

# Frequently Asked Questions

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# About Schwab Charitable

## What is Schwab Charitable?

Schwab Charitable is an independent public charity established to help clients more effectively meet their charitable planning and giving needs. Our donor-advised fund account is a tax-smart, flexible and efficient way for clients to manage their charitable giving in a way that potentially enables them to give even more to charity.

Since inception, Schwab Charitable donors have given almost \$6 billion in grants to almost 100,000 charities. This fiscal-year alone, we granted out more than \$1 billion. Our donors are engaged and active givers supporting a wide range of local and global causes.

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).

## Is Schwab Charitable related to Charles Schwab & Co., Inc.?

Schwab Charitable is an independent public charity established with the support of Charles Schwab & Co., Inc. and is governed by an independent board of directors. Charles Schwab & Co., Inc. and its affiliates provide certain investment management, administrative and recordkeeping services to Schwab Charitable.

## How is Schwab Charitable different from other donor-advised funds?

Schwab Charitable combines exceptional service, a wide selection of non-proprietary investment options and the ability to work with registered investment advisors to manage charitable accounts.

Schwab Charitable is unique because it offers a wide range of investment pools, most containing underlying funds offered by select highly rated third-party managers, for investing charitable contributions. For larger accounts, Schwab Charitable was the industry leader and one of the first national donor-advised fund providers to offer the ability to partner with registered investment advisors to help manage charitable contributions. The Schwab Mobile app makes it simple for clients and their investment advisors to access their Schwab Charitable accounts and other Schwab accounts in one place, wherever they may be.<sup>1</sup> Finally, we regularly measure and pride ourselves on our client service scores and responsiveness.vw

<sup>1</sup> Requires a mobile connection or wireless signal.

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# Donor-Advised Fund Account Basics

## How does a Schwab Charitable donor-advised fund account work?

By using a Schwab Charitable account, donors can make irrevocable, tax-deductible contributions to an account dedicated to charitable giving and recommend grants to qualified charities of their choice, at their convenience.

A donor may open a Schwab Charitable account with a minimum, irrevocable contribution of \$5,000 in cash or appreciated investments and may receive an eligible tax deduction when itemizing. Donors typically receive a current year income tax deduction if itemizing and also avoid capital gains taxes on the contribution of any appreciated investments or assets contributed.<sup>2</sup> The contributed funds are then invested for potential tax-free growth, either through an array of Schwab Charitable investment pools choices or (for larger accounts) through other investments managed by a donor's recommended investment advisor. Donors and their advisors may adjust the account's investment allocation as desired.

Once the funds are invested, donors may recommend grants to IRS-qualified 501(c)(3) public charities at their convenience, not just in the year the assets were contributed. Grants may be recommended via [Schwab.com](https://www.schwab.com), the Schwab Mobile app or by completing and mailing or faxing a [Recommend a Grant to Charity](#) form. Once each grant recommendation is approved, Schwab Charitable will issue a personalized grant letter featuring the desired donor acknowledgement and grant check to the recipient charitable organization.

## What advantages does a Schwab Charitable account have over just giving directly to charity?

Schwab Charitable enables donors to qualify for current year tax deduction and recommend grants to charity at a later time at their convenience or when the charitable assets have had the chance to grow. Schwab Charitable also streamlines recordkeeping for donors, and makes it easier to donate appreciated investments or assets that may be more difficult for charities to accept directly.

Giving directly to charity is always an option, but giving to a Schwab Charitable account enables donors to qualify for a current year, itemized tax deduction and then recommend grants to charities at their convenience or when the charitable assets have had a chance to grow. Schwab Charitable also streamlines recordkeeping for donors, and makes it easier to donate appreciated investments or assets that may be more difficult for charities to accept directly. This makes it easier to stay organized and eliminates the need to keep track of checks and credit card receipts for tax preparation.

## Can I withdraw any of my assets once they're contributed to my account?

Because donors receive an immediate current year tax deduction, contributions to Schwab Charitable are irrevocable and are non-refundable.

## Can I create a special account name for my Schwab Charitable account?

Yes. Account names do not need to be unique but they should include the word "Foundation", "Fund" or "Account" (e.g., "ABC Charitable Fund"). Account names may not contain the word "Trust", as this denotes an alternative type of charitable giving option.

<sup>2</sup> A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. When appreciated securities held for more than a year are donated to a public charity, the donor generally receives an income tax deduction for the asset's full fair market value and avoids tax on the capital gain. The contribution of assets not held for more than one year may limit a donor's income tax deduction to cost basis. Consult with your tax advisor for more information.

## How can I be acknowledged by the charities I support?

Schwab Charitable donors may choose to be acknowledged for each recommended grant. Donors may provide charities with their name, a special account name and they may choose to include their mailing address. They may also choose to remain anonymous. More than 97% of Schwab Charitable grants have historically included donor names, enabling donors to be publicly acknowledged by recipient charities.

## May I name others on my account to help manage it?

A Schwab Charitable account holder can appoint up to five people to serve as secondary account holders. Both the primary and secondary account holders have full and equal account access and privileges.

This designation can be made when filling out the [New Account Application](#) form or at any time by completing the [Update Donor-Advised Account Information](#) form.

## Can my children be involved with my account?

Yes. Account holders can establish a succession plan when opening the account and/or add successors at any time by submitting the [Update Donor-Advised Account Information](#). If a successor is a minor, a legal guardian must approve all account activity until the minor reaches the age of 18. If named as a successor, a child will graduate to full account holder status at age 18.

