



INVESTMENT
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News Release

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SCHWAB LAUNCHES TARGET DATE MUTUAL FUNDS CONSTRUCTED WITH SCHWAB ETFs™ AND PRICED AT NEW INDUSTRY LOW

Schwab Target Index Funds available to retirement plans of all sizes at 8 basis points with no minimums, and to individual investors at 13 basis points with just \$100 minimum

SAN FRANCISCO, August 25, 2016 — Charles Schwab Investment Management ([CSIM](#)), a leader in both target date funds (TDFs) and exchange-traded funds (ETFs), announced today the launch of [Schwab Target Index Funds](#) – a new series of index-based target date mutual funds constructed with low-cost Schwab ETFs™ as underlying investments. The new funds are the lowest-cost target date mutual funds available to employer-sponsored retirement plans, with an across-the-board expense ratio of just eight basis points (0.08%) and no minimum investment requirements regardless of plan size¹. Until now, receiving the most competitive pricing on target date funds could require a \$100 million minimum investment or more from retirement plans.

Outside of retirement plans, Schwab Target Index Funds are also among the lowest-cost target date mutual funds available to individual investors at 13 basis points (0.13%) with only a \$100 minimum investment¹.

The new series includes funds with target retirement dates between 2010 and 2060 in five-year increments. A complete list of Schwab target date mutual funds, including the new funds and their ticker symbols, can be found [here](#).

Schwab Target Index Funds are an important addition to Schwab's well-established TDF suite, first launched in 2002, which includes mutual funds and collective trust funds, open architecture construction and active and passive strategies.

"Today marks an important day of democratization for employers, retirement plan participants and self-directed individual investors," said [Marie Chandoha](#), president and chief executive officer of Charles Schwab Investment Management. "With Schwab Target Index Funds, every retirement plan gets the same low price with no investment minimums. That means plan participants no longer have to pay for a more expensive target date fund just because they work at a smaller company. On the retail side, we're proud to offer individual investors a professionally managed retirement solution at an exceptionally low price. As the latest example of Schwab's long history of driving down costs, these new funds are important milestones for our industry, and great news for retirement savers."

Cost Matters

The underlying assets in Schwab Target Index Funds are primarily Schwab's market-cap index ETFs, each of which has the lowest operating expenses in its respective Lipper category². It is the result of this construction that allows CSIM to offer the new funds at such low prices.

The impact of keeping expenses down is enormous, especially for products designed to be held over a long period of time. To demonstrate that point, CSIM has released a [short motion graphic](#) illustrating how lower fees alone can mean a significant increase in savings at retirement.

Retirement plan participants appear to understand the impact of cost. [New data from Schwab](#) finds fees are top of mind when workers choose to invest in their plan's TDFs, second in importance only to the fund's 5-year performance record³.

"At a time when some asset managers are inundating investors with confusing, complex products, we're experiencing greater demand for our straightforward, transparent products that deliver great value on their own or with professional management built in," said Chandoha. "Schwab ETFs function as key ingredients we draw on to develop affordable managed solutions like Schwab Target Index Funds. We think this is uniquely powerful and relevant against the backdrop of changing client expectations."

A Consistent Glidepath

The asset allocations in Schwab Target Index Funds are adjusted annually and become more conservative over time according to a predetermined "glidepath." This reflects both the need for reduced investment risk as retirement approaches and the need for income after retiring. Since CSIM launched its first set of target date funds in 2002, all Schwab TDFs, including this new series, have used a consistent glidepath approach that continues not just to – but through – the anticipated retirement date.

At its starting point, the glidepath for the longest-range fund (Schwab Target 2060 Index Fund), begins with an asset mix of approximately 95% equity, 5% fixed income, cash and cash equivalents. At their target retirement dates, each fund reaches approximately 40% equity, 60% fixed income, cash and cash equivalents. Each fund then continues reducing its equity allocation for an additional twenty years to reach its most conservative and final allocation of approximately 25% equity, 75% fixed income, cash and cash equivalents.

"Our new Schwab Target Index Funds provide automatic diversification and ongoing professional management at remarkably low prices," said Jake Gilliam, senior multi-asset class portfolio strategist at CSIM. "Coupled with our long track record, we believe these new funds will have strong appeal to employers, retirement plan participants and individual investors."

Visit the [CSIM website](#) for more information about the new Schwab Target Index Funds as well as Schwab Target Funds, which use a passive/active strategy.

Fees also lowered on Schwab Bank Collective Trust Index TDFs

Schwab also offers TDFs as [collective trust funds](#) (CTFs), and makes them available exclusively to 401(k) plans and other qualified retirement plans through Charles Schwab Bank.

Among them are [Schwab Indexed Retirement Trust Funds™](#) (SIRT), which offer passive, index-based strategies. Effective November 1, 2016, plan sponsors also will be able to access the SIRT funds for eight basis points (0.08%) with no minimum investment required, which aligns with the pricing of the new mutual fund Schwab Target Index Funds.

Schwab Bank also offers collective trust TDFs that use a blend of active and passive sub-advised strategies, the [Schwab Managed Retirement Trust Funds™](#) (SMRT). Plan sponsors and their advisors can learn more about all of Schwab Bank's collective trust funds at www.schwabbankfunds.com.

