

Under the Hood of a Bundled Provider: *Communication and Advice Programs that Drive Action*

Catherine Miller

Vice President, Participant Programs & Delivery

Mike Dickman, CFP®

Director, Education & Advice

Advantage – September 6, 2007

The material contained herein is proprietary to Charles Schwab and for informational purposes only. None of the information constitutes a recommendation by Schwab or a solicitation of an offer to buy or sell any securities. The information is not intended to provide tax, legal or investment advice. Schwab does not guarantee the suitability or potential value of any particular investment or information source. Certain information presented herein may be subject to change. Neither the presentation, nor any information or material contained in it may be copied, assigned, transferred, disclosed or utilized without the prior express written approval of Schwab.

The Education Evolution

CHINESE PROVERB – NOT YOUR TYPICAL EMPLOYEE!

*Give a man a fish and you feed him for a day.
Teach a man to fish and you feed him for a lifetime.*

- Reality: Not everyone has time, energy or expertise “to fish.” Teaching doesn’t solve it.
- How can we cast a more effective net and engage employees who won’t fish?



The Education Evolution

WHAT WE'LL COVER TODAY

What we'll discuss:

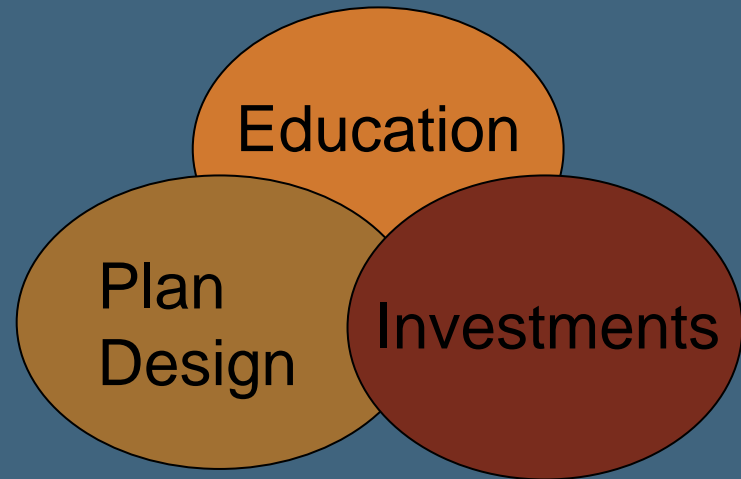
- Why Education has changed from providing information to providing solutions
- Education in an automatic and semi-automatic environment
- How the New Education works – three keys to effectiveness
- OnTarget Communications
- Personal Retirement Planning – Advice

The Education Evolution

FOCUSING ON SOLUTIONS FOR YOUR CLIENTS' EMPLOYEES

The **NOW**

- A merging of disciplines to meet employee needs
- Education combines with plan design and investments
- Practical – works in tandem with plan features
- Reality-based: incorporates how employees will likely respond



The New DC Plan

The Education Evolution

THE NEED FOR EDUCATION IN TODAY'S ENVIRONMENT

Even if your client's plan is automatic...

- Some employees will **opt out**
- Not all plans will conduct a **look back** – plans will still need to boost participation
- Your client may not utilize **auto increases** – employees still need to continually increase savings
- Even with target funds – Employees still don't understand their **investment options**

The Education Evolution

THE WHY, THE HOW AND THE WOW

Three things the New Education must do today:

- Give them the WHY
 - Understand and target the passive and resistant saver
- Give them the HOW
 - Provide easy and immediate action vehicles
- Give them the WOW
 - Utilize the best strategies of consumer marketing to engage the employee

Schwab *OnTarget* Communications™

THE WHY, THE HOW AND THE WOW

Reaches specific employees with relevant messages, simple answers and easy ways to take action including:

- Personalized, targeted postcards
- Flyers
- Easy enrollment forms
- Personalized gap analysis tools, including the Schwab Retirement Readiness Score™
- Emails
- eLearning sessions

Targeted, Personalized Communications Achieve Results

- Average 5% – 8% response rate nationally
- Higher response rate for professional service firms
- Cost-effective
- Ease of use for plan sponsors

The Case For Advice

JUST TELL ME WHAT TO DO

- How much do I need to save?
- Where do I invest those savings?
- What will my monthly retirement income be?
 - Schwab Personal Retirement Planning™ in conjunction with GuidedChoice®
 - Promoted among all participants
 - Offered at no additional cost*
 - Personalized Objective
 - Offered via phone, web, in-person

The Case For Advice

RESULTS

- More than 50% of plans signed (469 plans)
- Majority of adopters choose the managed accounts feature (73%)
- Savings rates are doubling (6.83% average deferral increase)

