head to the neckline.
- **Find** the breakout point—where the price first breaks the neckline after the right shoulder forms—and add that distance to the breakout price.

Some technical analysts believe this can give you a good sense for how far the price could climb based on the size of the pattern, and where you should consider setting your limit-sell price.

**Patience is profitable**

In my experience, those new to technical analysis tend to see head-and-shoulders patterns everywhere. That’s why taking the time to confirm signals, such as volume and the time frame of the preceding trends, is usually worth it. After a while, it will get easier to separate the heads and shoulders from the head fakes.

* Green volume bars indicate days on which the stock closed higher than the previous day; red bars indicate days on which it closed lower.

See page 46 for important information. • Examples provided are for illustrative purposes only and not intended to be reflective of results you can expect to achieve. • Schwab does not recommend the use of technical analysis as a sole means of investment research. • Past performance is no guarantee of future results. (0819-9JHT)
Filter out the noise. 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

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.

*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.

Securities offered through American Funds Distributors, Inc.
Strategies for saving together—and apart—are key to achieving your collective goals.

Yours, Mine & Ours
Couples who agree to spend their lives together—whether married or not—often share their savings, spending and financial planning.

That said, they may also maintain at least some separate accounts—out of necessity in the case of a company 401(k), or out of personal preference to accommodate different investment and spending priorities. “If one spouse is more of a spender, for example, it can cause friction,” says BobLucier, an investment advisor at Schwab Private Client Investment Advisory. “For example, many couples choose to join forces on big-ticket items like a down payment or a mortgage but go their separate ways for personal goals like a new car. It’s all about finding a balance that serves you both.”

Retirement, on the other hand, is in a league all its own. “This is likely your biggest shared goal, so make sure you’re in agreement regarding how much you’ll save each month, the amount of risk you’re willing to take and the strategies available to you as a couple,” he says. “For example, one spouse’s employer may offer a better matching contribution or more robust investment options than the other, so be sure to take those factors into account when creating your overall retirement savings plan.”

Once you’ve nailed down the basics, Bob suggests holding at least one annual, formal meeting about family finances in which you budget out the coming months, determine discretionary and necessary spending, assess whether the family’s investment goals are on track, and agree on any changes in both saving and spending.

“I always emphasize the importance of having an overarching asset allocation strategy and then periodically reviewing it to make sure that circumstances haven’t changed,” Tony says. “Otherwise, you may wake up one day to find that what you have is a collection of individual investments where both partners are doing different things, sometimes at cross-purposes.” In other words, you may be setting yourselves up for failure by not being inadvertently underdiversified or taking on more risk than you’d bargained for.

**Working together**

Having fundamentally different approaches to saving and investing can sometimes be a plus—provided both partners communicate their strategies. For example, blending one partner’s aversion to risk with another’s desire to outperform the market can lead to a mutually balanced approach.

One married couple with whom Bob works has struck this balance. The wife wanted a conservative portfolio, while the husband preferred a more aggressive approach. Although they set up separate accounts tailored to their individual attitudes, “we look at it holistically as one balanced plan,” Bob says. “That way, the more conservative spouse doesn’t lose sleep during a bear market, the more aggressive spouse is adequately positioned to capitalize on a bull market, and together they’re prepared for just about anything.”

Other solutions can be tailored according to a partnership’s particular needs. Among Mark’s clients, for example, is a couple in a 20-year age difference. The older, retired spouse is in his mid-70s and focused on capital preservation, while his wife is still in her prime working years and looking for growth.

“After putting our heads together, we decided that each spouse’s individual portfolio could reflect their personal risk preference without sacrificing their shared goals,” Mark says. “As a result, their overall portfolio is perhaps a bit more aggressive than he’d typically be comfortable with and a little more conservative than she’s used to, but this balanced approach is one they can both live with.”

**Watch your risk**

Even with thoughtful planning, having multiple accounts with multiple strategies can involve unforeseen pitfalls, such as wildly uneven returns during a bear or bull market. As a result, “you might want to revisit your accounts more frequently when markets are turbulent to ensure your overall portfolio remains on track to reach your long-term goals,” Tony says.

Managing multiple accounts can also make it more difficult to develop a holistic picture. As investors transition to new employers, for example, they often end up with multiple retirement plans. “Consolidating those accounts can give you a much clearer picture of your overall situation as a couple,” Bob says, “which is the key to any successful partnership.”

Of course, even the best partnerships hit some rough patches, which is where an advisor can help. “Not only can a financial consultant help you assess your various assets and put a comprehensive plan in place, but he or she can also provide an unbiased opinion,” Mark says. “Sometimes, just adding that neutral third party can defuse a difficult situation and refocus the conversation on what truly matters: reaching your goals together.”
When Charles Schwab founded the company that shares his name almost 50 years ago, he had a simple yet audacious goal: Create a different kind of brokerage. The deeper he dug into the investment world, the more he realized the deck was stacked against independent-minded investors—and he envisioned a company that was centered on helping individuals gain equal access to the markets and lower costs.