## How does Schwab Charitable work with investment advisors?

Schwab Charitable partners with thousands of registered investment advisors across the United States. We support investment advisors through the entire cycle of their client relationships and provide resources and guidance that help them support charitable planning and giving efforts with their clients. We also provide resources to help with legacy planning and engagement with the next generation.

## What types of accounts does Schwab Charitable offer?

We offer two different types of Schwab Charitable accounts. Our core donor-advised fund account requires a minimum initial contribution of \$5,000 and donors can invest their contributed assets among a selection of investment pools.

For larger accounts, our Professionally Managed Account option (minimum \$250,000 initial contribution) enables clients to designate an investment advisor to invest the account in a wider range of investments (including stocks, bonds, ETFs, and mutual funds).<sup>3</sup>

Donors may open a donor-advised fund account with an initial contribution of \$5,000 which can be invested among a selection of [investment pools](#). Donors may also designate an investment advisor to act as their agent and gain online access to review and recommend allocations among the investment pools and to recommend grants. The agent may also view transaction history and the annual account summary on Schwab Advisor Center. For accounts with \$250,000 or more, a client may recommend an investment advisor to professionally manage the account for a fee, giving them access to a broader range of investment options, including individual stocks, bonds, ETFs, mutual funds. All investment advisors are subject to Schwab Charitable's approval and must enter into an [Investment Advisory Agreement](#).

<sup>3</sup> Professionally-managed accounts are available only through independent investment advisors working with Schwab Advisor Services™, a business segment of The Charles Schwab Corporation serving independent investment advisors and including the custody, trading and support services of Charles Schwab & Co., Inc. Although donors may recommend an advisor, Schwab Charitable Fund must approve the recommendation. Advisors must meet certain eligibility requirements and adhere to Fund fee and investment guidelines. You may request a copy of the investment guidelines by calling (800) 746-6216.

## Is my personal information shared with grant recipients?

Schwab Charitable will not share any personal information unless the donor chooses to share their name and/or address with charities when recommending a grant.

Schwab Charitable does not and will not share donor personal information without the donor's explicit consent. Donors have the option to include their name, special account name and/or mailing address in the [personalized grant letter](#) that accompanies the check sent to the receiving charity. This acknowledgement can be changed with each grant recommendation. Grants may also be made anonymously.

## Can a donor-advised fund and a private foundation be used to complement each other to effectively meet long-term charitable goals?

In many situations, using a donor-advised fund in conjunction with a private foundation can be an effective approach to philanthropy.

Both donor-advised funds and private foundations are grantmaking charitable vehicles which enable donors to make contributions and grant over a period of time. These vehicles will differ with respect to:

- Cost and complexity of establishment and operation
- Tax considerations
- Grantmaking support and requirements
- Investment management
- Donor involvement and privacy

Donors may take advantage of these differences to create a strategy that covers a broad range of philanthropic approaches. As an example, a donor who maintains a private foundation may also use a donor-advised fund for out-of-mission or anonymous giving.

## Can a private foundation be converted into a donor-advised fund?

Yes. For donors who prefer the simplicity and cost effectiveness of a donor-advised fund, a private foundation can be converted. Schwab Charitable's private foundation conversion service assists with the process which differs by state.

Schwab Charitable can provide guidance and assistance with the conversion by:

- Providing tools and objective advice to help clients determine if converting a private foundation to a donor-advised fund is the best solution for their philanthropic needs.
- Assisting with the paperwork associated with the transfer in the state where the foundation is held.
- Facilitating the transfer of funds into the Schwab Charitable account

For a more in-depth discussion of these considerations, see [Complementing or Converting a Private Foundation](#).

## What should I read before opening a Schwab Charitable account?

Read our [Program Policies](#) before opening a Schwab Charitable account. By signing our [New Account Application](#), donors agree to the terms and conditions of our Program Policies.

## How do I get started?

It's easy! Just fill out a [New Account Application](#).

Donors can also find general information about [donor-advised fund accounts](#) on our website. If there are questions, call us at 800-746-6216 or talk to an investment advisor.

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## Fees and Expenses

### **What are the costs associated with a Schwab Charitable account and how does Schwab Charitable keep them low?**

Costs associated with a Schwab Charitable account include administrative fees and investment fees.

Administrative fees cover Schwab Charitable's [operating expenses](#), and are among the lowest in the donor-advised fund industry.

[Investment fees](#) will vary by the underlying investment chosen. A fee may also be charged by investment advisors who are managing the account's investments, but must be approved by Schwab Charitable (not to exceed 1% of the account balance).

### **How are staff salaries paid?**

Schwab Charitable charges each account an [administrative fee](#) to cover operating expenses, which includes fiduciary, financial and investment oversight, grant processing, reporting and tax filing required for the account as well as compliance with all federal and state regulations. This includes the salaries of staff.

### **What if I do not have enough in my account to cover the administrative fees?**

Administrative fees are automatically deducted from the value of the Schwab Charitable investment pools for core accounts. For Professionally Managed Accounts, Schwab Charitable will notify account holders in the event that their account balance falls below the administrative fees owed. Schwab Charitable is authorized to sell any proprietary money market mutual fund shares held in the account, or take other actions provided for in the [Program Policies](#), if after notification the account holder does not contribute sufficient funds to pay the administrative fee.

