



# Advisor Services Money Fund Sweep Feature Eligibility Requirement Updates

Frequently Asked Questions August 2015

## **Q: What change is Schwab making?**

**A:** As a reminder, we updated our Household Balance eligibility thresholds for the Money Fund Sweep feature in October 2014. In order to have the Money Fund Sweep feature as the cash feature for an account, the investor must maintain a minimum Household Balance of \$500,000. Clients who do not maintain this Household Balance are not eligible for the feature. In September 2015, we will expand the eligibility requirements for the Bank Sweep feature to include accounts opened prior to October 1, 2014, that are not eligible for the Money Fund Sweep feature. On or after December 1, 2015, Schwab will change the cash feature for all client accounts that do not meet the Household Balance eligibility minimum from the Money Fund Sweep feature to the Bank Sweep feature.

## **Q: Can I change my clients' cash feature from the Money Fund Sweep feature to the Bank Sweep feature prior to December 1, 2015?**

**A:** Yes, you have the option to contact your relationship manager or service team before September 10, 2015, in order to change your clients' cash feature to the Bank Sweep feature.

## **Q: How does Schwab determine a Household?**

**A:** Schwab will make a reasonable effort to link qualified accounts of persons with the same last name at the same home address. Schwab may link other accounts upon a client's request if account holders are in the same family, if there is a dependent relationship, or in certain other, similar instances at Schwab's discretion. Schwab is not responsible for identifying accounts that are eligible to be linked for purposes of determining a Household. For more information, please contact your relationship manager or service team.

## **Q: Will my clients receive any communication from Schwab regarding the cash feature changes? Is it possible to prevent any of these communications from being sent to my clients?**

**A:** If you choose to change your clients' cash feature to the Bank Sweep feature prior to September 10, 2015, your clients will receive a letter letting them know of the cash feature change. If you respond after September 10, 2015, your clients will receive a letter in October informing them that their cash feature will be changed to the Bank Sweep feature on or after December 1, 2015. If we do not hear from you prior to October 1, 2015, they will also receive a reminder notice in November.

Clients with accounts that have a \$0.00 balance will receive their notification letter at first deposit and not at the time of the feature change. The first sweep letter will be sent the first time cash is swept to Schwab Bank.

Please see the detailed chart for the client communication options:

Advisor Opt-In Date	Client Communications
<b>Before Sept. 10</b>	First sweep letter* Cash Features Disclosure Statement for Clients of Independent Investment Advisors*
<b>On or after Sept. 10 and before Oct. 1</b>	60-day client letter with Cash Feature Replacement Guide First sweep letter* Cash Features Disclosure Statement for Clients of Independent Investment Advisors*
<b>On or after Oct. 1 or no response at all, and accounts where the advisor does not have discretion</b>	60-day client letter with Cash Feature Replacement Guide 30-day reminder notice sent to clients First sweep letter* Cash Features Disclosure Statement for Clients of Independent Investment Advisors*

\*First sweep letter and Cash Features Disclosure Statement are system-generated upon the first sweep transaction and cannot be suppressed.

### Q: What are the available cash features for my clients?

A: The following are the available cash features:

Cash Feature	Bank Sweep feature	Schwab Money Fund Sweep feature (both taxable and tax-advantaged options available)	Schwab One® Interest feature for ineligible accounts, including international accounts
<b>Who Is Eligible</b>	Domestic accounts opened after October 1, 2014, and, beginning in September 2015, domestic accounts that are not eligible for the Money Fund Sweep feature  (Not available for Schwab One International® accounts and retirement accounts)	Account holders with Household Balances of \$500,000 or more (or \$1 million for Advisor Cash Reserves – Premier Sweep Shares)  (Not available for Schwab One International accounts and retirement accounts)	Non-retirement accounts  (Not available for retirement accounts and education savings accounts)
<b>How It Works</b>	Free credit balances are automatically deposited into and withdrawn from deposit accounts at Schwab Bank.	Free credit balances are automatically invested in and redeemed from a Schwab sweep money market fund.	Free credit balances earn taxable interest paid by Charles Schwab & Co., Inc.
<b>FDIC and SIPC Coverage</b>	Deposits at Schwab Bank are FDIC-insured up to \$250,000 per depositor based on account ownership type. <sup>1</sup> For more details, please see <a href="http://www.fdic.gov">www.fdic.gov</a> .	Schwab sweep money market funds offer SIPC coverage (not FDIC-insured). SIPC protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). For details, please see <a href="http://www.sipc.org">www.sipc.org</a> .	The Schwab One Interest feature offers SIPC coverage (not FDIC insurance). SIPC protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). For details, please see <a href="http://www.sipc.org">www.sipc.org</a> .

**Q: Which account types are eligible for the Bank Sweep feature?**

**A:** The Bank Sweep feature is available to domestic accounts opened after October 1, 2014, and, beginning in September 2015, to domestic accounts that are not eligible for the Money Fund Sweep feature.

The following is a list of account types that are eligible for the Bank Sweep feature:

- Domestic Schwab One® accounts (Individual, Organization, Trust, and Estate)
- Domestic IRAs (Traditional, Roth, Rollover, Inherited, Custodial, SEP, SAR-SEP, and SIMPLE)
- Education savings accounts

**Q: How do I identify which of my clients are no longer eligible for the Money Fund Sweep feature?**

**A:** You can review the Profiles tab on [www.schwabadvisorcenter.com](http://www.schwabadvisorcenter.com) to see individual client accounts or export a list of accounts based on your advisor master account. A list of all affected client accounts can be obtained from your relationship manager or service team.