Chuck’s overriding determination and strongly held values led him to create Charles Schwab & Co., which helps empower individual investors to take control of their financial lives, free from the high costs and conflicts of traditional brokerage firms.

In his new book, Invested: Changing Forever the Way Americans Invest, Chuck provides the reader with a behind-the-scenes look into his personal and professional lives, reflecting on his triumphs, his equally important defeats, and how numerous times he had to reinvent his company in order to succeed.

Here are eight excerpts—containing eight lessons we all can learn from.

1. BE ENGAGED

During his second year at Stanford Graduate School of Business, Chuck took a job at an investment firm, where he worked evenings and weekends before joining full time upon graduation. The experience gave Chuck a foundation for what he would eventually build:

So that first investing job was an eye-opener. I learned about risk, about volatility, about markets—and how they can be influenced and manipulated. I learned about speculation and greed and fear. I learned about the stories they tell on Wall Street; the better the stories, the more stocks they’d sell. The riskier the product, the more they’d get paid. I found out who was too often the winner in the broker-client relationship—and it wasn’t the client. I tested every part of the fire to see how hot it was, and I got all my fingers burned. And still I was not dissuaded. I loved what growing businesses offered. Through investing, you own a piece of that … a piece of the action. I hadn’t exactly found my place in the finance world yet, but I knew I had discovered the work I was meant to do.

2. EMBRACE CHANGE

In 1975, the federal government deregulated commissions for buying and selling shares of stocks—abolishing the fixed rates that had kept the cost of trading stocks sky-high. More than 30 New York Stock Exchange member firms would close that year alone, but Chuck remembers embracing the change:

To me, here was an opportunity to advance the cause of reform, do right by the ordinary investor, expand ownership of equities to a bigger slice of the U.S. population (which I’ve come to believe is essential to the preservation of democracy … call it skin in the game) and along the way build a substantial business.

In a real way, Charles Schwab was born of my own frustration. I was an independent investor. I was passionate about the market. I did my own stock research. I believed in taking charge of my own financial destiny. I loved the thrill of the chase. The last thing I needed was some broker’s questionable advice about what to buy, and when to buy or sell. And I resented paying for services I wasn’t using. I was also deeply frustrated. For I had come to believe that the brokerage business had a nagging problem with conflicts of interest. I knew that the big Wall...
I loved investing—everything about it: the idea that companies are meant to grow, that anyone can participate in that growth and build up their own financial independence over time.

Street brokerage firms that were also investment banks—despite their so-called Chinese walls—could easily put the interests of individual investors first. The same was true for commissioned salespeople, many of whom made their living by trading in and out of stocks—not by building up their clients’ portfolios. Not their fault. It was just how the system worked.

3. DO Things DIFFERENTLY

With the advent of Charles Schwab & Co., gone was the typical broker-customer relationship in which the broker would initiate a transaction, calling her or his client with a hot tip, or a buy or sell recommendation. Instead, Chuck took a different path:

“Good morning, you’ve reached Charles Schwab.”

“This is account number 12105002. Buy 2,000 shares of Motors, limit $57. Click.

That’s it. Two thousand shares of General Motors at a price no higher than $57/share. Done.

Most of our customers 30 years ago didn’t even bother telling us their names. It was a radically new way of trading stocks, light years removed from the old model. Charles Merrill, founder of Merrill Lynch, used to say, “Stocks aren’t bought; they’re sold.” We came at it from exactly the opposite direction. In our case, the customer initiated the transaction, not the broker. We weren’t out there buying lunch for clients or taking them golfing. We weren’t calling anybody up with hot tips. In fact, I’d fire people if they gave stock ideas. Nothing happened unless the customer asked first. Our only role was to carry out the customer’s wishes. Period. I had put a couple of ads out to publicize ourselves, and people started coming in. I had a sense that people really liked what we were doing. It started slow, 20 or 30 trades a day, and then we got to 100, and on it went.

4. TREAT FAILURE AS AN OPPORTUNITY

In the 1970s, Schwab set up a telephone exchange in Reno, Nevada, to save on long-distance-call charges. One of Chuck’s trusted employees came up with the seemingly brilliant idea of selling the exchange’s services to other companies outside of Schwab’s business hours. What could possibly go wrong?

As it happened, there was a company in Reno, National Data Corporation (NDC) that was in the business of answering toll-free calls for other companies. After leasing our lines to NDC for a while, we ended up buying their call center. So now we owned a 100-seat call center in Reno. By day, we handled stock trades. By night, we answered pledge calls for REJED, provided dealer locator services for Ford, sold records and even took orders for lingerie for Frederick’s of Hollywood. It worked surprisingly well—until August 16, 1977, the day Elvis Presley died. Suddenly, our lines were swamped day and night with orders for Elvis memorabilia and records. Some of our brokerage customers could not get through to make trades. I sent Rich Arnold to Reno to clean up the mess, and we wound up selling the call center back to NDC. That ended our brief foray into third-party-transaction processing. Sometimes a bright idea with a bad outcome is the one that gets you back on track toward the right one.

