

*charles* SCHWAB

# Building Toward Retirement



A practical  
guide to  
growing your  
money.





**Starting to consider retirement more seriously? Now's the time to maximize your savings opportunities—and maximize the growth of your investments.**

There's no time like the present to take a good look at how close you are to your retirement goals and to refine your strategy to make sure you stay on target. Here are some insights and ideas to help you keep your investments on track for the long term.



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**For personal help with your retirement needs, speak with a Schwab investment professional at 1-800-435-4000.**

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## Power Up Savings During Your Peak Earning Years

### **Focus on your tax-advantaged accounts.**

Tax-deferred investing is one of the most powerful tools for growing your retirement savings. To take full advantage of tax-deferred growth:

- Contribute up to the maximum allowed every year to both your employer-sponsored retirement plan and an IRA, even if it's not tax-deductible.
- Consider setting up automatic monthly contributions to your IRA in the same way you make contributions to a 401(k).
- Keep your money working with dollar-cost averaging through an automatic investment plan.

### **Find ways to save more.**

How much you save and spend now may well be the most important factors in achieving your retirement goals—even more important than how you invest.

### **What you can do now:**

- Allocate a portion of any salary increase to your 401(k) and/or IRA. Consider increasing the amount you put in your 401(k) by 1% every time you receive a raise.



### **Preserve your savings.**

**Consolidate 401(k) assets you may have at a former employer in a rollover IRA rather than taking a withdrawal. You'll avoid taxes and penalties while maintaining the potential for tax-deferred growth.**

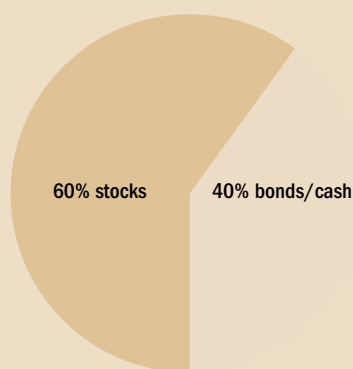
Your peak earning years can also be your peak saving years. Make sure retirement is a top priority. And take advantage of dollar-cost averaging to help reduce risk in changing market conditions.

- Invest your tax refund in your IRA.
- Put other windfalls, such as an inheritance or a bonus, toward your retirement savings.
- If you have a side business or work for yourself, open a SEP-IRA, an Individual 401(k) or another small-business plan to maximize your tax savings.
- If you're 50 plus, take advantage of catch-up contributions. You can contribute an extra \$1,000 yearly to an IRA. You can contribute an extra \$5,000 for tax year 2008 (\$5,500 for 2009) to your 401(k) or other employer-sponsored plan.

#### How Schwab can help.

- Schedule a complimentary consultation to discuss your retirement needs, assess your portfolio and determine ways to maximize your savings. It's part of the service you receive as a client. Call **1-866-849-5799**.
- Find out if you're on track and explore different savings and spending scenarios with the Retirement Assessment Tool. Log in at **[schwab.com/retirementassessment](http://schwab.com/retirementassessment)**.
- Our team of Rollover Consultants can make the process of rolling over your 401(k) easy. Call **1-877-412-6116** or visit **[schwab.com/rollover\\_consultants](http://schwab.com/rollover_consultants)**.

#### The power of increased savings: Two hypothetical investors



To match the effect of saving and investing an extra \$60 per semimonthly paycheck for 15 years, you'd need to earn an **extra 4.42%** per year on your investments—**without increasing risk**.\*

#### Dollar-cost averaging—how it works.

By investing through an automatic investment plan, you buy securities in fixed dollar amounts over a period of time. So as the prices rise, you buy fewer units, and as they fall, you buy more, spreading the cost out over several years—and helping to provide insulation against changes in the market.

Source: Schwab Center for Financial Research. Savings example assumes that the total savings from the paycheck were invested into the Schwab Aggressive Model portfolio, with an 8.3% estimated rate of return over 15 years. The Aggressive Model portfolio (allocated 50% large-cap stocks, 20% small-cap stocks, 25% international stocks, and 5% cash investments) may not be suitable for all clients. This chart represents a hypothetical investment and is for illustrative purposes only. The actual annual rate of return will fluctuate with market conditions.