**Q: Can I change the cash features on all of my clients' existing accounts from the Money Fund Sweep feature to the Bank Sweep feature?**

**A:** At this time, the Bank Sweep feature is available only to domestic accounts opened after October 1, 2014. Beginning in September 2015, the Bank Sweep feature will be available to all domestic accounts that are not eligible for the Money Fund Sweep feature.

**Q: If my client prefers a cash feature other than the Bank Sweep feature, how do I make that change?**

**A:** If your client meets the eligibility requirements for an alternate cash feature, you can call your service team to request the change.

**Q: What are the yields and historical performance for the taxable and tax-advantaged sweep money market funds available through the Money Fund Sweep feature?**

**A:** Yield and performance data can be found on the Cash Investment Yields page under the News & Resources > Financial Products > Cash Investments Overview section on [www.schwabadvisorcenter.com](http://www.schwabadvisorcenter.com).

Historical performance can also be found under [Cash Investment Yields](#).

**Q: Where can I find the current interest rates for the Bank Sweep feature, and how are the rates determined?**

**A:** The current interest rates for the Bank Sweep feature are available on the Cash Investment Yields page under the News & Resources > Financial Products > Cash Investments Overview section on [www.schwabadvisorcenter.com](http://www.schwabadvisorcenter.com). Rates are set periodically by Schwab Bank based upon prevailing economic and business conditions and are differentiated into tiers based on Household Balances. Interest accrues daily and posts on the 15th calendar day of each month.

**Q: Will clients earn less interest through the Bank Sweep feature compared to the yields earned through the Money Fund Sweep feature?**

**A:** Interest rates for the Bank Sweep feature may be higher or lower than the yields for the Money Fund Sweep feature. Current Schwab money fund yields and current interest rates for the Bank Sweep feature can be found on [www.schwabadvisorcenter.com](http://www.schwabadvisorcenter.com).

**Q: What is the difference in the federal income tax treatment for interest earned through the Schwab Bank Sweep feature vs. investment income earned through the Money Fund Sweep feature?**

**A:** The interest paid by Schwab Bank under the Bank Sweep feature is taxable and will be reported by Schwab to the IRS on Form 1099. Sweep funds offer taxable or tax-exempt income. Investment income on some tax-free money market funds may be subject to certain state and local taxes and, depending on your tax status, the federal alternative minimum tax. For more information about tax treatment, please see "Differences in Tax Treatment" on page 24 of the Cash Features Disclosure Statement for Clients of Independent Investment Advisors.

## Purchased (Non-Sweep) Money Market Funds

### Q: What are the purchased money market fund options for longer-term cash investments?

A: Here are the purchased money market fund options for longer-term cash investments:

Taxable Money Market Funds	Non-Taxable Money Market Funds
Schwab Value Advantage Money Fund®—Investor Shares	Schwab Municipal Money Fund™—Value Advantage Shares®
Schwab Value Advantage Money Fund—Select Shares®	Schwab Municipal Money Fund—Select Shares
Schwab Value Advantage Money Fund—Institutional Shares	Schwab Municipal Money Fund—Institutional Shares
Schwab Value Advantage Money Fund—Institutional Prime Shares®	Schwab AMT Tax-Free Money Fund™—Value Advantage Shares
Schwab Retirement Advantage Money Fund®	Schwab California Municipal Money Fund™—Value Advantage Shares
Schwab Treasury Obligations Money Fund™*	Schwab New York Municipal Money Fund™—Value Advantage Shares
Schwab Investor Money Fund®	
Schwab Government Money Fund™—Purchased Shares	

\*Fund closed to new investors.

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

<sup>1</sup> Customers will have the benefit of insurance on bank deposits from the Federal Deposit Insurance Corporation (FDIC) of up to \$250,000 per depositor in each recognized insurable capacity (e.g., individual, joint, certain retirement accounts) when aggregated with all other deposits held by that customer in the same capacity at Schwab Bank. Free credit balances will be deposited into deposit accounts without limit even if the amount in the deposit accounts exceeds \$250,000 or if the amount of funds swept exceeds \$250,000. In addition, for deposit insurance purposes, deposit accounts, including certificates of deposit that may be established in one capacity directly with Charles Schwab Bank or through an intermediary, such as Schwab, will be aggregated with deposit accounts that are established through the Schwab Bank Sweep feature in the same capacity. Non-deposit securities products and services offered by Charles Schwab & Co., Inc. (member SIPC) are not insured by the FDIC, are not guaranteed deposits or obligations of Charles Schwab Bank, and are subject to investment risk, including possible loss of the principal invested.

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**Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges, and expenses. You can view, download, and print a prospectus by clicking on [Prospectuses and Reports](#). Please read the prospectus carefully before investing.**

**An investment in a money market fund is neither insured nor guaranteed by the FDIC or any other government agency. Yields will fluctuate, and, although the fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in the fund. Compared to the total return, the seven-day yield more closely reflects the current earnings of the fund.**

Investment income on some tax-free funds may be subject to certain state and local taxes and (depending on your tax status) the federal alternative minimum tax.

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