

News Release

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401(k) PARTICIPANTS INCREASE EQUITY MARKET INVESTMENTS THROUGH SELF-DIRECTED BROKERAGE ACCOUNTS

Fourth Quarter SDBA Indicators™ report shows participants moved out of bond funds for the first time while maintaining diversified accounts

SAN FRANCISCO, April 3, 2003 – Charles Schwab Corporate Services' fourth quarter 2002 *SDBA Indicators* report found that participants in self-directed brokerage accounts (SDBAs) directed most investments into equity markets. This is a significant shift from third quarter 2002, when participants directed nearly 95% of investments into conservative taxable bond funds, asset allocation funds, fixed income securities, and money market funds.

“As markets improved in the fourth quarter, we saw a strong return to equity market investing. Fully 77% of investments went into equities, mostly through equity mutual funds. This reflects a sharp reversal from third quarter behavior,” said Jim McCool, senior vice president, Charles Schwab Corporate Services.

“While signaling optimism in the market, SDBA participants continued to hold steady to an overall philosophy of diversification in their portfolios,” McCool added. “This is consistent with data we’ve observed since we began tracking SDBA behavior in 2001.”

At 43%, mutual fund investment totals were unchanged from third quarter 2002. Equity holdings equaled 22%, up 1% from the third quarter. Cash and equivalents were at 28%, down 1% from third quarter, and fixed income was unchanged at 7%.

The *SDBA Indicators* report profiles the investment behavior of approximately 60,000 401(k) plan participants investing through Schwab's self-directed brokerage account, the Schwab Personal Choice Retirement Account® (PCRA). SDBAs are brokerage accounts within 401(k) plans that provide participants access to investments (stocks, mutual funds, fixed income securities) outside of their plan's core fund offerings. Schwab publishes the *SDBA Indicators* to provide the industry with an in-depth look at the demographics and investing activity of plan participants who use the SDBA option.

Schwab has been a leader in the SDBA market since 1994, when it launched the PCRA. The largest provider of SDBAs in the country*, Schwab administers more than 5,300 retirement plans with more than 100,000 individual SDBA accounts and \$5.5 billion in total assets as of December 2002.

***SDBA Indicators* key findings for the fourth quarter of 2002:**

- **SDBA participants continued to invest conservatively.** Specifically, participants:
 - Held 35% of their total SDBA assets in cash and equivalents and fixed income securities.
 - Maintained equity positions in market stalwarts such as Microsoft, General Electric, and Johnson & Johnson.
 - Averaged 2.0 trades in the quarter, compared with 2.1 trades in the third quarter 2002.

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- **Participants shifted from bond funds to equity funds, reflecting optimism in the market.** To diversify their holdings and/or seek out higher performance, participants:
 - Directed 49% of net asset flows into large and small cap equity funds in sharp contrast to third quarter 2002, when they moved out of these funds (net 29% outflow).
 - Moved money out of taxable bond funds (net 15.6% outflow) for the first time since Schwab began tracking SDBA investors in 2001.
- **Participants used SDBAs to diversify portfolios through a broad array of mutual funds.** Though 401(k) plans generally provide a selection of mutual funds, participants still purchased additional mutual funds through their SDBAs:
 - Participants continued to hold 43% of their SDBA assets in mutual funds.
 - Leading companies represented in the top ten mutual fund holdings included Fidelity, Janus, PIMCO and Vanguard.
 - Participants kept nearly two-thirds (63%) of their total 401(k) plan assets in their SDBA account.**

The report represents data collected from all plan participants who currently have at least a \$5,000 balance in a Schwab PCRA account through their 401(k) plan. Data is extracted monthly on all accounts that are open as of month-end and meet the minimum balance requirement.

Data contained in this quarterly report is from the fourth quarter 2002. The next report, first quarter 2003, will be available in May. The fourth quarter 2002 report and all prior reports are available at www.schwab.com/sdbaindicators.

About Charles Schwab Corporate Services

Charles Schwab Corporate Services provides individual investing support services through employers, including employee retirement and stock option plans, IRA rollover accounts and individual/personal accounts. Charles Schwab Corporate Services also offers retirement plan services including recordkeeping and related services through Schwab Retirement Plan Services, Inc., proprietary retirement plan recordkeeping systems through Schwab Retirement Technologies, trustee and custodial services through The Charles Schwab Trust Company, and the Schwab Personal Choice Retirement Account[®] (PCRA) (self-directed brokerage account through Charles Schwab & Co., Inc.). Total client assets in employer-sponsored retirement plans at Schwab equaled \$88 billion at the end of 2002. Schwab Retirement Plan Services, Inc., and The Charles Schwab Trust Company are affiliates of Charles Schwab & Co., Inc., and are wholly owned subsidiaries of The Charles Schwab Corporation.

The Charles Schwab Corporation (NYSE:SCH), through Charles Schwab & Co., Inc. (Member SIPC/NYSE), U.S. Trust Corporation, CyberTrader, Inc. (Member SIPC/NASD) and its other operating subsidiaries, is one of the nation's largest financial services firms serving 8 million active accounts with \$755 billion in client assets.

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* According to financial services research provider McHenry Consulting Group, June 2002.

** Data is based on SchwabPlan[®] PCRA participants only (approx. 11,000). All other figures are based on Schwab's full PCRA participant population with a minimum balance of \$5,000.