### **Can an investment advisor manage their own account or the accounts of their relatives?**

Under most circumstances, the answer is yes, if you are an independent investment advisor working with Schwab Advisor Services, subject to the approval of Schwab Charitable. However, an investor advisor cannot be compensated for managing their own accounts or a relative's account.

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# Contributions

## Are there any contribution minimums?

Yes. Donors may open a core account with a minimum initial contribution of \$5,000. After the initial contribution, contributions of \$500 or more may be made any time.

## What types of assets can be contributed to a Schwab Charitable account?

Both cash and non-cash assets may be contributed. Appreciated non-cash assets are often the most tax advantaged. A list of eligible assets can be found on our website.

The most common contributions are cash and appreciated unrestricted publicly traded securities, including stocks, ETFs, most mutual-fund shares and bonds. Appreciated non-cash assets such as restricted or privately held stock, private equity, hedge funds, real estate and tangible personal property are accepted on a case-by-case basis.

## What are “complex assets”?

“Complex assets” is a term to describe illiquid assets, or assets that includes restrictions on how they can be transferred. They are also referred to as non-cash, special or non-standard assets. Examples of complex assets include real estate, privately held stock, private equity funds, restricted stock and partnership interests.

Contact Schwab Charitable Donor Relations at 800-746-6216, or view our [white papers](#) for more information.

## Why should I consider contributing my non-cash assets to charity?

Contributing appreciated non-cash assets or investments to charity can be the most tax-advantaged approach because doing so allows the donor to avoid capital gains tax that would normally be due if the shares were sold outright. In addition, contributing non-cash assets or investments may also help diversify a heavily concentrated portfolio. This also allows donors to support smaller charities that may not have the ability to process non-cash assets or investments.

## Can I contribute my privately held stock?

Schwab Charitable accepts contributions of non-cash assets such as privately held C-Corp and S-Corp shares, limited liability company interests, limited partnership interests, private equity, real estate, restricted stock, and other non-cash assets on a case by case basis. For more information, please contact Schwab Charitable at 800-746-6216.

## Can I contribute real estate?

Schwab Charitable accepts contributions of non-cash assets such as privately held C-Corp and S-Corp shares, limited liability company interests, limited partnership interests, private equity, real estate, restricted stock, and other non-cash assets on a case by case basis. For more information, please contact Schwab Charitable at 800-746-6216.

## How is the fair market value of contributions determined?

Fair market value is generally determined on the date a contribution is received. The process for assessing the value varies by asset or investment type.

Generally, for purposes of the charitable contribution deduction<sup>4</sup>, fair market value is determined on the date that contributions are received by Schwab Charitable. In the case of contributions of unrestricted publicly-traded stock, the fair market value is the average of the high and

Contributions of certain real estate, private equity or other illiquid assets may be accepted via a charitable intermediary, with proceeds of your donation transferred to your donor-advised account upon liquidation. Assets typically must be valued at \$250,000 or more. Call Schwab Charitable for more information at 800-746-6216.

4 A donor's ability to claim itemized deductions is subject to a variety of limitations depending on the donor's specific tax situation. Consult your tax advisor for more information.

the low for the day that the stock was received by Schwab Charitable. In the case of contributions of mutual funds, the fair market value is the closing price on the date of receipt by Schwab Charitable. Securities are typically liquidated the business day after receipt, so the fair market value for tax purposes may differ from the amount of sales proceeds credited to the account. Account holders may be required by the IRS to obtain a qualified appraisal for other non-cash assets.

### **Will a receipt be issued for my contribution for tax purposes?**

Yes. Schwab Charitable will provide a timely written acknowledgment for each contribution. This confirmation will serve as a receipt for tax purposes. Contribution receipts may also be viewed online on Schwab.com or Schwab Advisor Center at any time. In addition, an annual contribution summary is provided after year end to assist with tax preparation. In cases where a donor is required by the IRS to obtain a qualified appraisal in order to claim an itemized income tax deduction, Schwab Charitable will identify the asset contributed, including the number of shares/units if applicable, but will not provide or agree to a valuation of the asset.

Since the contribution to the Schwab Charitable account is eligible for a current year income itemized tax deduction, any other receipts or acknowledgments received (e.g., from a charity to which a grant has been recommended) are duplicative and may not be used for tax purposes.

### **How long does it take to process contributions for a new Schwab Charitable account?**

Typically, accounts are opened and funded within one business day of the receipt of the initial contribution. In some cases (during periods of high volume or when assets are being transferred from a financial institution other than Charles Schwab & Co., Inc.), the process can take several weeks.

### **Who can contribute to a Schwab Charitable account?**

Both individual account holders and third parties may contribute to a Schwab Charitable account.

In addition to contributions from individual account holders, Schwab Charitable accepts third-party contributions to accounts from individuals or entities, such as private foundations, corporations, other donor-advised funds, trusts and estates. Schwab Charitable requests that the account holder notify Schwab Charitable in advance of all third-party contributions to ensure proper processing and confirmation to the third party for tax reporting purposes. There is a contribution minimum of \$500.

### **I would like to raise money for a charity I know using my account. Is this possible?**

Account holders may not solicit third-party contributions to their Account or on behalf of a specific charitable organization without prior approval from Schwab Charitable and the charitable organization. Account holders may not guarantee or represent to contributors that intended grant recommendations will be approved. Other rules may also apply. Other rules may also apply. Please contact Donor Relations at 800-746-6216.

