

Program Policies–Highlights

Effective October 2015

The Schwab Charitable Program Policies–Highlights are designed to provide a simple reference guide for Schwab Charitable™ donor-advised fund accounts. Please consult the full Schwab Charitable Program Policies located at schwabcharitable.org for complete details.

Topics covered in the Program Policies–Highlights:

- Opening a Schwab Charitable Account
- Fees and Expenses
- Contributing to an Account
- Income Tax Considerations
- Managing Investments
- Recommending Grants
- Legacy Planning

Key



Indicates content of particular interest to Advisors.

About Schwab Charitable

Schwab Charitable is an independent public charity created in 1999 to help clients more effectively meet their charitable giving needs. The Schwab Charitable donor-advised fund account is a tax-smart, flexible and efficient way for clients to invest charitable donations, potentially resulting in even more funds for charity.

Schwab Charitable is recognized as a tax-exempt public charity as defined by the Internal Revenue Code (IRC) Sections 501(c)(3), 509(a)(1) and 170(b)(1)(A)(vi), and is eligible to receive tax-deductible charitable contributions under IRC Section 170(c). Schwab Charitable was established by Charles Schwab & Co. but is governed by an independent board of directors.

Since its inception in 1999¹, Schwab Charitable has helped clients maximize their charitable giving:

\$12 billion
IN CONTRIBUTIONS

\$5.5 billion
IN GRANTS TO CHARITIES

96,000
CHARITIES BENEFITTED

How a Schwab Charitable donor-advised fund account works—three basic steps

Contribute

A donor opens a Schwab Charitable account and makes an irrevocable, tax-deductible contribution of \$5,000 or more in cash, or appreciated non-cash assets or investments.



Invest

A donor allocates the contribution among a variety of investment pools. Accounts with >\$250k can be professionally managed by an Investment Advisor. Investments have the potential for tax-free growth.



Grant

A donor recommends grants of \$50 or more to qualified public charities of their choice.



¹ Schwab Charitable's results include data from September 1999 – June 2015. Schwab Charitable's fiscal year 2015 ran from July 1, 2014 through June 30, 2015. The fiscal year 2015 results have not been audited.

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How to Open a Schwab Charitable Account

Opening an Account is easy, whether the Account Holder is contributing and managing investments independently or in conjunction with an Investment Advisor.

With a minimum donation of \$5,000, individuals can open an Account by completing the [New Account Application](#). Once the Account is active, Account Holders can make grant recommendations or additional contributions of at least \$500 at any time. All contributions are irrevocable and no longer part of the donor's personal investments.



Individuals that contribute more than \$250,000 may open a Professionally Managed Account and recommend an Investment Advisor to manage the investments. The Investment Advisor is subject to Schwab Charitable's approval and must enter into an [Investment Advisor Agreement](#) with Schwab Charitable. Investment Advisors must meet certain eligibility requirements and adhere to Schwab Charitable fee and investment guidelines.

Account Holders have the option of naming their Account to honor an individual, family, or charitable purpose. Most Account Holders choose to have the Account name acknowledged in the letter accompanying each grant made to a charitable organization. Grants can also be made anonymously.

Primary Account Holders may appoint up to five people to serve as Secondary Account Holders and may authorize up to four individuals as Additional Account Users. The privileges and responsibilities involved with each of these roles are detailed in the Program Policies.

Fees and Expenses

Schwab Charitable incurs administrative expenses associated with its operation as a grantmaking charitable organization. To cover these costs, [administrative fees](#) are charged.

- **Core Accounts:** Schwab Charitable assesses an annualized administrative fee starting at 0.60%, which is deducted from the Investment Pools along with the Pools' operating expenses.



- **Professionally Managed Accounts:** Schwab Charitable deducts an administrative fee from the Account on a quarterly basis, based on the average balance for the preceding quarter.

Schwab Charitable generally does not levy additional charges or expenses for investment services. When fees are necessary to recoup costs or process trades, they are explained in a transparent manner.

Schwab Charitable does not generally pay a load or sales charge on purchases of mutual fund shares in the pools. However, each Investment Pool bears investment management and operating expenses, including those of the underlying mutual funds, and these are reflected in each fund's net asset value.

