

News Release

Contact:

Mike Peterson
Charles Schwab
Phone: 330-908-4334
mike.peterson@schwab.com

Lindsay Tiles
Charles Schwab
Phone: 415-667-3997
lindsay.tiles@schwab.com

SCHWAB RETIREMENT PLAN CLIENTS ADOPTING NEW ROTH 401(K)

New plan option can offer significant tax planning benefits for 401(k) savers

SAN FRANCISCO, Dec. 20, 2005 — Charles Schwab already has retirement plan clients lined up to take advantage of the new Roth 401(k) provision that goes into effect next year. To date, 76 retirement plans at Schwab have decided to add the feature, including 51 plans that will implement the change effective January 1.

“The Roth 401(k) option is worth considering for anyone who has access to it through their workplace retirement plan,” said Jim McCool, senior vice president, corporate and retirement services at Schwab. “Depending on your retirement goals and expectations, saving after-tax dollars in a Roth 401(k) can result in significant tax benefits when you retire because qualified withdrawals will be tax free.”

Employers adding the feature to their 401(k) plans at Schwab represent a wide variety of fields, including construction, financial services, healthcare, legal, manufacturing, retail, technology and transportation.

Schwab developed communications and training materials for employers and their employees in anticipation of the Roth 401(k) implementation date. Next month, the firm will debut an online calculator to help individuals compare scenarios if they choose Roth 401(k) contributions, traditional pre-tax contributions, or a combination of both.

Schwab has also developed capabilities to enable third party administrators to offer the Roth 401(k) option to their plan sponsor clients on January 1, including enhancements to its employee contributions web site, certified trust statements and distribution processing capabilities.

Roth 401(k) Basics

Saving under the Roth 401(k) is similar to saving under a “regular” 401(k): employees elect to have a certain amount withheld from their paycheck and contributed to their retirement plan. The difference is when taxes are paid. Typically, 401(k) payroll deductions are made on a *pre-tax* basis. Therefore, the employee receives an immediate tax break when the money goes into the plan, and pays taxes later when he or she withdraws money from the plan.

In a Roth 401(k), the payroll deductions are made on an *after-tax* basis, which means the employee pays taxes on the Roth 401(k) contribution before the money goes into the plan. When the employee withdraws money in the future, both the Roth 401(k) contributions and all of the investment earnings are tax-free, assuming withdrawal qualifications are met. By adding the Roth 401(k) provision to an existing 401(k) plan, employers enable their employees to make both pre-tax and Roth contributions if they choose.

(more)

The Roth 401(k) provision was included in the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) that Congress passed in 2001, but the Roth 401(k) provision had a delayed implementation date of January 1, 2006. Currently, the provision is scheduled to expire in 2010, along with other provisions included in EGTRRA. Some employers have postponed making a decision on adding the Roth 401(k) component to their plans because of uncertainty over this 2010 "sunset" date.

"We believe more clients will adopt the Roth 401(k) if EGTRRA provisions are made permanent, which may happen as part of pension reform legislation currently before Congress," said Steve Patterson, chief operating officer, Schwab Retirement Plan Services.

About Charles Schwab

The Charles Schwab Corporation (NASDAQ: SCHW), through its operating subsidiaries, provides securities brokerage and financial services to individual investors and the independent investment advisors who work with them. With over 7 million individual investor accounts and more than \$1 trillion in client assets, The Charles Schwab Corporation is one of the nation's largest financial services firms. Its subsidiary Charles Schwab & Co., Inc. (member SIPC) provides a complete range of investment services and products, including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; referrals to independent fee-based investment advisors; and custodial, operational and trading support for independent fee-based investment advisors through its Schwab Institutional division. Its subsidiary Charles Schwab Bank (member FDIC) provides banking and mortgage services and products. The corporation's other operating subsidiaries include U.S. Trust Corporation (member FDIC) and CyberTrader®, Inc. (member SIPC). These companies' Web sites can be reached at www.schwab.com, www.schwabbank.com, www.ustrust.com, and www.cybertrader.com. (1205-9144)

###