### **Are there any assets that cannot be contributed to a Schwab Charitable account?**

Schwab Charitable generally does not accept gifts of timeshare interests, savings bonds, vehicles, clothing, food inventory, or other personal items of nominal value. A list of eligible assets can be found on our [website](#).

### **Does Schwab Charitable ever reject contributions?**

Yes. Schwab Charitable reserves the right to reject a contribution if it is too difficult to process or causes excessive unreimbursed expenses, among other reasons. If unacceptable assets are delivered to Schwab Charitable, they will be returned. A list of eligible assets can be found on our [website](#).



## Can Schwab Charitable accept units of a publicly traded master limited partnership (MLP)?

Schwab Charitable generally accepts MLP interests if the donor agrees that the position will be sold immediately and that a cash hold is placed on each MLP position to cover tax liabilities arising from potential unrelated business taxable income.

Generally Schwab Charitable will accept a gift of MLPs upon the donor's written agreement and acknowledgment, of the following:

- The position will be sold immediately
- Schwab Charitable will place a cash hold of \$500 for each MLP position until December 31 of the following year to cover any tax liabilities arising from unrelated business taxable income (UBTI) generated in the account before the MLP is sold
- A fair market valuation for the units will not be provided by Schwab Charitable because the fair market value of the MLPs may be reduced due to any debt, ordinary income recapture, etc.

While they trade similarly, an MLP is considered a publicly traded partnership and is taxed differently than publicly traded securities. A donor should discuss the possible tax consequences of an MLP donation with his or her tax advisor.

Schwab Charitable does not provide legal or tax advice. Donors contemplating a contribution of an MLP interest should review the potential legal and tax implications of the transaction with their legal and/or tax advisor.

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# Income Tax Considerations

## How can donors reap the maximum tax benefit from contributions and increase their granting capacity?

The most tax-advantaged approach to giving is to contribute appreciated non-cash assets and investments that have been held for more than one year. By donating these types of assets, the donor may eliminate capital gains taxes thus increasing the amount available for charity.

Donors who contribute appreciated assets that they have held for more than one year can often increase their giving capacity substantially. This is because they can potentially eliminate capital gains tax liability on the sale of the appreciated assets contributed to charity. Public charities, including donor-advised fund accounts, do not pay capital gains tax on the sale of the appreciated asset contributed. It is critical that the assets are contributed to the charitable account before they are sold or committed for sale.

Examples of appreciated asset contributions include publicly traded stock, mutual fund shares, restricted stock, real estate, private business interests, private equity and hedge fund interests.

Schwab Charitable does not provide legal or tax advice. Donors contemplating a non-cash contribution should review the potential legal and tax implications of the transaction with their legal and/or tax advisor.

## Are there any limits to the tax deductibility of charitable contributions to a Schwab Charitable account?

Yes. Tax deductibility of charitable contributions to a Schwab Charitable account is limited to donors who itemize. Appreciated non-cash assets and investments held for more than one year receive a fair market value deduction of up to 30% of adjusted gross income. For assets or investments held for a year or less, the deduction will be the lesser of fair market value or the asset's cost basis.

The tax deductibility limits of contributions to donor-advised funds are the same as other 501(c)(3) public charities. A contribution of cash is deductible up to 60% of a donor's adjusted gross income (AGI) and a contribution of an appreciated asset or investment is deductible up to 30% of a donor's AGI. If a donor elects a cost basis deduction for a depreciated asset or investment, the deduction may be up to 50% of a donor's AGI.

Deductions beyond the AGI limits may be carried forward for five years.

Donors should review the potential tax and/or legal implications of a contribution with their legal and/or tax advisor prior to contribution.

## Does it matter how long I have owned an appreciated non-cash asset that I'm contributing to charity?

Yes. Appreciated non-cash assets held for more than one year generally receive a fair market value deduction of up to 30% of adjusted gross income. For assets or investments held for a year or less, the deduction will be limited to the lesser of fair market value or the asset's cost basis.

Generally, the value of the charitable deduction will vary depending on how long the asset has been held. The contribution of an asset held for more than one year normally qualifies for a charitable tax deduction at fair market value, up to 30% of a donor's adjusted gross income (AGI). For assets held for less than one year, the deduction for the contribution of a short-term capital asset is limited to the lesser of the asset's fair market value or the donor's cost basis in the asset. If a donor elects a cost basis deduction, the deduction may be up to 50% of the donor's AGI.

Deductions which exceed the AGI limits may be carried forward for five years.

Schwab Charitable does not provide legal or tax advice. Donors should review the potential legal and tax implications of a contribution with their legal and/or tax advisor.

## Am I responsible for obtaining an appraisal for my contributed assets?

Per Internal Revenue Service requirements, most donated property of more than \$5,000 per item or group of similar items must be appraised by a qualified, independent appraiser, and the arrangements and cost for the appraisal are the responsibility of the donor. The IRS establishes appraisal requirements in Instructions for IRS Form 8283 and Publication 561, Determining the Value of Donated Property.

## How do I account in my taxes for the income that is generated from my contributed assets?

Income generated after assets are contributed to a Schwab Charitable account is considered the property of Schwab Charitable and therefore is not reported on the donor's personal income tax return.

## Are there any benefits to my estate from donating assets?

Yes. Contributions to a Schwab Charitable account and subsequent increases in the value of an account are not part of an account holder's taxable estate and therefore reduce the estate's overall potential estate tax liability. Naming a charitable beneficiary such as Schwab Charitable on tax-deferred accounts also may relieve non-charitable beneficiaries from payment of federal income tax upon distribution.

