

Schwab Managed Retirement Trusts

Low-cost collective investment trusts with an open-architecture approach

The Schwab Managed Retirement Trusts maintained by Charles Schwab Trust Bank, provide diversification for plan participants through a pre-determined asset allocation that is actively managed by institutional investment professionals. We believe offering target date trusts designed to be a comprehensive investment option within a retirement plan's investment menu can assist participants to and through retirement.

What they are

The Schwab Managed Retirement Trusts ("SMRT" or "Trusts") are maintained by Charles Schwab Trust Bank, as trustee, that correspond to target retirement dates between 2010 and 2060 in five-year increments. There is also a SMRT Income Trust for individuals in or near retirement.^{1,2} Seeking to provide total return for investors at or near particular target dates, the Trusts are:

- Single portfolios using a blend of active and passive strategies
- Composed of strategies sub-advised or managed by industry-recognized investment managers
- Diversified through exposure to a variety of asset classes that may include, but is not limited to, domestic equity, international equity, emerging markets equity, global real estate, commodities, short-term bond, intermediate-term bond, inflation-protected bond (U.S. TIPS), world bond, and cash equivalents
- Allocated to align with stated time horizons
- Structured as a collective investment trust to help limit costs for plan sponsors and participants

How the Trusts can benefit participants

With an informed decision, participants can select a single investment option in their retirement plan that is diversified and rebalanced over time by professionals. Participants select the Trust that best matches their expected retirement date, risk tolerance, personal circumstances, and complete financial situation, while investment managers handle the day-to-day decision making. Participants should review their investment selection regularly in order to stay aligned with their overall investment goals; however, they do not need to make ongoing asset allocation adjustments.

How the Trusts can benefit retirement plans

SMRT may be selected by a plan's fiduciary as the plan's qualified default investment alternative (QDIA) helping to satisfy fiduciary requirements³. Additionally, the Trusts can complement existing core funds in a plan's investment menu by providing a single retirement plan investment option for participants who may not be candidates for active portfolio management or other plan services.

¹ Subject to the terms of the retirement plan, as applicable.

² The Schwab Managed Retirement Trust Income is designed as a single investment portfolio that maintains a policy allocation that is intended to remain static and does not seek to distribute income.

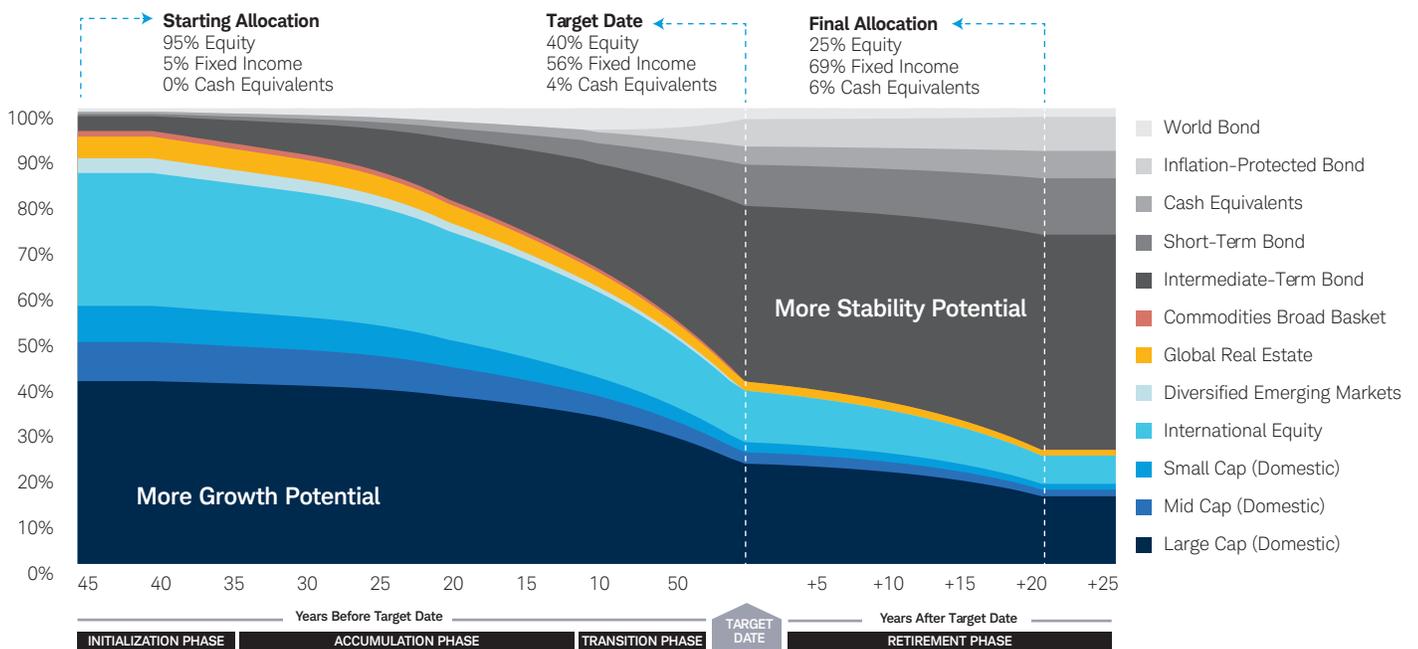
³ Plan fiduciaries are responsible for the selection and monitoring of the Default Investment Alternative and for compliance with the DOL safe harbor rules for default investments.