\*Periodic investment plans (dollar-cost averaging, dividend reinvestment or Schwab's Automatic Investment Plan [AIP]) do not assure a profit and do not protect against loss in declining markets.

## Allocate for Growth, Diversify to Manage Risk

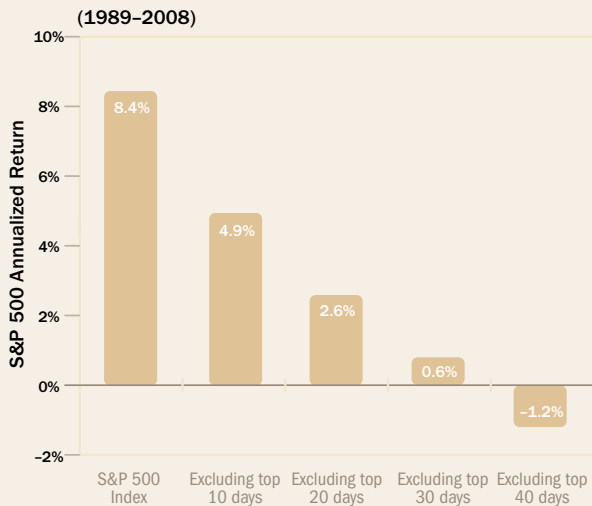
### Keep a long-term perspective.

Attempting to “time the market” by predicting future price movements is risky. If you have an asset allocation that you’re comfortable with, stick with it. Changing your asset allocation in an attempt to time the market could derail your long-term plans. Here’s why:

- Shifting your money in and out of the market is a short-term strategy that can actually lessen your long-term growth.
- Unless your timing is right 100% of the time, you might be out of the market at a crucial moment.

According to the Schwab Center for Financial Research, during the past 10 years ending December 31, 2008, missing the best 10 days of the S&P 500® would have reduced your annual return from 8.4% to 4.9%—much lower than the rate of inflation.

### Time in the market trumps market timing: Miss a few days, returns plummet



Source: Schwab Center for Financial Research with data provided by Standard and Poor's. Return data is annualized based on an average of 252 trading days within a calendar year. The year begins on the first trading day in January and ends on the last trading day in December, and daily total returns were used. Returns assume reinvestment of dividends. When out of the market, cash is not invested. Market returns are represented by the S&P 500 Index, an index of widely traded stocks. Top days are defined as the best-performing days of the S&P 500 during the 20-year period ending with 2008. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. Past performance is no indication of future results.

### Don't risk being out of the market on the wrong day.

Markets gain most of their market share in approximately 17 “best days” per year, on average. But no one can predict exactly which days those will be in any given year.

The single most important investment decision you can make is determining your asset allocation—the distribution of stocks, bonds and cash in your portfolio. Now may be a good time to reassess your allocation to make sure it accurately reflects your goals, your current feelings about risk and the amount of time you have before retirement.



### **Avoid overconcentration.**

Holding a variety of investments is one of the best ways to weather market volatility and maintain the potential for growth.

Being heavily invested in any one security—for example, your company stock—dramatically increases your level of risk. As a guideline, the Schwab Center for Financial Research suggests you should be concerned if a single stock accounts for 10% or more of your total stock investments.

Your portfolio could also be at risk if you have too much invested in any one industry, sector or geographical area.

### **What you can do now:**

- Diversify across asset classes by investing in large, well-established companies, smaller emerging companies and international stocks, as well as in bonds and cash.
- Diversify within asset classes by investing in multiple industries, countries and market sectors (e.g., technology and health care).

- Easily diversify by investing in mutual funds or a managed account that automatically invests across asset classes to maintain a mix of investments.