Generally, account holder contributions to Schwab Charitable and any subsequent increase in the value of an account are not part of an account holder's taxable estate and are not subject to estate taxes or probate.

In addition, naming a charitable beneficiary on tax-deferred accounts may relieve non-charitable beneficiaries from the payment of federal income tax upon distribution. An account holder may name Schwab Charitable as a

beneficiary of cash equivalents, investments or other property in their will or other testamentary instrument. Account holders may also name Schwab Charitable as a beneficiary with respect to other non-probate property, including but not limited to retirement plans, charitable trusts, life insurance, brokerage or other accounts allowing designation of beneficiaries.

The Schwab Charitable Legacy Program allows donors the flexibility to support charitable organizations over time after their death by recommending up to six charitable organizations as grant recipients to receive annual distributions totaling at least 5% of the Account balance per year, over at least five years. Program requirements must be met.

Schwab Charitable encourages account holders to consult with their legal counsel for legal and tax advice pertaining to one's personal situation.

## I made a contribution of restricted stock this year. If the stock is publicly traded, why is there no fair market value listed on my contribution acknowledgment letter?

It is the donor's responsibility to indicate the contribution date and fair market value of any charitable contribution. Consult with a tax professional to determine the fair market value and determine whether a qualified appraisal is required by the IRS.

It is the responsibility of the donor to determine the contribution date and the fair market value of a charitable contribution to Schwab Charitable. Although Schwab Charitable provides the fair market value for unrestricted publicly held securities, the fair market value of illiquid gifts such as restricted stock, real estate and private business interests may be affected by a number of factors including transfer restrictions, depreciation, debt, etc. Donors should consult with a qualified tax professional to determine appropriate fair market value and whether a qualified appraisal for the asset is required.

## **I made a charitable contribution of appreciated unrestricted publicly traded stock last year in the amount of \$50,000. Can I deduct the entire amount?**

IRS rules limit the itemized deduction for charitable contributions of appreciated securities to a maximum of 30% of your adjusted gross income. Consult Schedule A (Form 1040) for more information on these limits.

Schwab Charitable cannot provide legal or tax advice, but generally under the Internal Revenue Code, the amount a donor can deduct for charitable contributions cannot be more than 50% of a donor's adjusted gross income. A 30% limit applies to long-term capital gain property (e.g., appreciated securities held for more than one year). Contributions in excess of these percentage limitations may be carried forward up to five subsequent years. Because Schwab Charitable is a public charity, the percentage limitations that apply are generally the most [favorable charitable deductions](#) available under IRS regulations.

Please note that the total of a donor's charitable contributions deduction and certain other itemized deductions may be limited if the Donor's adjusted gross income is in excess of certain limits. Additional information regarding this limit can be found in Schedule A of Form 1040. Donors should review the potential tax and/or legal implications of a contribution with their legal and/or tax advisor prior to making any contributions.

## **May I name my Schwab Charitable account as the beneficiary of my annuity or other retirement benefits?**

A Schwab Charitable account can be named as a beneficiary of an annuity or other retirement benefits. By doing so, a donor can support a philanthropic legacy and also save non-charitable beneficiaries from paying income tax on any distributions.

Generally yes. Naming a public charity, such as Schwab Charitable, as a beneficiary on a tax-deferred account will save non-charitable beneficiaries from paying income tax on distributions.

Upon the death of an Account Holder, a tax-deferred annuity (or tax-deferred retirement benefit) is considered Income in Respect of a Decedent (IRD). The income is not includible in the decedent's final tax return because it was not payable until after death, but it is taxable to the estate or beneficiary. If the beneficiary of the annuity contract is a 501(c)(3) charity, the charity is generally exempt from payment of the federal income tax.

Schwab Charitable does not provide legal or tax advice. Donors contemplating a contribution should review the potential legal and tax implications of the transaction with their legal and/or tax advisor.

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## Investment Options

### How can assets contributed to Schwab Charitable accounts be invested prior to granting?

Schwab Charitable offers a variety of investment options depending on account type.

Donors with a core donor-advised fund account (initial contribution of \$5,000) and invested in a selection of [Investment Pools](#).

Donors with a Professionally Managed Account, (minimum \$250,000 initial contribution) may designate an investment advisor to invest the account in a broad range of investment options including stocks, bonds, ETFs, and mutual funds.

### Can I reallocate my funds among investment pools?

Donors may recommend a reallocation of the account assets at any time on Schwab.com or by using the [Update Donor-Advised Account](#) form. Schwab Charitable will invest all future contributions and fund all grants according to the most current requested portfolio asset allocation.

### Do the investment pools offered by Schwab Charitable ever change?

Schwab Charitable may alter the available [investment pools](#) and their underlying mutual funds from time to time. All investment pools and underlying funds are monitored by Schwab Charitable and its board of directors on a regular basis.

Market fluctuations may cause the value of investments held in a donor-advised account to be worth more or less than the value of the original contribution to the funds.

**Account holders should carefully consider information contained in the prospectus for the registered underlying mutual funds, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab Charitable at (800) 746-6216. Please read the prospectus carefully before making contributions or recommending investment of funds.**

### Does Schwab Charitable charge loads or commissions for investments in the investment pools?

No separate loads or commissions are charged for the Investment Pools. Management and operating expenses are reflected in each fund's net asset value.