5. LEARN FROM THE CHALLENGES

Just prior to October 19, 1987, Schwab had been averaging 17,000 trades a day and Chuck thought the company was doing a great job handling the volume. When Black Monday’s volume surged to over 50,000 trades in one day, however, Schwab’s systems couldn’t keep up—and Chuck now recalls that failure as a blessing.

Our speed and responsiveness simply weren’t good enough. If you’re a growth company like Schwab was, and your objective is to be the best at what you do, you’re going to be looking further out. Anticipating what’s around the corner. Some customers never forgave us, and we lost them forever. We paid the price for years to come in their lost revenue. Worse, to my way of thinking, we had failed in the eyes of those clients. Once lost, trust is hard to regain. Ultimately that experience taught us that championing at every opportunity:

- Companies are built to grow (that is management’s mandate: Perform or get replaced).
- The U.S. and world economies will continue to grow indefinitely with hiccups along the way.
- The most important factors to put in your favor are diversification, time and low costs.
- Diversification lessens the risk that any one investment or asset class will harm you while capturing some of the growth of winning investments.
- Time captures the economy’s tendency to grow and helps you get past the downturns and recessions that occur regularly over time.
- Low investment costs mean more of your money is working for you.
- Investing doesn’t have to be complicated; index investing is among the simplest ways to invest, and today there are also low-cost managed accounts that take care of all the investment decisions for you.

7. TURN PASSION INTO SUCCESS

One question Chuck gets asked often is from people looking for career advice: What’s the key to success? Here’s how he typically responds:

What are you good at, what do you love doing, what can you talk about without even thinking about it and without tiring of it? I ask them. That’s where you should put your energy. There is tremendous power in that because it drives you forward through the ups and downs—and there will always be plenty of both. That passion and knowledge also signal to others that you are genuine, with personal ambitions, true expertise, a person in life—there is a real deal. People are attracted to that and you need the support of others. In 1975, the Charles Schwab Corporation paved the way for a whole new category of business: the discount brokerage. That’s it. Two thousand shares of General Motors at a price no higher than $57/share. Done.

Because of his fervent belief in the benefits of long-term, diversified, low-cost investing, Chuck urges investors to learn to live with short-term uncertainty—as hard as it may be.

I don’t think human nature deals well with the patience and discipline it requires. We’re wired for flight or fight. There is a central truth about investing: Time is on your side when there’s plenty of it; it can be your worst enemy when it’s scarce. Look at a chart of the S&P 500® Index over 40 years and you see an endless series of jagged peaks and valleys. Each one of those downs and ups is a moment of panic or elation. But step back for a wider view and you see the inevitable direction is up. Stick with it and ride out the emotions and you’re an investor.

By the same token, there are seven tenets of long-term investing that he champions at every opportunity:

- Companies are built to grow (that is management’s mandate: Perform or get replaced).
- The U.S. and world economies will continue to grow indefinitely with hiccups along the way.
- The most important factors to put in your favor are diversification, time and low costs.
- Diversification lessens the risk that any one investment or asset class will harm you while capturing some of the growth of winning investments.
- Time captures the economy’s tendency to grow and helps you get past the downturns and recessions that occur regularly over time.
- Low investment costs mean more of your money is working for you.
- Investing doesn’t have to be complicated; index investing is among the simplest ways to invest, and today there are also low-cost managed accounts that take care of all the investment decisions for you.

Chuck sums up Schwab’s nearly half-century history this way: We’re a different firm from when I started out but also not so different. The dream of an integrated financial experience for individuals, from banking to brokerage to financial planning and personalized investment advice and everything in between; it is a reality, and we’re integrating the latest technologies and amazing computing power to make it as easy and effective as possible. In many ways, 2004 to the present was the final piece of our development, by moving from being exclusively a transaction specialist to being able to provide personal relationships. And now because of our scale, we can do it while keeping our expenses incredibly low. That puts us in a fabulous competitive position that no other players can match.

Invested: Changing Forever the Way Americans Invest by Charles Schwab will be available nationwide on October 8, 2019. More information is available at aboutschwab.com/invested.
Establish a road map
This is the time to take a high-level view of the retirement you envision—and how to get there.

What to do in the years leading up to the big day.

Paint a picture—and share it: What does retirement mean for you: travel, a passion project, part-time or volunteer work? As you take stock of your goals, discuss them with your spouse or significant other to ensure your expectations are aligned. “It may sound obvious, but this kind of honest and open discussion can make the transition to retirement easier,” Rob says.