How the Trusts work

Target date funds are designed for investors who expect to start gradual withdrawals of trust assets on or near the target date. With the goal of becoming more conservative over time, the Trusts are reallocated annually, not including threshold or cash flow rebalancing, to reduce equity and increase fixed income allocations. The starting policy allocation of 95% equity (including global real estate and commodities) and 5% fixed income (including cash equivalents) reaches 40% equity and 60% fixed income at the target date. The Trusts will continue to reduce their allocation to equity investments for an additional twenty years, reaching their most conservative policy allocation of 25% equity and 75% fixed income. At this point, the allocation is intended to remain static. SMRT's glide path is shown below.

Open-architecture investment philosophy

SMRT uses an open-architecture sub-advised approach to investing.⁴ Trust investments are selected based on advice received from or products offered by industry recognized investment management firms ("sub-advisors"). Unlike other target-date retirement solutions that may be restricted to proprietary investment options, Charles Schwab Trust Bank selects strategies from an unconstrained universe based in part on research and recommendations of its investment advisory affiliate Charles Schwab Investment Management, Inc. ("CSIM"). This approach also allows plan participants to gain access to strategies of investment managers usually reserved for larger, institutional investors.



The values of SMRT will fluctuate up to and after the target dates. There is no guarantee the Trusts will provide adequate income at or through retirement. **The principal value of the Trusts is not guaranteed at any time.**

The Trusts are built for investors who expect to start gradual withdrawals of trust assets on the target date, to begin covering expenses in retirement.

⁴SMRT invests in other Charles Schwab Trust Bank Collective Investment Trusts to gain exposure to the underlying sub-advised strategies. See the disclosures at the end of this document and/or the Financial Statements for a listing of the Trusts' investments.

Third party firms providing sub-advised or managed funds currently include:

- AllianceBernstein
- American Funds
- Baird Advisors
- BlackRock
- Brown Advisory
- Mellon Investments Corporation
- Dimensional Fund Advisors
- Dodge & Cox
- Franklin Templeton Investments
- Loomis, Sayles & Co.
- Macquarie
- State Street Global Advisors
- TCW MetWest
- The Vanguard Group
- Wellington Management
- William Blair & Co.

Sample default mapping schedule

A Plan Fiduciary may elect to use SMRT as a qualified default investment alternative for their participants and beneficiaries in the absence of participant direction.*

SMRT	Age in 2020	DOB
2060	27 & under	1993 & after
2055	28-32	1988-1992
2050	33-37	1983-1987
2045	38-42	1978-1982
2040	43-47	1973-1977
2035	48-52	1968-1972
2030	53-57	1963-1967
2025	58-62	1958-1962
2020	63-67	1953-1957
2015	68-72	1948-1952
2010	73-77	1943-1947
Income	78 & over	1942 & before

*The sample default mapping is based on the investment allocation models of the Schwab Managed Retirement Trusts, as described in the Investment Characteristics Declaration of Trust. SMRT provided are shown for illustrative purposes only and are based on a participant's retirement date at age 65. Plan fiduciaries are responsible for the selection and monitoring of the Default Investment Alternative and for compliance with the DOL safe harbor rules for default investments.

Selection and monitoring of sub-advisors

Charles Schwab Trust Bank engages CSIM to assist in the Trusts' management and oversight which includes the evaluation, screening and recommendation of sub-advised strategies for Charles Schwab Trust Bank's ultimate selection. Factors taken into consideration in selecting and replacing sub-advisors include, but are not limited to:

- Performance
- Team philosophy and stability
- Investment strategy
- Risk statistics
- Style
- Firm organization structure

Sub-advisors may also be replaced for nonconformity with trust investment guidelines and applicable laws and regulations, or other criteria deemed important by Charles Schwab Trust Bank.