Schwab Charitable does not assess any separate charges for investment services, nor does it generally pay a load or sales charge on purchases of mutual fund shares in the investment pools. However, each investment pool bears [investment management fees](#) and [operating expenses](#), including those of the underlying mutual funds, and these are reflected in each fund's net asset value. These expenses are subject to variation. Contact Schwab Charitable Donor Relations at 800-746-6216.

### What if I don't specify a recommended asset allocation for my contributed assets?

If a donor chooses not to recommend a portfolio asset allocation, Schwab Charitable will allocate 100% of the contribution to the [Money Market Pool](#). Donors may recommend a reallocation of the account assets at any time on the Schwab Charitable website or Schwab Mobile app or by using the [Update Donor-Advised Account](#) form.

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# Recommending a Grant

## What does it mean to recommend grant?

Donors may recommend grants to charities of choice from their Schwab Charitable account. Because contributions to a Schwab Charitable account receive associated tax benefits, they are irrevocable and legally owned by Schwab Charitable. Schwab Charitable reviews and processes grant recommendations. Grant recommendations are generally approved grant recommendations, as long as the organizations are IRS-approved 501(c)(3) public charities and the grant complies with guidelines and restrictions specified in the [Program Policies](#).

## Is there a minimum grant amount?

Grants from Schwab Charitable can be made for as little as \$50, enabling donors to use their accounts to facilitate most of their charitable giving. Are there any grant minimums or balance requirements?

Grants of a minimum of \$50 or more can be recommended to qualified U.S. tax-exempt charities, or to U.S. state or local governmental organizations qualified to receive charitable contributions, such as state colleges, universities, private operating foundations or certain international organizations. There is no maximum limit to the number of grant recommendations that you may make from the account.

While there is no minimum balance requirement, an account cannot maintain a zero balance indefinitely. Please see the Schwab Charitable [Program Policies](#) for more details.

## Does Schwab Charitable have a list of approved charities?

Schwab Charitable provides access to an online database of over one million IRS-registered 501(c)(3) nonprofit organizations through GuideStar. Grants may only be made to any IRS-approved public charity. Approved organizations are U.S.-based organizations that qualify as tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

## What if the charity I want to grant to does not appear in the search results when I am making my online grant recommendation?

The vast majority of recommended grant recipients are in Schwab Charitable's database, that includes over a million charities, and are quickly approved. If the charity of your choice is not in our database, Schwab Charitable will perform the due diligence to determine whether the organization is an IRS-approved public charity. Once approved, the charity will be added to our database to facilitate future granting.

## Can grants be made to foreign (Non-US) charities?

Schwab Charitable offers the following avenues for international granting:

- Grant to a U.S. 501(c)(3) charity doing international work
- Grant to a U.S. intermediary who can direct funds internationally
- Grant directly through Schwab Charitable's [Global Giving Program](#), which enables donors to make grant recommendations directly to foreign charities in some countries

Certain conditions, grant minimums and fees may apply. Contact Schwab Charitable Donor Relations at 800-746-6216.

## When will the charity receive the grant?

If Schwab Charitable has already granted to a charity and it remains IRS-approved, a personalized grant letter and check will generally be mailed to the charity within three to five business days. If Schwab Charitable has not previously granted to the charity, the due diligence process may take a bit longer depending on type and the responsiveness of the charity. During peak activity periods at the end of the year, grants may take longer to issue.

## What might cause delays in the approval of a recommended grant?

If Schwab Charitable has not previously granted to a charity, the due diligence process can take a little longer depending on the type of charity. There are several different 501(c)(3) public charity classifications and, in some cases, additional documentation may be required in order to verify the charity's eligibility. Other factors, including a charity's responsiveness, can also affect the processing time. A grant specialist may contact you if additional information is needed, or to inform you of a delay. During peak activity periods, grants may also be a bit delayed.

## Can I deliver the grant check to the charity personally?

Schwab Charitable grant checks must be mailed directly to the receiving charity and are accompanied by a personalized grant letter with the requested donor acknowledgment. Donors may access a copy of the personalized grant letter online at any time to present to the charity if they wish.

Can my company match grants recommended to charities from my Schwab Charitable account or contributions into my Schwab Charitable account?

Company policies vary; please check with your employer to understand its policy for matching gifts of grants recommended from or contributions into donor-advised fund accounts

## How does Schwab Charitable ensure that grants always go to legitimate charities?

As a donor-advised fund account provider, Schwab Charitable makes grants to qualified 501(c)(3) public charities. We verify an organization's charitable status for each grant, and if a charity loses its 501(c)(3) status, we will immediately stop approving grant recommendations to that organization, and inform any impacted donors. Schwab Charitable may also deny grant recommendations for other reasons.

## Why might a grant be declined?

Grant recommendations are typically only declined if the charities are not IRS-approved 501(c)(3) charities or if the terms of the grant recommendation violates any restrictions as listed in our Program Policies.

Schwab Charitable takes great care to comply with all IRS guidelines affecting donor-advised fund accounts and is not able to approve any grant that:

- Is to a United States organization that is not recognized by the IRS as a 501(c)(3) public charity
- Supports lobbying, political campaigns or other political activities
- Fulfills a donor's pre-existing legal pledge to an organization

Supports a charitable event that isn't deemed 100% tax deductible by the charity or the IRS or provides "personal benefit" to the donor (e.g., provides tickets for a fundraising event, a membership that provides value to the donor or pays a salary of the account holder or a relative)

For more details and guidelines on events, memberships and pledges, please see [Granting Guidelines for Events, Memberships and Pledges](#).