Calculate cash flow: On average, retirees spend about 80% of what working households spend on an annual basis, according to the Employee Benefit Research Institute (EBRI). (That said, nearly half spend more in the first few years of retirement than they did in the years immediately preceding it, reports EBRI, as many relocate, travel or pursue long-delayed interests.)

To estimate how much annual income you’ll need from your portfolio only, take the amount you expect to spend in your first year of retirement and subtract pensions, Social Security and other nonsavings sources of income. In terms of savings, a common rule of thumb is to aim for a portfolio that is 25 times the size of that initial portfolio withdrawal by the time you retire to have a high degree of confidence that your savings will go the distance (see “Do the math,” next page).

Make catch-up contributions: In 2019, those age 50 and older can contribute an additional $1,000 a year to their IRAs—and an additional $6,000 to their 401(k) accounts. These so-called catch-up contributions may not sound like much, but they can help turbocharge your retirement savings in the decade leading up to retirement.

Pay down debt: Start with credit-card and other high-interest consumer debt, which unlike a home loan isn’t tax-deductible. “Liabilities are as important as assets when it comes to calculating your net worth and potential income in retirement,” Rob says. “The smaller your liabilities, the more flexibility you’ll have.”

Consider long-term care insurance: According to the Department of Health and Human Services, 70% of those over age 65 will require some kind of long-term care—and the earlier you purchase this type of insurance after age 50, the more cost-effective it is likely to be. (You may be able to obtain even lower premiums before age 50, but you’ll be paying them for longer, potentially defeating the purpose of a lower rate.)

For most of your career, retirement is a distant reality. But beginning about a decade out, there are key steps every future retiree should take to help ensure a smooth transition. “The act of retiring isn’t one and done—it’s a process,” says Rob Williams, CFP® and vice president of financial planning at the Schwab Center for Financial Research. “If you suddenly come to your retirement date without having thought it through, it can be overwhelming.”

So, what are the most important milestones, and when should you tackle them? Here’s a rough timeline and list of what to do before you enter your golden years.

ILLUSTRATION BY MICHELE MARCONI
Dive into the details

“At this point, it’s appropriates to flush out your plan in a little more detail—ideally, with the help of a financial planner,” Rob says.

* Adjust asset allocations: The portfolios of many in their prime working years are heavil y weighted toward stocks, which can decline in value during bear markets. As you approach retirement, however, you have fewer and fewer years to wait out a recovery, which is why it’s important to start mixing more bonds and other fixed income investments into your portfolio. A typical allocation at retirement can be 60% stocks and 40% bonds, revised annually thereafter.

* Look into health care: Since 1970, per capita health care costs have risen nearly 500%, according to the Kaiser Family Foundation. Medicare can cover some costs, but you may still wish to consider Medicare supplemental insurance. In any case, “make sure your retirement date lines up with your Medicare start date—typically age 65,” Rob says. If it doesn’t, you may need to plan for other types of coverage (see “Coming of age,” upper left).

The ideal investment portfolio contains at least 25 times the amount of income you’ll need in your first year of retirement.

\[ \text{Portfolio withdrawal} = \frac{\text{Predictable income}}{25} \]

<table>
<thead>
<tr>
<th>Portfolio withdrawal</th>
<th>$50,000</th>
<th>Target portfolio</th>
<th>$1,250,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictable income (e.g., Social Security, pension)</td>
<td>$40,000</td>
<td>Projected expenses (including taxes)</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

Regardless of when you retire, keep these important dates in mind.

59½: The age at which you can start withdrawing money from your tax-deferred retirement accounts without penalty.*

62: The earliest age at which you can begin receiving your Social Security benefit, though it will be reduced by about 30% compared with your so-called full retirement age (currently 66 but rising to 67 for those born in 1960 or later†). Once you attain full retirement age, every year you wait up to age 70 increases your benefit by 8%.

50% of the amount not taken.

70½: The IRS mandates taking required minimum distributions from your tax-deferred savings accounts. Failing to make these withdrawals incurs a penalty of 50% of the amount not taken.

75: Drill down on your income strategy: In addition to the reliable income from pensions and/or Social Security, consider adding more income-generating investments to your portfolio, including annuities, bonds and dividend-paying stocks. And since few people can survive solely on dividends and interest, most investors would benefit from working with a financial planner to create a multiyear income plan, if they haven’t already done so. That said, limiting the first withdrawal to no more than 4% of your total portfolio (adjusted annually for inflation) can help keep investors from depleting their retirement (see “Built to last,” right).

Revisit cash flow: If catch-up contributions alone won’t adequately close the gap between expenses and income, now’s the time to consider cutting back—and saving more. Paying off mortgage can be a particularly effective strategy, because housing accounts for about a third of total spend ing for those 65 and older, according to the Bureau of Labor Statistics. Delaying retirement or continuing to work part time are also increasingly common strategies. For the decade ending in 2024, the Bureau of Labor Statistics predicts a 53% rise in labor participation among those 65 to 74 years old and an 86% increase for those 75 and older (compared with an increase of 5% for the labor force as a whole during the same period).