### **How Schwab can help.**

- Find out if your portfolio reflects your current feelings about risk or if it's overconcentrated. Go to **[schwab.com/portfoliocheckup](https://schwab.com/portfoliocheckup)**.
- Schwab Portfolios™ offers an easy way to invest in a diversified portfolio of mutual funds chosen by Schwab experts. Go to **[schwab.com/schwabportfolios](https://schwab.com/schwabportfolios)**.
- If you'd like professional help managing your investments, go to **[schwab.com/financialguidance](https://schwab.com/financialguidance)**.

**FOR PERSONAL HELP WITH YOUR RETIREMENT NEEDS, SPEAK WITH  
A SCHWAB INVESTMENT PROFESSIONAL AT 1-800-435-4000.**

*Diversification strategies do not assure a profit and do not protect against loss in a declining market.*

## Keep Your Portfolio on Track with Yearly Monitoring and Rebalancing

### **Rebalance to help control risk and maximize growth potential.**

Rebalancing your portfolio—buying or selling some of your asset classes to restore your portfolio to your original target allocation—is an important step in controlling risk. It requires you to sell asset classes that are performing well and buy other asset classes that have performance potential.

It may seem counterintuitive, because you're taking profits from winning asset classes and buying other asset classes that perhaps haven't done as well. But in effect, you're buying low and selling high—with the goal of keeping your portfolio aligned with your desired allocation and poised to take advantage of market upturns.

#### **Things to remember:**

- Before you rebalance, consider how much time you have to invest and your current feelings about risk. If your timeline or risk tolerance have changed, you may need to first shift to a new asset allocation.

- If you're overconcentrated in a particular sector, industry or company due to market changes, it may be time to sell some assets and buy others so your portfolio isn't dependent on the performance of one type of investment.
- If individual ratings on your stocks or mutual funds have gone down, you may want to consider higher-rated securities.

### **Manage your investments with professional guidance.**

Managing a diversified portfolio can be time-consuming and difficult. Having someone available to give you professional advice can make a real difference, and Schwab investment professionals are available to talk one-on-one when you need to.

### **When should you rebalance?**

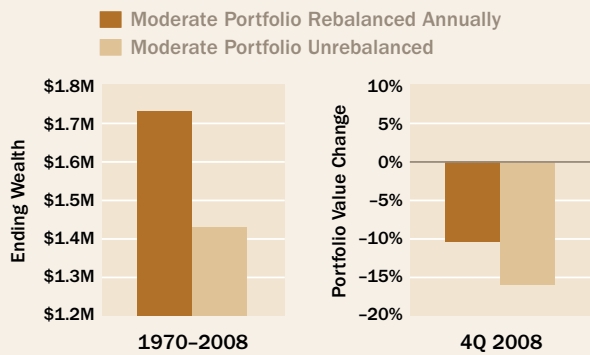
**We recommend thinking about pruning any asset class that has overgrown its target by more than 5%.**



Whether it's affected by broad market movements, performance variation in certain sectors, or individual company changes, your portfolio may go out of balance over time. To make sure your portfolio stays on track, it's wise to give it regular checkups—at least once a year.



### Rebalancing annually can enhance returns and reduce risk



Source: Schwab Center for Financial Research with data from Morningstar, Inc. The starting value of the two hypothetical portfolios is \$50,000. Both also have the same initial Moderate asset allocation. One portfolio is rebalanced annually and the other is never rebalanced. The Moderate allocation is 35% large-cap stocks, 10% small-cap stocks, 15% international stocks, 35% bonds, and 5% cash investments. The indices representing each asset class are the S&P 500® Index (large-cap stocks), Russell 2000® Index (small-cap stocks), MSCI EAFE® Net of Taxes (international stocks), Barclays Capital U.S. Aggregate Index (bonds), and Citigroup U.S. 3-month Treasury bills (cash investments). CRSP 6-8 was used for small-cap stocks prior to 1979, Ibbotson Intermediate-Term Government Bond Index was used for bonds prior to 1976, and Ibbotson U.S. 30-Day Treasury Bill Index was used for cash investments prior to 1978. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. Past performance is no indication of future results.