## How do I know whether a grant check has been received by a charity?

A Schwab Charitable account's grant history can be viewed at any time online on Schwab.com, the Schwab Mobile app and on the Schwab Advisor Center.

Additionally, the individual who submitted the grant recommendation can elect to receive an email once the check has been sent to the charity. If donors provide their address when submitting a grant recommendation, the recipient charity will likely also contact them to acknowledge receipt of the grant.

## Can I recommend a grant to satisfy a pledge?

Schwab Charitable accounts cannot be used to satisfy a legally-binding pledge or agreement between an individual and a charity. Instead, it is often sufficient for donors to agree to recommend grants from their donor-advised fund accounts over time. In select cases for very large grants, Schwab Charitable may also enter into specialized grant agreement with recipient charities.

Please refer to our [fact sheet](#) for more detailed information.

## Can I make grants for events or memberships from my Schwab Charitable account?

By law, grants from donor-advised funds may only be made for events or memberships if the donors receive no "personal benefit" and the donation is considered 100% tax deductible by the recipient charity.

The IRS prohibits donor-advised fund account holders, additional account users and any of their family members from receiving non-deductible benefits from grant recommendations. Please refer to our [Granting Guidelines for Events, Memberships and Pledges](#) fact sheet for more detailed information.

## What are examples of grants that provide "personal benefit" that cannot legally be supported by a donor-advised fund?

Grants that provide some form of "personal benefit" to the donor that cannot legally be supported through a donor-advised fund include:

- A grant that is intended to pay all or a portion of the cost of tickets to attend a charitable event cannot be supported. The full ticket price (the tax deductible and the non-tax deductible portions) must be paid out of pocket and separate from any Schwab Charitable grant.
- Membership benefits, if any portion of the membership fee is not tax deductible.
- Benefits of support such as the receipt of preferred seating at a sporting event.
- Raffle tickets or goods and services bought at a charitable auction.

## Can I request that a grant be sent electronically?

Because Schwab Charitable is able to grant to millions of eligible charities of varying sizes, types, and degrees of electronic funds transfer capabilities, at this time we are only able to send grants by mail. Grant checks are accompanied by a personalized grant letter with the desired donor acknowledgement to the recipient charitable organization.



## Must I grant a minimum amount in any given year?

Schwab Charitable donors are engaged and active granters, with an average granting rate of over 20% of assets, more than four times that committed to the IRS when we were established. Schwab Charitable also requires that individual accounts stay active over a reasonable period of time.

If there have been no grant recommendations of at least \$50 during a four-and-a-half year period from an account, Schwab Charitable will contact the primary account holder to request that a grant recommendation in a minimum amount of \$50 be made. If the account holder does not recommend a grant, Schwab Charitable will make a grant of \$50 to the Schwab Charitable's Philanthropy Fund, which supports donor and investment advisor education and research and charitable grantmaking. For more details, please read our [Program Policies](#).

## May I save and grow the balance in my account to make a large lump-sum grant down the road?

Yes. Donors may save and grow their Schwab Charitable accounts for larger future granting purposes, certain requirements apply. Please contact Schwab Charitable Donor Relations at 800-746-6216.

## Can I send recurring grants from my Schwab Charitable account?

Yes, donors may set up recurring grants online. Donors can choose the frequency of recurring grants (annually, semiannually, quarterly or bi-monthly, monthly or twice monthly). Recurring grants are subject to the guidelines and restrictions found in the Schwab Charitable Program Policies at the time the grant is made.

## May I specify a special purpose for a grant recommendation?

Yes, donors may specify in their grant recommendation that the funds be used for a special purpose, such as a building fund or research project Schwab Charitable will review the special purpose identified during its review of the grant recommendation, and, if approved, will convey this to the Charitable organization. Questions about how a special purpose designation may be handled by the charity should be asked of the charity directly.

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# Legacy Planning

## How does a Schwab Charitable account support legacy planning?

Donors can name individuals or charities as beneficiaries of their accounts. Children of account holders can be named as successors, or added to accounts if they are over 18.

Schwab Charitable accounts enable flexible and low-cost legacy planning. Donors may name up to four designated individuals as successors on their account. Successors become account holders when the succession plan is enacted. Succession plans are enacted upon the notification to Schwab Charitable of the death, incapacity, refusal to serve, or other disqualification of all account holders named on the account.

In addition, donors may designate up to six charitable organizations as beneficiaries. Beneficiaries receive the proceeds of any remaining assets in the account, distributed according to wishes of the account holder. Designated successors and beneficiaries may be changed at any time. All recommendations of charitable beneficiaries and charitable recipients are subject to the approval of Schwab Charitable.

Larger accounts can also ensure that their charitable giving extends beyond their lifetime by enrolling in the [Charitable Legacy Program](#), enabling granting to charities over an extended period of time if desired. All recommendations of charitable beneficiaries and charitable recipients are subject to the approval of Schwab Charitable at the time that the grants would take place.

Donors with children of legal age may also get them involved immediately by adding them as additional account users. In that capacity, they can recommend grants to charities and will receive copies of all statements and correspondence. If donors would like to name their children to succeed them as account holders after death, they can also name them as successors on the account.

## How do I name and update successors on my Schwab Charitable account?

Donors may name successors when they open an account, and may update or change the successors at any time.