Balance your portfolio: A healthy mix of stocks, bonds and cash is important for growth and stability. That said, the more aggressive your portfolio, the greater its potential for growth. Talk to a financial advisor about striking the right balance, depending on your time horizon and appetite for risk.

50%: Adjust asset allocations. The portfolios of many in their prime working years are heavily weighted toward stocks, which can decline in value during bear markets. As you approach retirement, however, you have fewer and fewer years to wait out a recovery, which is why it’s important to start mixing more bonds and other fixed income investments into your portfolio. A typical allocation at retirement can be 60% stocks and 40% bonds, revised annually thereafter.

Direct your attention to the following:

* For Roth accounts, investors must hold the account for at least five years to make tax-free withdrawals. For more details, see msnplanners/home/retirement.html.

Finalize a budget
Now is the time to start tackling specific tasks on a more granular level.

Build a budget: List your current expenses and decide which are necessary—for example, groceries and housing—and which are discretionary, such as eating out, hobbies and travel. Which of the latter would you like to continue in retirement, and which could you live without, if necessary? “Budgeting can be daunting,” Rob says. “But scrutinizing your current spending habits is a great place to start.” In particular, look at your bills over the past year, from housing and utility payments to a line-by-line review of your credit card statements.

Prepare for liftoff
The remaining tasks are oriented toward ensuring a seamless transition from career to retirement.

* Set aside at least a year’s worth of cash: This is what you’ll need, along with income from Social Security or other sources, for everyday expenses throughout the year. If possible, consider allocating another two to four years’ worth of spending needs to cash investments, certificates of deposit, and short-term bonds or bond funds. The more cash you have on hand, the more readily you’ll weather any monetary emergencies without having to sell securities during a downturn.

* Centralize your accounts: Consolidating various accounts can simplify spending and investment. Deposit predictable income into an account for daily use, along with any other cash you’ve set aside. Consider rolling over company 401(k)s into IRAs that can offer lower fees or more investment options.

* Check your dates: Failing to sign up for Medicare in a timely manner can have negative consequences, including a lifetime of higher premiums. By the same token, the longer you wait to claim Social Security, the larger your lifetime benefit will be—up to age 70, past which there is no incremental benefit (see “Coming of age,” upper left).

* Get a second opinion: Double-check your assumptions with a financial advisor.

Post retirement
Keep an eye on assets and evaluate an estate plan.

Unless you have enough reliable income to weather severe market downturns, you may continue to adjust your asset allocation away from equities and toward cash and fixed income. This is also the time to establish an estate plan if you haven’t done so already, or to update your plan if circumstances have changed. And last, with all that work behind you, sit back, relax and enjoy the kind of hard-earned retirement you strove all those years to achieve!

Need help thinking through your transition to retirement? Call your Schwab financial consultant today.

See page 46 for important information. Examples provided are for illustrative purposes only, and not intended to be reflective of results you can expect to achieve. (0819-STUG)
Tough Talk

Creating an estate plan is a start—but sitting down with family is a crucial next step.
A retired Phoenix couple in their mid-70s thought they were all set. A decade earlier, they’d put together an estate plan and set up a trust for their three children to direct the distribution of their assets. What they didn’t realize was that they were missing a critical next step—communicating those plans to family.

“In the course of discussing the finer points of their estate plan, it came to light that they hadn’t communicated any of their plans to their loved ones,” says Anna Sinatra, a Phoenix-based financial planner in Schwab’s Wealth Strategies Group. “The truth is, these often-overlooked conversations can be as integral to an estate plan’s ultimate success as the legal documents that underpin them.”

Anna’s clients are far from unique. “There’s often an aversion to sharing such highly personal financial and health care information, even with family,” says Tate Matthews, a Denver-based Schwab wealth strategist. Indeed, more than half the respondents to Care.com’s 2016 Senior Care Survey hadn’t discussed senior-care issues—including finances, health care and end-of-life decisions—with their loved ones.

“In my experience, the more assets, the more reluctant people are to share information,” adds Mark Pocelli, a Schwab wealth strategist in New York City. “I’ve heard some clients say they don’t want to foster a sense of entitlement, and others who simply want to avoid uncomfortable conversations, like why they decided to leave more to a struggling child rather than an equitable distribution among the beneficiaries.”

Although the families they work with have various reasons for not wanting to have such discussions, Anna, Tate and Mark—with a combined 50 years’ worth of experience helping clients to create and preserve wealth—deliver the same piece of advice: Sharing your estate plan with your heirs, however uncomfortable, can avoid confusion, litigation and, perhaps most of all, mismanagement of your estate and end-of-life care.