Three-Year Rate of Return Results for Plans Administered at Schwab

Schwab Feature	2004 RoR	2005 RoR	2006 RoR
Non-Target & Non- Advice Participants	9.52*	6.60*	11.11%*
Advice ¹ Participants (greater than 1 yr)	N/A	9.20%**	14.11%**
Schwab Managed Retirement Trust 2010 ²	9.46%	5.00%	8.53%
Schwab Managed Retirement Trust 2020 ²	12.30%	6.38%	11.52%
Schwab Managed Retirement Trust 2030 ²	13.97%	7.22%	13.42%
Schwab Managed Retirement Trust 2040 ²	15.12%	7.74%	14.65%

Performance quoted is past performance and is not a guarantee or indicator of future results. For more information, including month-end performance data, please visit <http://www.cstcfunds.com>.

* 2006 results based on 732 plans, 355,000 participants, average age of 43. 2004 & 2005 results based on 490 plans, 265,000 participants, average age of 43. 2004 & 2005 RoR calculated by weighting overall portion of non-target fund assets vs. target fund assets held by participants.

** 2006 results based on 263 plans using advice, 7,000 participants using advice for greater than 1 year. 2005 results based on 137 plans, 2,000 participants using advice for greater than 1 year.

2006 Participant Segmented Rate of Return Results for Plans Administered at Schwab

Participant Segment	Average Age	Corresponding Schwab Managed Retirement Trust	Non-Target Non-Advice ¹ Participant RoR*	Schwab Managed Retirement Trust ² RoR	Advice Participants > 1 year RoR***
Ages 25 or Under	23	2040**	9.33%	14.65%	14.06%
Ages 26-35	31	2040	11.08%	14.65%	14.45%
Ages 36-45	41	2030	11.40%	13.42%	14.32%
Ages 46-55	50	2020	11.27%	11.52%	14.01%
Ages 56-65	60	2010	10.75%	8.53%	13.29%

Performance quoted is past performance and is not a guarantee or indicator of future results. For more information, including month-end performance data, please visit <http://www.cstcfunds.com>.

* 2006 results based on 732 plans, 355,000 Non-Target / Non-Advice participants.

** 2050 Schwab Managed Retirement Trust would apply, but does not have performance record for 2006.

*** Based on 6,500 participants, segmented by age, using advice for greater than 1 year.

The Education Evolution

Thank you for attending

Questions?

Disclosure

¹ Schwab Personal Retirement Planning™ investment advice is formulated and provided by GuidedChoice Asset Management, Inc. (GuidedChoice). GuidedChoice is not affiliated with, nor is it an employee or agent of Charles Schwab & Co., Inc. (CS&Co) Member SIPC, or Schwab Retirement Plan Services, Inc. (SRPS). Participant access to the GuidedChoice service is facilitated through SRPS's affiliate, CS&Co. Neither CS&Co. nor SRPS supervises, makes recommendations with respect to, or takes responsibility for monitoring the advice provided to participants by GuidedChoice.

- At no extra charge or additional charge means that there is no cost for this service outside of the standard fees paid to Schwab Retirement Plan Services and Charles Schwab & Co., Inc. for recordkeeping and related services, including trustee and custodial fees paid to The Charles Schwab Trust Company.

- Advice services representatives are employees of CS&Co and not of GuidedChoice. CS&Co, its advice services representatives, and SRPS do not supervise, make recommendations with respect to or take responsibility for monitoring the advice provided to participants by GuidedChoice and do not provide financial planning services to participants.

² The Schwab Managed Retirement Trust Funds™, the Schwab Institutional Trust Funds®, and the Charles Schwab Stable Value Fund™ are collective trust funds distributed by The Charles Schwab Trust Company ("CSTC"), a California state-chartered, non-depository trust company. CSTC acts as trustee and manager of the Funds. The Funds are not mutual funds, and their units are not registered under the 1933 Act, as amended or applicable securities laws of any state or other jurisdiction. The Funds are not registered under Investment Company Act of 1940, as amended, or other applicable law, and unit holders are not entitled to the protections of the 1940 Act. The Funds are not insured by CSTC, any of its affiliates, the FDIC or any other person. As defined in the Funds' Declaration of Trust and Participation Agreement documents, the Funds are available for investment by eligible, qualified retirement plan trusts only. The unit value of the Funds will fluctuate, and investors may lose money. Various asset classes of the underlying funds, such as small-cap and international, may carry additional risks.

- The Charles Schwab Corporation (Charles Schwab) provides services with respect to retirement plans and participants through its subsidiaries, Schwab Retirement Plan Services, Inc., The 401(k) Companies, Inc. and its subsidiaries, The Charles Schwab Trust Company, and Charles Schwab & Co., Inc. (Member SIPC). Charles Schwab also provides equity compensation plan services and other financial and retirement services to corporations and executives through Charles Schwab & Co., Inc.