About Charles Schwab Investment Management

Founded in 1989, Charles Schwab Investment Management, Inc. (CSIM), a subsidiary of The Charles Schwab Corporation, is one of the nation's largest asset management companies, with more than \$280 billion in assets under management as of 6/30/16. It is among the country's largest money market fund managers and is the third-largest provider of index mutual funds⁴. CSIM currently manages 88 mutual funds, in addition to two separate account model portfolios and 21 ETF offerings , and provides non-discretionary advisory services to the Charles Schwab Bank Collective Trust Funds.

More information is available at www.csimfunds.com.

About Charles Schwab

At Charles Schwab we believe in the power of investing to help individuals create a better tomorrow. We have a history of challenging the status quo in our industry, innovating in ways that benefit investors and the advisors and employers who serve them, and championing our clients' goals with passion and integrity.

More information is available at www.aboutschwab.com. Follow us on [Twitter](#), [Facebook](#), [YouTube](#) and [LinkedIn](#).

Disclosures

¹ Based on net expense ratios for all target date mutual funds in their respective Morningstar Categories as of 8/11/2016. There is no minimum investment requirement for employer-sponsored retirement plans (including, but not limited to, profit sharing, 401(k), 403(b), 457(b) and defined benefit plans). For individual investors, the minimum initial investment for the fund is \$100 for Investor Shares and \$10,000,000 for Institutional Shares.

² This claim is based on prospectus expense ratio data comparisons between Schwab Market-Cap ETFs and non-Schwab Market-Cap ETFs in their respective Lipper categories. A Schwab Market-Cap ETF is determined to be the lowest in its Lipper Category if its expense ratio is equal to or lower than the lowest expense ratio of any non-Schwab Market-Cap ETF in that category. Securities in Market-Cap ETFs are selected and weighted based on the size of their market capitalization. Expense ratio data for both Schwab and non-Schwab Market-Cap ETFs was obtained from Strategic Insight Simfund as of 06/30/16. ETFs in the same Lipper category may track different indexes, have differences in holdings, and show different performance. Competitors may offer more than one ETF in a Lipper category. Expense ratios are subject to change.

³ 2016 401(k) Participant Survey conducted by Koski Research, Inc. on behalf of Schwab Retirement Plan Services, Inc. August, 2016.

⁴ Source: Strategic Insight, 12/31/15.

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can view and download a prospectus by visiting www.csimfunds.com/prospectus. Please read the prospectus carefully before investing.

Charles Schwab Investment Management, Inc. ("CSIM"), the investment advisor for Schwab's proprietary 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.

Schwab ETFs are distributed by SEI Investments Distribution Co. ("SIDCO"). SIDCO is not affiliated with The Charles Schwab Corporation or any of its affiliates.

The funds are subject to market volatility and risks associated with the underlying investments. Risks include exposure to international and emerging markets, small company and sector equity securities, and fixed income securities subject to changes in inflation, market valuations, liquidity, prepayments, and early redemption.

The values of the funds will fluctuate up to and after the target dates. There is no guarantee the funds will provide adequate income at or through retirement.

Target date fund asset allocations are subject to change over time in accordance with each mutual fund's prospectus.

The Schwab Managed Retirement Trust Funds™ and the Schwab Institutional Trust Funds® are collective trust funds maintained by Charles Schwab Bank, trustee of the Funds. The Charles Schwab Bank collective trust funds are not insured by FDIC or any other type of deposit insurance; are not deposits or other obligations of, and are not guaranteed by Charles Schwab Bank or any of its affiliates; and involve investment risks, including possible loss of principal invested. The Funds are not mutual funds, and their units are not registered under the Securities Act of 1933, as amended, or applicable securities laws of any state or other jurisdiction. The Funds are not sold by prospectus and are exempt from registration under the Investment Company Act of 1940, as amended, or other applicable law, and unit holders are not entitled to the protections of the 1940 Act. As more specifically defined in the Funds' Declaration of Trust and Participation Agreement documents, the Funds are available for investment by (i) retirement plan trusts that qualify for exemption from federal income tax pursuant to Section 501(a) of the Internal Revenue Code ("Code") because they are qualified under Section 401(a) of the Code, (ii) eligible governmental plans under Section 457(b) of the Code which are exempt from tax under Section 457(g) of the Code, or (iii) group trusts which consist solely of the assets of these types of plans. The decision to invest in the Funds should be carefully considered. The unit values for the Funds will fluctuate, and investors may lose money.

The Schwab Bank Collective Trust Funds select investments based on advice received from or products offered by industry-recognized investment management firms ("sub-advisors"). The Funds access strategies through various investment vehicles including, but not limited to, collective trust funds, separate accounts, mutual funds, and exchange-traded funds. Exposure to some strategies may be indirect through the investment in other Schwab Bank Collective Trust Funds.

The Charles Schwab Corporation provides services to retirement and other employee benefit plans and participants through its separate but affiliated companies and subsidiaries: Charles Schwab Bank ("Schwab Bank"); Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc. ("CSIM"); and Windhaven Investment Management, Inc. Trust and custody products and service are offered by Schwab Bank. Brokerage products and services are offered by Charles Schwab & Co., Inc. (Member [SIPC](#)). Schwab Retirement Plan Services, Inc. provides recordkeeping and related services to retirement plans. CSIM provides investment research, advisory and fund administration services to Schwab Bank and the Funds. Windhaven Investment Management, Inc. ("Windhaven") provides investment advisory services to the Diversified Allocation collective trust funds. CSIM and Windhaven are investment advisers registered with the Securities and Exchange Commission.

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