“The key to navigating such conversations, Anna says, is to plan ahead. As you prepare to downshift with loved ones, she suggests thinking through some key questions in advance:

- Who is your estate executor and/or trustee—and have you already appointed them of your plans?
- Who are your heirs—and have you discussed the terms of your will or trust with them?
- If you’re leaving money to minor grandchildren, have you discussed your plans with their parents?
- Are there special circumstances—such as providing for a spouse from a second marriage or having to divide assets among competing heirs—that might cause conflict?
- Have you planned for incapacity, including who will step in if you’re unable to manage your financial or medical affairs yourself?
- What, if any, long-term-care plans have you made?

If you’re unable to answer any or all of these questions, make sure to get to the bottom of them before you broach the subject with your family. “In some cases, such as unequal inheritances—might be more challenging to address than others, Anna says, so it’s best to start small and work your way up to the potentially thornier subjects. “It’s a lot to address all at once, so it’s more likely to be successful as a series of conversations,” Anna says. Be that as it may, the sooner you discuss these important issues, the sooner everyone involved can air their concerns, reach conscious and achieve the peace of mind that comes from putting one’s preferences on paper. “As tough as these discussions can be, I’ve found that, by and large, it’s worth the effort,” she says.

“An informed ally”

Inherent in the questions above is the need for a durable power of attorney, which designates an individual authorized to conduct broad financial and legal affairs on behalf of those no longer capable of doing so themselves. Once you decide to sit down with loved ones, it can be a family member or any trusted individual—it’s important to discuss the responsibilities of the role and outline the scope of your financial and legal situation.

“I’ve seen estates where the heirs simply weren’t aware of all the various accounts,” Mark says. “This could result in a longer and more costly estate settlement. Also, assets can go missing, especially when there isn’t a thorough cataloging of a family’s finances.”

Whether or not a family decides to disclose to heirs precisely how much is in each account—or even the overall value of the estate—is beside the point. Mark says. The important thing is to chronicle each asset, have a method for providing access, and, of course, ensure you’ve properly named a beneficiary or beneficiaries for each and every account.

Tate says it can also be helpful to provide a family member with access to a parent or grandparent’s accounts to prevent cases of elder fraud. “Numerous times I’ve seen a financial institution thwart a potentially disastrous situation because they were able to reach out to someone with a durable power of attorney who could step in as an advocate for the account holder,” he says. “Having an informed ally can be in its own powerful form of protection.”

Whether you have a durable power of attorney or not, Schwab recommends you designate a trusted contact who can answer questions about your account. “There are times when a firm is suspicious financial exploitation, diminished capacity, or other unusual or suspicious circumstances,” (See schwab.com/trustedcontact for more information.)

On par with a durable power of attorney for financial issues is a durable power of attorney for health care, which authorizes an individual to make medical decisions on behalf of those who become mentally or physically incapacitated.

Anna says many of her clients go so far as to establish an advanced health care directive, which states in no uncertain terms what life-saving treatments a person will and will not accept should they become unable to speak for themselves. That said, it’s better to make your power of attorney—and, in turn, your family—aware of your wishes long before the need arises. “I like to think of durable powers of attorney—be they for financial and legal affairs or for health care issues—as advocates,” Anna says. “And the more informed they are, the more effective they can be.”

“A trigger that gets people talking”

In theory, there’s no wrong time to detail your assets to those with a stake in their eventual distribution. But in practice, many procrastinate until unforeseen circumstances spur them to take action. For a client of Tate’s, it was when she was preparing to undergo chemotherapy.

“Usually there’s a trigger that gets people talking,” Tate says. “However, planning your estate under extreme stress isn’t ideal. Such potentially fraught conversations can be complicated enough without adding crisis to the equation.”
Your finances live in many places, but now you can view them all on one site.

See both Schwab and outside accounts with your customized portfolio overview on schwab.com.

Try it now:

1. Log in to your account on schwab.com.

2. At the bottom of your Account Summary page, click “Add a Non-Schwab Account” to get started.

How it works:

A single view. Combine your view of Schwab and non-Schwab accounts within the schwab.com Account Summary page.

Customize your experience. Choose which accounts appear in your Personal Value chart and Positions section.

Monitor your investment allocations. Non-Schwab accounts can also be included in tools like Portfolio Checkup, so that you can check asset allocations across your whole portfolio—regardless of where your accounts are held.

Our commitment to security. Schwab uses advanced encryption and has read-only access to your outside accounts.

NEXT STEPS
To see all your financial accounts in one place, log in to schwab.com today.

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. Schwab does not provide investment advice or guidance with regard to assets held in accounts outside of Schwab. For more information about linking non-Schwab accounts, including terms of use, please visit: schwab.com/aggregationterms. 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. Examples provided are for illustrative purposes only and not intended to be reflective of results you can expect to achieve. (0819-9GDG)
A dedicated team will collaborate with you to help you achieve your financial goals—now and as they evolve in the future.