Benefits of collective investment trusts

Investing in collective investment trusts ("CITs"), rather than registered mutual funds, offers several benefits including:

- **Typically lower, more competitive prices**
CITs are generally offered to retirement plans at a lower cost than mutual funds using similar strategies, primarily due to differences in regulatory requirements. This cost savings directly affects the individual investor, giving them an increased opportunity to save more for retirement.
- **Institutional client base**
CITs can only be accessed by qualified retirement plans and are not available to individual retail investors. This has often led to a more stable and predictable cash flow environment, allowing the trust to be managed more efficiently. For example, the manager may be able to maintain a lower cash allocation and put more assets to work in the markets. Also, better cash flow visibility may reduce the risk associated with unexpectedly having to buy or sell underlying securities.
- **Flexibility**
The bank sponsoring CITs generally has more flexibility managing investments held in the trusts. These products may be able to respond more quickly to client needs and the strategic objectives of the CITs.

Low cost options

By offering six unit classes, the Trusts provide pricing flexibility to retirement plan sponsors. The Trusts, most having no minimum balance requirements, are offered at operating expense ratios (OERs) of:

- 0.89% (Unit Class I)
- 0.69% (Unit Class II)
- 0.54% (Unit Class III)
- 0.45% (Unit Class IV)
- 0.35% (Unit Class V)*
- 0.33% (Unit Class VI)**

* To invest in SMRT Unit Class V, a plan must map a minimum of \$100 million or plans must be greater than \$400 MM in total plan assets.

** To invest in Unit Class VI, a minimum of \$1 billion mapping is required.

Contact us

If you'd like more information, regarding the Trusts, please call: **877-824-5615**, email schwabtrustbankcollectives@schwab.com or visit schwabtrustbankcollectives.com.

Additional Important Disclosures

The trusts are subject to market volatility and risk 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 redemptions. Please review the trust disclosure documents for detailed risks associated with investment in the Trusts.

The Schwab Managed Retirement Trust Funds™, Schwab Indexed Retirement Trust Funds® and Schwab Institutional Trust Funds® (each a "Trust", collectively the "Trusts" or "Collective Investment Trusts (CITs)") are collective investment trusts maintained by Charles Schwab Trust Bank (CSTB), as trustee. They are available for investment only by eligible retirement plans and entities. Charles Schwab Trust Bank's Collective Investment Trusts are not insured by FDIC or any other type of deposit insurance; are not deposits or other obligations of, and are not guaranteed by CSTB or any of its affiliates; and involve investment risks, including possible loss of principal invested. The Trusts are not mutual funds and are exempt from registration and regulation under the Investment Company Act of 1940 (the "1940 Act"), and their units are not registered under the Securities Act of 1933, or applicable securities laws of any state or other jurisdiction. Unit holders of the Trusts are not entitled to the protections of the 1940 Act. The decision to invest in the Trusts should be carefully considered. The Trusts' unit values will fluctuate and may be worth more or less when redeemed, so unit holders may lose money. The Trusts are not sold by prospectus and are not available for investment by the public. The Trusts' prices are not quoted in newspapers.

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 (CSB); Charles Schwab Trust Bank (CSTB); Charles Schwab & Co., Inc.; Charles Schwab Investment Management, Inc. (CSIM); and Schwab Retirement Plan Services, Inc. Trust, custody and deposit products and service are available through CSB and CSTB, members of FDIC. Brokerage products and services are offered by Charles Schwab & Co., Inc. (Member SIPC). Schwab Retirement Plan Services, Inc. is not a fiduciary to retirement plans or participants and only provides recordkeeping and related services to retirement plans. CSIM provides investment research, advisory and fund administration services to CSTB and the Trusts. CSIM is an investment adviser registered with the Securities and Exchange Commission.

The Charles Schwab Trust Bank Collective Investment Trusts select investments based on advice received from or products offered by industry-recognized investment management firms ("sub-advisors"). The Trusts access strategies through various investment vehicles including, but not limited to, collective investment trusts, separate accounts, mutual funds, and exchange-traded funds. Exposure to some strategies may be indirect through the investment in other Charles Schwab Trust Bank Collective Investment Trusts. SMRT invests in the Schwab Institutional Large Cap Value Trust, Schwab Institutional Large Cap Growth Trust, Schwab Institutional Small Cap Trust, Schwab Institutional International Diversified Trust, and Schwab Institutional Core Plus Fixed Income Trust.

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