

# News Release

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## **SCHWAB INSTITUTIONAL READIES TWO NEW TRUST SERVICES TO HELP ADVISORS WIN AND RETAIN ASSETS**

**LAS VEGAS, Oct. 29, 2007** — Schwab Institutional, a leading provider of custodial, operational and trading support for independent investment advisors, today announced its new line-up of trust services for independent Registered Investment Advisors (RIAs).

The new services were introduced to advisors at the IMPACT<sup>®</sup> 2007 conference in Las Vegas, where Schwab is celebrating its 20<sup>th</sup> anniversary serving the independent advisor industry.

Both new services are designed to help advisors retain the management of trust assets. Independent RIAs have estimated that as much as 80% of their current assets under management will end up in trusts within the next 10 years\* as growing numbers of baby boomers prepare to transfer their wealth to the next generation and reduce estate taxes. The ability to serve clients as these trusts are being created enables them to establish relationships with the next generation. Banks have traditionally had a stronghold in the trust arena, but more advisors are recognizing that trusts are the gateway to managing the total wealth of their affluent clients: more than 28% of Schwab Institutional's total assets are in trusts, up 27% from the prior year (as of September 2007).

"The stakes are high for advisors," said Cathy Clauson, vice president of Schwab Institutional. "There was more than \$3.3 trillion in trust accounts as of 2005, and that number is expected to more than double by 2010\*\*. Much of the great wealth transfer that is expected in the next 20 years will flow into trusts."

The new trust services are designed specifically for advisors, whose needs vary based on who the trustee is on the trust account. The Personal Trust Reporting Services will help advisors manage assets when an individual or family member is serving as trustee on an irrevocable trust. The Charles Schwab Bank will be offering an administrative or directed trustee option (pending regulatory approval) for advisors who manage accounts that require a corporation to act as trustee. Both these offers support the advisor in their core competency of managing the client relationship and the investment management of these trust assets.

Schwab's new custom-built Personal Trust Reporting Service enables advisors to offer a fully integrated trust accounting and trading platform for their clients who act as trustees, eliminating the need to access multiple systems with:

- Principal and income reporting and trust accounting
- Separate, periodic trust reports
- Tax lot accounting
- Scheduled payment to beneficiaries (calculated and fixed)
- Recordkeeping for personal tangible property owned by the trust, not held by Schwab Institutional
- Tax worksheet creation and optional tax preparation



“Advisors need an efficient, scalable trust solution that helps them deliver the high level of service their clients expect without changing the way they do business,” said Clauson. “By providing individual trustees with complex accounting, recordkeeping and reporting for trust accounts, we are helping advisors win and retain assets even as they are transferred from generation to generation.”

Schwab began testing its new Personal Trust Reporting Service with advisors in March; since then, more than \$100 million has flowed through the system.

According to Marr Leisure of Leisure Capital Management, who has been using the service since March, "Trustees have been relying on simplistic brokerage statements that fail to report cost basis and income distributions correctly. The needs of the income beneficiary and remaindermen are different, and Schwab's service ensures that expenses and fees are properly allocated, adding a level of sophistication that reduces potential conflicts and enables advisors to better serve the next generation."

For advisors who wish to work with Schwab as a corporate or directed trustee, the new Administrative Trustee Service\*\*\* enables them to focus on investment management while Schwab Bank handles the administrative fiduciary duties of the trust. The same fully integrated trust accounting and trading platform offers:

- Favorable trust status
- Principal and income distributions
- Accounting and recordkeeping
- Preparation and filing of federal and state taxes and distribution of K-1s to beneficiaries

Charles Schwab & Co., Inc. and Charles Schwab Bank are separate but affiliated companies and wholly owned subsidiaries of The Charles Schwab Corporation. Charles Schwab Bank Personal Trust will be a division of Charles Schwab Bank and is pending regulatory approval. Charles Schwab Bank Personal Trust will serve as administrative trustee of trusts, the investments of which are managed by independent investment advisors. Schwab Institutional will provide custody securities brokerage, trust accounting and related back office services to Charles Schwab Bank Personal Trust in connection with the Bank's Administrative Trustee service.

### **About Schwab Institutional**

Schwab Institutional is a leading provider of custodial, operational and trading support for independent investment advisors. Since 1987, Schwab Institutional has supported independent investment advisors by offering support and services to help grow their businesses and help their clients reach their financial goals. As of September 30, 2007, client assets custodied with Schwab Institutional stood at \$581 billion. These assets, managed by the approximately 5,500 independent advisor firms Schwab Institutional currently serves, represent approximately one-third of total client assets custodied with The Charles Schwab Corporation. Brokerage products offered by Schwab Institutional are not FDIC insured, are not guaranteed deposits, and are subject to investment risk, including the possible loss of principal invested. Schwab Institutional is a division of Charles Schwab & Co., Inc.

### **About Charles Schwab**

The Charles Schwab Corporation (Nasdaq: SCHW) is a leading provider of financial services, with more than 306 offices and 6.9 million client brokerage accounts, 1.2 million corporate retirement plan participants, 212,000 banking accounts, and \$1.4 trillion in client assets. Through its operating subsidiaries, the company provides a full range of securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member SIPC, <http://www.sipc.org>), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; referrals to independent fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through its Schwab Institutional division. The Charles Schwab Bank, N.A. (member FDIC) provides banking and mortgage services and products. CyberTrader®, Inc. (member SIPC,

<http://www.sipc.org>) is an electronic trading technology and brokerage firm providing services to highly active, online traders. More information is available at [www.schwab.com](http://www.schwab.com). (1007-1500)

\* Franklin Templeton white paper, January 2007

\*\* Advisor News article on estate planning, June 2006

\*\*\* Administrative Trustee Services provided by Charles Schwab Bank Personal Trust Division pending regulatory approval.

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