Successfully managing your wealth takes work. You make a plan to achieve your goals: Retirement. Education. Home. Travel. You build a globally diversified portfolio offering the right mix of growth opportunities and income to get you there. You keep an eye on the markets. You monitor your portfolio to make sure it's on track. You adjust your plan as the years go by, your financial situation changes, new goals arise, and the markets have their say.

It can be a lot for one person to manage. Fortunately, you don't have to. Schwab Private Client is here to help.

It takes a team

With Schwab Private Client you work with a team that will create, monitor and adjust a personalized wealth management plan that covers not just your retirement and savings goals, but also areas such as estate and legacy planning. Your team consists of:

- **Your Financial Consultant**, who will continue to manage your overall relationship with Schwab, evaluate your long-term financial goals, and provide personalized advice and guidance to help achieve them.

- **Your dedicated Private Client Advisor**, who will develop your wealth management plan, give advice on your portfolio, and make buy and sell recommendations. As needed, your Private Client Advisor may also bring in members of Schwab’s Wealth Strategies Group, who may provide consulting support in areas such as fixed income, equity compensation and estate planning.

- **Your Associate Private Client Advisor**, who handles your service needs, including cash deposits and withdrawals and transfers between accounts, and can provide documents for matters such as power of attorney and beneficiary designations.

Once you've got a plan, your team will actively monitor your portfolio and suggest adjustments as your needs—and as market conditions—evolve.

You're in control

After evaluating your Schwab Private Client team's recommendations, you'll make all final investing decisions. And your team will periodically meet with you to help you stay on track.

Minimums and fees

The investment minimum is $500,000. The annual fee starts at 0.80% and the fee rate decreases at higher asset levels.

See page 46 for additional offer information. Please read the Schwab Private Client and the Schwab Private Client Investment Advisory, Inc. Disclosure Brochures for information and disclosures about this service. The Private Client Advisor, Associate Private Client Advisor, and other representatives making investment recommendations in your Schwab Private Client accounts are employees of Schwab Private Client Investment Advisory, Inc. (“SPCA”). Schwab Private Client (“SPC”) is a non-discretionary investment advisory service sponsored by Charles Schwab & Co., Inc. (“Schwab”). Schwab Private Client Investment Advisory, Inc. (“SPCIA”) is a Registered Investment Advisor and provides portfolio management for the SPC service. Schwab and SPCIA are affiliates and are subsidiaries of The Charles Schwab Corporation. (0819-9GR3)
Streamlined, Simple & Convenient

Meeting your investing goals just got a little easier with the launch of our redesigned Account Summary page and All-in-One Trade Ticket. Now, you can monitor your investments, make trades and more, all with just a few clicks. Here’s how these features can help you maximize your online experience:

1. **All-in-One Trade Ticket**

   With the All-in-One Trade Ticket on schwab.com, you can buy and sell stocks, ETFs and more—quickly and conveniently. Log in to schwab.com and click “Trade” in the top navigation menu to:

   1. View recently searched symbols, your open positions in the security and the buying power of your displayed accounts.
   2. Set up market, stop, limit and stop-limit orders, as well as advanced orders such as trailing stops.
   3. Get clear explanations on topics including order timing, order types and buying power with a single click.
   4. Access tools like the Trade & Probability Calculator to help guide your trading decisions.

2. **Account Summary page**

   This customizable page offers you a comprehensive look at your portfolio value, investment status, and relevant news and updates. Simply log in to schwab.com for a powerful view into your finances:

   1. See your total account values—and add your non-Schwab accounts—for a holistic overview.
   2. Drill down on specific accounts to access data on price change, market value and more.
   3. Review your holdings, easily monitor the status of your orders and quickly access next steps.
   4. Keep track of the latest market and financial news tailored to your specific holdings.

4. **NEXT STEPS**

   Log in to schwab.com today to customize your Account Summary page and explore the All-in-One Trade Ticket.

See page 46 for important information. (0819-9ETU)
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.

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

**Pg. 2, 18:** Investing involves risk, including loss of principal.

**Pg. 3:** Brokerage Products: Not FDIC-Insured · No Bank Guarantee · May Lose Value • 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. Portfolio management services are provided by Charles Schwab Investment Advisory, Inc. (“CSIA”). Schwab and CSIA are subsidiaries of The Charles Schwab Corporation.

**Pg. 5–6:** 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.

**Pg. 6:** Investors should consider, before investing, whether the investor’s or designated beneficiary’s home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available in such state’s qualified tuition program.

**Pg. 8:** Tax-exempt bonds are not necessarily a suitable investment for all persons. Information related to a security’s tax-exempt status (federal and in-state) is obtained from third parties and Schwab does not guarantee its accuracy. Tax-exempt income may be subject to the Alternative Minimum Tax (AMT). Capital appreciation from bond funds and discounted bonds may be subject to state or local taxes. Capital gains are not exempt from federal income tax.

