

News Release

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SCHWAB INSTITUTIONAL REPORT OFFERS GUIDANCE TO INDEPENDENT ADVISORS RECRUITING FINANCIAL PROFESSIONALS

SAN FRANCISCO, May 1, 2006 — As independent Registered Investment Advisors (RIAs) attract more interest – and assets – from affluent investors, these advisors are bolstering their ranks by attracting experienced wirehouse and institutional advisors to their firms. New industry research produced by Schwab Institutional in collaboration with Moss Adams LLP, “*Recruiting Advisors Transitioning to Independence*,” helps RIA firm principals identify, evaluate and successfully recruit experienced Advisors Transitioning to Independence (ATIs).

The new Schwab Institutional report examines an increasingly viable option for those advisors interested in the independent model: joining an existing RIA firm. It is designed to serve as a reference guide for successfully integrating ATIs into existing RIA firms and includes strategies for each stage of the process, including identifying ideal candidates, conducting negotiations, and managing the transition into a firm. The report also takes an in-depth look at the considerations involved in offering partnership or employment to a potential candidate.

“RIAs are experiencing rapid growth, but this momentum is not without its own challenges,” said Deborah D. McWhinney, president of Schwab Institutional. “It can be very difficult to find the right talent to help achieve their business objectives. Seasoned advisors who are transitioning to independence can be an incredible asset to a firm from day one; often they have a wealth of experience that can complement and enhance an RIA’s practice.”

McWhinney also noted that due to the volume of changes occurring in the financial services industry and the increased appeal of the independent RIA model, there is significant opportunity for RIAs to connect with advisors who might be interested in joining their practice¹. Approximately 14,000 financial advisors move from one firm to another every year. A growing number of these advisors are choosing to become independent RIAs, as indicated by the 21% increase between 2003 and 2004².

Plug and Play

The report reveals that ATIs are primarily interested in joining established RIA firms because they offer benefits of independence combined with a platform and other resources already in place. The report gives detailed guidance on:

- Why ATIs may consider joining an existing RIA firm rather than establishing their own practice.

¹ Cerulli Quantitative Update, Intermediary Markets 2004, McKinsey Representative Survey 2004, SIA Report on Production and Earnings of Registered Representatives

² Cerulli Quantitative Update, Intermediary Markets 2004

- What criteria should be used for determining whether an ATI should join as an owner or an employee, including tactics for structuring competitive compensation.
- How to manage existing employee expectations during and after the recruiting process.
- The ins-and-outs of negotiating an ownership transaction, such as valuing a book of business to determine equity, setting up owner rights, and compensation issues.

In addition to the report, Schwab Institutional will offer two webcasts on June 1, 2006 as part of its ongoing series, "Your Path to Independence". The first, "Recruiting Advisors Transitioning to Independence," will provide an overview of the market opportunity presented by ATIs to existing RIA firm principals. The second, "Joining an Independent RIA Firm," will help ATIs understand the benefits and considerations of joining an RIA firm versus starting their own.

Schwab's local salespeople work closely with advisors who are considering the independent model to help determine and transition to the best possible path, whether that is joining an existing firm or starting their own practice. This includes connecting advisors with industry experts who specialize in the legal, compliance, technology, and general logistic issues that new RIAs should consider. Schwab Institutional also has a formal Advisor Transition program that guides existing RIA clients through succession planning and mergers and acquisitions. The transition capabilities include a job posting site that allows advisors to advertise openings and for candidates to post resumes.

"*Recruiting Advisors Transitioning to Independence*" is the latest in a series of Schwab Market Knowledge Tools™ (MKT) reports, an ongoing series of industry research, white papers and guides from Schwab Institutional designed to keep investment advisors on the forefront of industry trends and competitive challenges. Offered exclusively to Schwab Institutional clients, the MKT reports deliver relevant and timely information for future business planning.

About Schwab Institutional

Schwab Institutional, a division of Charles Schwab & Co. Inc., is a leading provider of custodial, operational and trading support for independent fee-based investment advisors. Client assets custodied with Schwab Institutional increased 25 percent to \$439 billion between March 2005 and March 2006. These assets, managed by the approximately 5,000 independent advisor firms Schwab Institutional serves, represent approximately one-third of total customer assets custodied with The Charles Schwab Corporation as of March 31, 2006. For more information, visit www.aboutschwabinstitutional.com.

About Charles Schwab

The Charles Schwab Corporation (NASDAQ: SCHW) is a leading provider of financial services, with more than 330 offices, 6.7 million client brokerage accounts, 512,000 401(k) plan participants, 175,000 banking accounts, and \$1.3 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>), offers 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. The company's other operating subsidiaries include U.S. Trust Corporation (member FDIC) and CyberTrader®, Inc. (member SIPC, <http://www.sipc.org>). More information is available at www.schwab.com. (0506- 5984)

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