Although standard grant processing is covered by the administrative fee, Schwab Charitable may charge Accounts for extraordinary costs incurred during the review of complex grant recommendations, such as direct international grants (see [Section 6: Recommending Grants](#)). Charles Schwab & Co. may charge a brokerage commission for liquidating contributed securities and investing the proceeds among the available [Investment Pools](#).

How to Contribute

Schwab Charitable accepts contributions from individuals or entities, such as private foundations, corporations, other donor-advised funds, trusts and estates. Schwab Charitable also accepts third-party contributions made to an Account from an individual or entity other than the Account Holder.

Schwab Charitable accepts contributions of cash or cash equivalents, and various non-cash assets, including:

- Stock, bonds, ETFs, mutual fund shares;
- Restricted stock;
- Privately held stock (C-Corp and S-Corp);
- Limited partnerships or limited liability corporations; private equity, venture fund and hedge fund investments;
- Real estate;
- Collectibles and artwork

Contributions of non-cash assets may be subject to different minimum contribution thresholds. Eligibility and other requirements also differ by the types of contributed assets, as explained in the Program Policies.

Schwab Charitable reviews all contributions prior to accepting them. Following acceptance of a contribution, Schwab Charitable provides confirmation to the Account Holder containing a description of the contributed assets, typically within ten business days.

Income Tax Considerations

Contributing to an Account can generate certain tax benefits, and it's important to understand the considerations that determine deductibility before making a charitable contribution. In general, individuals who itemize deductions can claim a charitable contribution in the year the gift is made, subject to certain limitations. The value of the deduction depends, in part, on the type of asset contributed. There are other considerations for specific types of assets being donated. Please see the Program Policies for more information, and seek the advice of a tax advisor before making any contributions. Nothing in this document or the Program Policies should be construed as tax or legal advice.

Generally, donating assets held for more than a year generates higher tax benefits than those that are held for less time. The deduction for assets held for more than a year is generally equal to the fair market value of the asset, while the deduction for assets held for less than a year is generally limited to the lower of the cost basis or the fair market value on the date the asset is contributed.

Account Holders are responsible for determining the contribution date and the fair market value of a charitable gift to Schwab Charitable. The IRS requires a donor to obtain a qualified appraisal by a qualified appraiser for

donated property for which the donor claims a deduction² if the property's valuation exceeds certain thresholds:

- Greater than \$5,000 for all property other than publicly traded stock, vehicles, intellectual property, or inventory
- Greater than \$10,000 for shares of non-publicly traded stock

Generally, the amount a donor may deduct for charitable contributions cannot be more than 50% of one's adjusted gross income (AGI). A 30% limit applies to contributions of property subject to long-term capital gains (e.g., appreciated securities held for more than one year).

Income and gains generated after assets are donated to Schwab Charitable are the property of Schwab Charitable and therefore do not qualify as additional charitable deductions for the Account Holder.

Contributions to Schwab Charitable can facilitate estate planning because they may reduce the tax liabilities for the Account Holder's survivors. Schwab Charitable recommends Account Holders consult with legal counsel for legal and tax advice, as each Account Holder's personal situation is unique.

² The above information is for general educational purposes only and does not constitute legal advice. For information particular to one's specific tax situation, please consult with a tax and/or legal advisor. More information can be found in IRS Publication 561, Determining the Value of Donated Property.

Managing Investments

Schwab Charitable offers a variety of Investment Pools to help Account Holders potentially grow the value of their charitable contributions. Depending on the amount of assets donated to Schwab Charitable, Account Holders can invest in these pools or recommend an Investment Advisor to manage the assets in the Account.

Core Account Holders may recommend that their Account assets be allocated among a variety of [Investment Pools](#) selected as appropriate investment choices by Schwab Charitable. Schwab Charitable provides single-asset Investment Pools and pre-allocated Investment Pools with broad coverage of asset classes and investment styles. At the time the Account is opened, an Account Holder can recommend how contributions to the Account are allocated among the Investment Pools. An Account Holder or Additional Account User can subsequently recommend reallocation of the Account assets.



