

News Release

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SCHWAB MEETS GROWING DEMAND FOR AUTOMATIC 401(K) PLAN SOLUTIONS WITH SCHWAB RETIREMENT SMART STEPS™

SAN FRANCISCO, June 15, 2006 — With legislators and retirement plan sponsors expressing growing concerns about the retirement preparedness of many Americans, Charles Schwab is seeing increased demand for its suite of automatic retirement plan features aimed at making it as easy as possible for employees to participate in their companies' 401(k) plans. The suite of services, called Schwab Retirement Smart Steps™, includes automatic enrollment, automatic savings increases, automatic investment selection and automatic mapping of new plans. Plan sponsors can use any combination of these automatic components to promote increased savings among employees, and employees always have the option to opt out and make their own choices.

The automatic components include:

- **Automatic enrollment:** Enrolling eligible employees in a plan without any action required on their part
- **Automatic savings increases:** Annually increasing a participant's deferral amount by a set percentage (e.g., concurrent with a raise in pay)
- **Automatic investment selection:** Defaulting a new participant into strategic investments selected by the plan sponsor (typically based on age) that offer diversification, professional management and ongoing rebalancing
- **Automatic mapping:** Defaulting all participants at once into investments selected by the plan sponsor (such as age-based target-date retirement funds) when the plan moves to Schwab

"Too often, employees don't take action because they are confused, overwhelmed or uncertain about making retirement plan decisions," said Steve Patterson, vice president, Schwab Corporate & Retirement Services. "By automating the enrollment, savings and investment decisions, plan sponsors can help employees save more for retirement through Schwab Retirement Smart Steps."

The automatic savings increase feature increases the percentage of salary being deferred into the plan at a set time each year, typically coinciding with an annual raise, until a pre-determined maximum level is reached. "Setting and forgetting a deferral rate at three or four percent is not going to get most people where they need to be at retirement," said Patterson. "The automatic savings increase function is an easy way for participants to invest more in retirement savings each year, which is pivotal to maximizing their 401(k) benefit and helping them get to a comfortable retirement."

The automatic investment selection option directs employees' deferrals into age-based funds chosen by the plan sponsor, such as target-date retirement funds, taking pressure off employees to make investment selections on their own.

The fourth automatic component—automatic mapping—is receiving increased interest from plan sponsors bringing their plans to Schwab. This option directs the investments of all participants into target-date retirement funds based on each participant's age.

(more)

“As we work with prospective new clients, many view automatic mapping as a way to help their participants improve asset allocation en masse. We know that many participants don’t make changes to their investment selections after they enroll. Automatic mapping offers instant asset allocation plus the advantages of ongoing professional management and annual rebalancing,” Patterson said.

Schwab Clients Find Success with Automatic Solutions

Recent statistics and behavioral science studies have shown that automatic retirement plans not only help employees enroll in plans, but that employees stay in the plans longer and tend to save more strategically. According to recent findings by the Employee Benefit Research Institute, 69 percent of employees who are not currently enrolled in a retirement plan say that they would be likely to remain in a plan if their employers offered automatic enrollment.* The experience of Schwab clients mirrors this finding.

Oregon Steel Mills, Inc., a Portland, Oregon-based steel producer, implemented automatic enrollment in March 2004. According to John Worcester, the company’s manager of compensation and benefits: “No matter how much we used to encourage attendance at enrollment meetings, a lot of people didn’t turn up, so we moved to auto-enrollment and since we implemented it for our non-union plan, we moved from 50 percent participation to 80 percent and growing. We also default our participants into the Schwab Managed Retirement Trust Funds™ based on their age at hire, and generally they remain in and appreciate the ease of these target-date retirement funds.”

“We are now in the process of automatically increasing the savings rates of all participants to at least four percent, which is our company match level. They can always opt out of this auto increase, but our experience tells us that very few will. And we plan to repeat this process each year,” Worcester added.

In January, Bradley Arant Rose & White LLP, a law firm based in Birmingham, Alabama, implemented an array of automatic components for both its partner/staff plan and its associate plan. Through automatic enrollment, participation has risen from 82 percent to 92 percent in the partner/staff plan, and from 60 percent to 94 percent in the associate plan. Participants in both plans were defaulted into the Schwab Managed Retirement Trust Funds, based on participant age, and 85 percent of participants who were defaulted into these funds have remained in them. “We are very pleased with the results of the Schwab Retirement Smart Steps program. The response from our employees has been very positive. Many have said they were just too busy to enroll, or were a little unsure of where to invest, and they appreciate the automatic approach,” said Kevin Henderson, a partner in the firm.

About Charles Schwab

The Charles Schwab Corporation (NASDAQ: SCHW) is a leading provider of financial services, with more than 330 offices, 6.8 million client brokerage accounts, 522,000 401(k) plan participants, 177,000 banking accounts, and \$1.3 trillion in client assets. Through its operating subsidiaries, the company provides a full range of securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member [SIPC](http://www.sipc.org), <http://www.sipc.org>), offers 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. The Charles Schwab Bank, N.A. (member FDIC) provides banking and mortgage services and products. The company’s other operating subsidiaries include U.S. Trust Corporation (member FDIC) and CyberTrader®, Inc. (member [SIPC](http://www.sipc.org), <http://www.sipc.org>). More information is available at www.schwab.com. (0606-2557)

The Schwab Managed Retirement Trust Funds are collective trust funds maintained and distributed by The Charles Schwab Trust Company (CSTC). CSTC acts as trustee and manager. Interests in the funds are sold through CSTC and Charles Schwab & Co., Inc., a registered broker-dealer, and are also made available through the NSCC. The funds are not mutual funds, and their units are not registered under the Securities Act of 1933, as amended, or applicable securities laws of any state or other jurisdiction. The funds are not registered under the 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, the funds are available for investment through CSTC 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.

*Source: Employee Benefit Research Institute 2006 Retirement Confidence Survey.