**Pg. 8, 13–14, 20–21, 26–29:** The Schwab Center for Financial Research is a division of Charles Schwab & Co., Inc.

**Pg. 8, 18:** Past performance is no guarantee of future results.

**Pg. 16–17, 18:** Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market.

**Pg. 34–37:** 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.

**Pg. 44–45:** Clients should periodically review their Schwab and other account statements. • The information may not be a complete listing of a client’s Schwab holdings and may include outside holdings. For a complete listing of Schwab holdings, clients should review their most recent account statements or the “Positions” section on schwab.com.

**Index definitions:**

The S&P 500® Index is a market-capitalization weighted index that consists of 500 widely traded stocks chosen for market size, liquidity and industry group representation. • The MSCI KLD 400 Social Index is a capitalization weighted index of 400 US securities that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes companies whose products have negative social or environmental impacts. The parent index is MSCI USA IMI, an equity index of large, mid and small cap companies. The Index is designed for investors seeking a diversified benchmark comprised of companies with strong sustainability profiles while avoiding companies incompatible with values screens. Launched in May 1990 as the Domini 400 Social Index, it is one of the first SRI indexes. Constituent selection is based on data from MSCI ESG Research.

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. (0819-98YK)
IS YOUR FIXED INCOME TRULY FIXED INCOME?

Even in volatile markets, fixed income strategies should aim to deliver the essentials: diversification, income and risk management. Does yours? At MFS®, we’ve held an unwavering belief in Essential Fixed Income — our focus on rigorously researched credit that’s guided us for over 40 years.

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 3/31/19, 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 transaction fee 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.
as your doctor ever prescribed a remedy before hearing your symptoms? I certainly hope not, because that’s not the way medicine works—and it’s not the way personal finance should work, either.

We believe the best financial advice addresses your specific circumstances. And in order to do that, we must first ask questions. How long before you need to spend the money? How does it fit within your portfolio of other financial assets? How comfortable are you with risk? We can’t possibly match you with the right solutions if we don’t know something about your goals and other details that make you unique.

At Schwab, listening—really listening—has always been a top priority. If you’re looking for informed, unbiased financial advice tailored to your specific needs, come talk to us. We’re here to help.

Charles R. Schwab
Founder & Chairman

See page 46 for important information. (0819-934B)
Schwab Bank’s Pledged Asset Line® is a flexible, non-purpose line of credit* that lets you leverage the value of your portfolio. Quickly and conveniently access the funds you need while helping maintain your investing strategy.

Looking for a smarter way to borrow?

Flexible. Line amounts from $100,000 (required minimum initial advance of $70,000).

Convenient. Quick lending decisions with no application fees.

Affordable. Competitive rates with no set-up fees.

*A non-purpose line of credit may not be used to purchase securities, pay down margin loans, or be deposited into any brokerage account. Proceeds must be used for a lawful personal, commercial, or business purpose under state, federal, or other applicable law.

Important details: Entering into a Pledged Asset Line and pledging securities as collateral involve a high degree of risk. Before you decide to apply for a Pledged Asset Line, make sure you understand the risks.

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

Schwab Bank requires that the assets pledged as collateral for the Pledged Asset Line be held in a separate Pledged Account maintained at Charles Schwab & Co., Inc. (“Schwab”). Schwab Bank, in its sole discretion, will determine at any time the eligible collateral criteria and the loan value of collateral.

This offer is subject to change or withdrawal at any time and without notice. Nothing herein should be interpreted as imposing an obligation to lend. Pledged Asset Lines are subject to credit and collateral approval. Other conditions and restrictions may apply.

Entering into a Pledged Asset Line and pledging securities as collateral involve a high degree of risk. At any time, including in the event that the loan value of collateral is insufficient to satisfy the minimum loan value of collateral or to support the outstanding loans, Schwab Bank may demand immediate payment of all or any portion of the outstanding obligations, or require additional cash or securities to be added to the Pledged Account maintained at Charles Schwab & Co., Inc. If a Demand is not addressed, the pledged securities may be immediately liquidated without further notice to you, which may result in tax consequences.

Charles Schwab & Co., Inc. and Charles Schwab Bank are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Brokerage products, including the Pledged Account, are offered by Charles Schwab & Co., Inc., Member SIPC, and 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. Deposit and lending products, including the Pledged Asset Line, are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender. Charles Schwab Bank is not acting as registered as a securities broker-dealer or investment advisor.

©2019 Charles Schwab Bank. All rights reserved. Member FDIC. Equal Housing Lender. CC2471459 (0819-9FY1) ADP106597-00 (05/19)
SCHWAB INTELLIGENT PORTFOLIOS PREMIUM™

Introducing subscription-based financial planning.

Welcome to automated investing with unlimited financial planning help from a CERTIFIED FINANCIAL PLANNER™ professional, now with a monthly subscription fee.

Learn more at schwab.com/portfoliospremium.