Alternatively, Account Holders with \$250,000 or more of donated assets may recommend an Investment Advisor to manage the assets through a Professionally Managed Account. The Investment Advisor invests the assets in individual equities, bonds, and/or mutual funds in any combination consistent with Schwab Charitable's investment policy and guidelines, which can be found in the [Professionally Managed Account Investment Guidelines](#). Account Holders opting to use an Investment Adviser must choose one that conducts advisory business on the Schwab Advisor Custody and Trading Platform.³

³ Schwab Advisor Custody and Trading is a business segment of The Charles Schwab Corporation serving independent advisors and includes the custody, trading, and support services of Charles Schwab & Co., Inc.

Recommending Grants

Account Holders and Additional Account Users may recommend grants of \$50 or more to any IRS-approved 501(c)(3) public charity at any time. The [Schwab Charitable Client Center](#) provides Account Holders and Additional Account Users access to a database of more than one million U.S.-based charities for researching charitable organizations that align with their philanthropic goals.

Schwab Charitable only issues grants to the following entities:

- U.S. charitable organizations that are tax-exempt public charities⁴
- U.S., state or local government organizations qualified to receive tax deductible charitable contributions, such as state colleges or universities
- Private operating foundations
- Certain foreign organizations (see full Program Policies for further details)

Account Holders and Additional Account Users may either recommend a new grant recipient or use the Grant Again function to recommend a grant to a previous grantee. Account Holders or their approved designees may recommend recurring grants to be issued annually, semiannually, quarterly, or monthly on at schedule time of the Account Holder's choosing. An Account Holder may also recommend that a grant be used by the charitable organization for a "special purpose," such as a building fund, research project, or in honor of a person. Schwab Charitable reviews the special purpose identified during its review of the grant recommendation, and, if approved, conveys this to the charitable organization.

Unless otherwise indicated by the recommending Account Holder, all grants are funded according to the most recent portfolio asset allocation recommendation for the Account.

The time required to process and approve a grant recommendation varies, but on average, checks are issued within five to seven business days. During peak activity periods, notably in November and December, grants can take longer to issue.

Schwab Charitable may deny grant recommendations that do not meet approved criteria or for any other reason. When this occurs, Schwab Charitable notifies the Account Holders.

Schwab Charitable makes grants by check, and the checks include the name of Schwab Charitable. An Account Holder may choose to be identified to the charity in a number of ways: by name, Special Account Name (e.g., "The Smith Family Fund"), or remain anonymous.

⁴ Qualified charities include charitable organizations recognized as tax exempt under IRC Section 501(c)(3) and classified as public charities under IRC Sections 509(a)(1) or (2), and some public charities classified under Section 509(a)(3). Schwab Charitable performs due diligence on charities prior to issuing grants.

Legacy Planning

When an Account is opened, the Account Holder has the ability to create a charitable legacy. Account Holders can build their charitable legacy based on their philanthropic goals, whether that is longer term support of specific charities or choosing Successors to an Account that will maintain the Account Holder's charitable traditions. To these ends, Schwab Charitable offers three distinct Successor options:

- **Successors:** Up to four individuals named by an Account Holder to succeed to the Account with full Account Holder privileges
- **Charitable Beneficiaries:** Organizations recommended to receive a one-time donation upon the death of a donor
- **The Charitable Legacy Program:** An option for Account Holders interested in creating a lasting impact, which is available to Accounts with balances of at least \$100,000. This program enables Account Holders to recommend ongoing, annual or semi-annual grants to up to six charitable organizations after their death

If a Successor, Charitable Beneficiary, or Charitable Legacy Program has not been selected, or if no Charitable Beneficiary selected is eligible at the time the recommendation would take effect, Schwab Charitable will transfer the Account balance to the Philanthropy Fund, Schwab Charitable's unrestricted giving fund.

These are highlights of Schwab Charitable's Program Policies. The full Program Policies document is available at schwabcharitable.org. Account Holders must read and agree to the terms of Schwab Charitable's Program Policies in their entirety, as currently in effect and as amended from time to time.