### How Schwab can help.

- Stay on top of your portfolio with a free detailed Schwab Quarterly Portfolio Profile™ available at [schwab.com/qpp](http://schwab.com/qpp).
- Set email alerts to help you monitor portfolio activity and performance. Sign up at [schwab.com/alerts](http://schwab.com/alerts).
- Get ongoing professional advice with Schwab Managed Portfolios™\* Go to [schwab.com/smp](http://schwab.com/smp).

**FOR PERSONAL HELP WITH YOUR RETIREMENT NEEDS, SPEAK WITH A SCHWAB INVESTMENT PROFESSIONAL AT 1-800-435-4000.**

\*Please read Schwab's **Schedule H of Form ADV** for important information, pricing and disclosures relating to Schwab Managed Portfolios.

## RETIREMENT RESOURCES AT A GLANCE

### We're here to make working toward retirement easier.

Not everyone plans for retirement in the same way. The level of investment advice or investment management you want is a very personal choice. That's why Schwab offers a range of services—so you can work with us in the way that best suits you.

**CALL US AT 1-800-435-4000 OR REFER TO THE LIST OF SERVICES BELOW.**

Take advantage of our full range of resources.

#### FOR GENERAL INFORMATION

- Glossary with definitions of investing terms  
Go to [schwab.com/glossary](https://schwab.com/glossary).
- Help in determining the type of IRA that's best for you  
Go to [schwab.com/ira](https://schwab.com/ira).
- Information on Roth IRA income eligibility rules and the tax deductibility of traditional IRAs  
Go to [schwab.com/ira\\_analyzer](https://schwab.com/ira_analyzer).

#### TO HELP YOU ASSESS WHERE YOU ARE

- Schwab.com Retirement Center  
Go to [schwab.com/retirement](https://schwab.com/retirement).
- Schwab Retirement Assessment Tool  
Go to [schwab.com/retirementassessment](https://schwab.com/retirementassessment) and log in.
- Schwab Retirement Consultation  
Schedule a consultation with a Schwab Retirement Consultant at 1-800-548-5709.  
Available for a fee.

#### TO HELP YOU INVEST

- Schwab Complimentary Consultation  
To schedule a consultation, call 1-866-849-5799.
- Schwab Portfolio Solutions  
Go to [schwab.com/portfoliosolutions](https://schwab.com/portfoliosolutions).

- Schwab Managed Portfolios™  
Go to [schwab.com/smp](https://schwab.com/smp).
- Schwab Personal Financial Plan™  
Available for a fee. Call 1-866-671-2331.

#### TO ROLL OVER YOUR 401(K)

- Schwab Rollover IRA  
Go to [schwab.com/rolloverIRA](https://schwab.com/rolloverIRA) and log in.
- Schwab Rollover IRA Consultants  
Call 1-877-412-6116 or go to [schwab.com/rollover\\_consultants](https://schwab.com/rollover_consultants).

#### TO HELP YOU STAY ON TRACK

- Schwab Portfolio Checkup®  
Go to [schwab.com/portfoliocheckup](https://schwab.com/portfoliocheckup) and log in.
- Schwab Automatic Investment Plan  
Go to [schwab.com/AIP](https://schwab.com/AIP) and log in.
- Schwab Quarterly Portfolio Profile™  
Go to [schwab.com/qpp](https://schwab.com/qpp) and log in.
- Schwab Portfolio Alerts  
Go to [schwab.com/alerts](https://schwab.com/alerts) and log in.

#### TO HELP YOU MANAGE YOUR ASSETS

- One-on-one financial guidance—from single consultations to ongoing proactive portfolio management  
Go to [schwab.com/financialguidance](https://schwab.com/financialguidance).

**Brokerage Products: Not FDIC-Insured • No Bank Guarantee • May Lose Value**

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 1-800-435-4000. Please read the prospectus carefully before investing.

Past performance is no guarantee of future results. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than original cost.