Donors may name up to four designated individuals as successors on their account. Successors become account holders when the succession plan is enacted. . Account holders may name successors when opening an account, and may update or change their successors at any time by completing an [Update Donor-Advised Account Information](#) form. For more details on managing your account online, please view our [demonstration video](#).

## May I name a charitable organization as a beneficiary to my account?

Yes, up to six charitable organizations may be named to receive proceeds of the remaining assets in your account.

An account holder may recommend up to six charitable organizations to receive the proceeds of any remaining assets in the when the succession plan is enacted. Succession plans are enacted upon the notification to Schwab Charitable of the death, incapacity, refusal to serve, or other disqualification of all account holders named on the account. All recommendations of charitable beneficiaries and charitable recipients are subject to the approval of Schwab Charitable at the time that the grants would take place.

## What is the Schwab Charitable Legacy Program and what accounts are eligible?

The Schwab Charitable Legacy Program is available for donors interested in creating a lasting charitable impact. Accounts with a balance of at least \$100,000 are eligible.

To be eligible for the [Legacy Program](#), the account balance must be at least \$100,000, after all fees and expenses required by Schwab Charitable have been paid and all pending grant recommendations have been processed, including any grants to charitable beneficiaries. More information about the Legacy Program can be found on our [website](#).

## **What if charitable beneficiaries are no longer eligible when the succession plan is enacted?**

The amount intended for the beneficiary will be distributed equally among the additional named beneficiaries.

If a charitable beneficiary is not an eligible grant recipient when a succession plan is enacted, the amount designated for that organization will be divided equally between any additional named beneficiaries.

If there are no additional charitable beneficiaries, but there is an account successor, the amount will remain in the donor's Schwab Charitable account. If there are no additional named beneficiaries and no successor on the account, it will be distributed to the Philanthropy Fund, Schwab Charitable's unrestricted giving fund.

## **What if no successor or beneficiary has been selected for an account or if no beneficiary is eligible at the time of death of the last account Holder?**

In this highly unlikely event, Schwab Charitable will distribute the balance of the account to charities recently granted to by the account or, if none, to the Schwab Charitable Philanthropy Fund.

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## For Charities

### May charities obtain contact information for Schwab Charitable donors who support them?

Schwab Charitable donors choose how they want to be acknowledged for each grant they recommend to a charity. Donors may choose to share their name, a special account name and address. Donors may also choose to remain anonymous.

Historically, more than 97% of our grants have included donor names, enabling them to be publicly acknowledged in charity recognition materials. Those who have chosen not to share their addresses often do so because they do not want charity resources spent on solicitation efforts. For the few that choose to give completely anonymously, we honor this request.

### What benefits does Schwab Charitable provide to the charities supported by its donors?

Schwab Charitable makes it easier for donors to support charities and can make it easier for charities to receive donations.

Schwab Charitable exists to make charitable giving simple and effective for our donors, who in turn support a variety of charities. Schwab Charitable donors are actively philanthropic and educated about the tax benefits of charitable giving, and Schwab Charitable gives them an easy way to develop a lifetime of strategic and tax smart philanthropy.

Schwab Charitable helps charities by:

- Helping donors integrate charitable planning with their wealth management so they can give more generously.
- Facilitating donations of appreciated assets (publicly traded and non-publicly traded), which often can be cumbersome and time consuming for charities to receive directly.
- Enabling ongoing support of charities through our flexible [Charitable Legacy Program](#).
- Possibly increasing total giving over time due to account investment growth.

### How can charities get more exposure to Schwab Charitable donors?

Charities can make it easier for donors to recommend grants from their donor-advised funds by ensuring donor-advised funds are a giving option in their solicitations, and can acknowledge donor-advisors for their recommended gifts. Charities may also consider adding the DAF Direct widget to their web sites to facilitate giving from some of the larger donor-advised fund providers, such as Schwab Charitable.

As charities develop solicitation materials, they can encourage giving by Schwab Charitable and other donor-advised fund sponsors by:

- Asking if they would like to recommend a grant from their donor-advised fund account. Recognizing that they utilize a donor-advised fund to set aside resources for charity and more thoughtfully plan and consolidate their giving may inspire support.
- Provide an additional funding option that says “I intend to recommend this amount from my donor-advised fund,” which makes it easy for them to provide a potentially greater level of support.

- Let your donors know when only a portion of their donation would be tax deductible (for example, for memberships or events that provide a “return benefit”), so donors know when to use other funds for these contributions. Grants involving a return benefit to the donor-advisor are not allowed from donor-advised funds. Encourage them to make supplemental grants from their donor-advised funds to further support your organization if they so desire.
- Acknowledge donors by name or by the special account name provided in the letter from the sponsoring charity that accompanies the grant check.
- Add the [DAF Direct](#) widget to your website to enable donors to recommend grants from their donor-advised fund accounts directly from a charity’s website.

In addition, since Schwab Charitable donors actively use the internet to research charities online, charities should keep web sites updated and make sure information is current on commonly used nonprofit organization research sites.

This information is not intended to be a substitute for specific individualized tax, legal or investment planning advice. Where specific advice is necessary or appropriate, Schwab Charitable recommends consultation with a qualified tax advisor, CPA, Financial Planner or Investment Manager.

Schwab Charitable is the name used for the combined programs and services of Schwab Charitable Fund, an independent nonprofit organization. Schwab Charitable Fund has entered into service agreements with certain affiliates of The Charles Schwab Corporation.