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## Step 6:

When you and your teen are ready to invest in the real world, you can open up a custodial account that will enable them to have an account in their own name. For those starting out we often recommend index funds, given their relatively low costs and their inherent diversification and tax efficiency. But we also know that kids might have more interest if they can relate to a single company. Whichever strategy you choose, make sure you've got an approach that can hold their interest and demonstrate the basics of investing. Once the account is opened, we recommend you discuss investing plans together and execute trades together based on the plan. Review statements together and set up a bi-annual review of the holdings to make sure the account is meeting objectives.

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

The S&P 500 index is an index of 500 widely traded stocks.

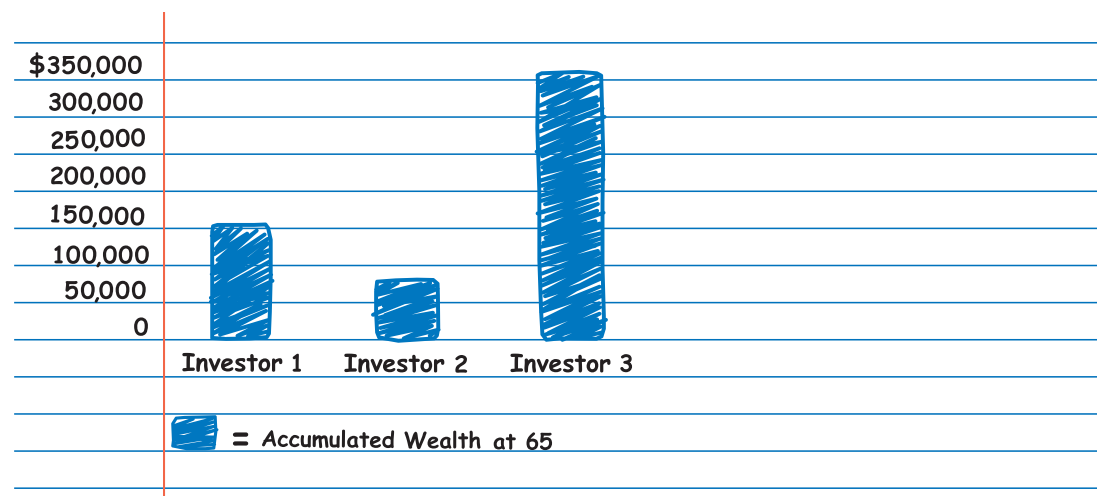
# Ready, Set, Invest! How to Get Your Teen Started in Investing

**Step 1:** Review savings, goal setting and budgeting fundamentals to make sure your teen has a good background in the basics of money.

**Step 2:** Be sure your teen really understands the concept of compounding and the importance of starting early. The example below shows how starting to invest early can really give your kids a head start.

	<b>Investor 1: Starts age 16 Stops age 26*</b>	<b>Investor 2: Starts age 40 Stops age 65</b>	<b>Investor 3: Starts age 16 Stops age 65</b>
<b>Accumulated Earnings at age 65</b>	\$162,689	\$69,787	\$347,203

\*\$1,200 invested each year, with 6% return



**Step 3:** Start to talk about investing in a way your child can understand. One way to start exploring investing is to focus on products and businesses your child can relate to:

- Which retail stores do they like?
- What products (electronics, cars, clothing, etc) and services (Internet, cell phone, banking, etc.) do they use?
- Are there any companies based or with large operations in your home town?

**Step 4:** Review some investing basics with them:

● **The Importance of Diversification**

Don't put all your eggs in one basket. Different asset classes tend to perform in different ways at different times; investing in a variety of asset classes is a technique to manage risk. Make sure you

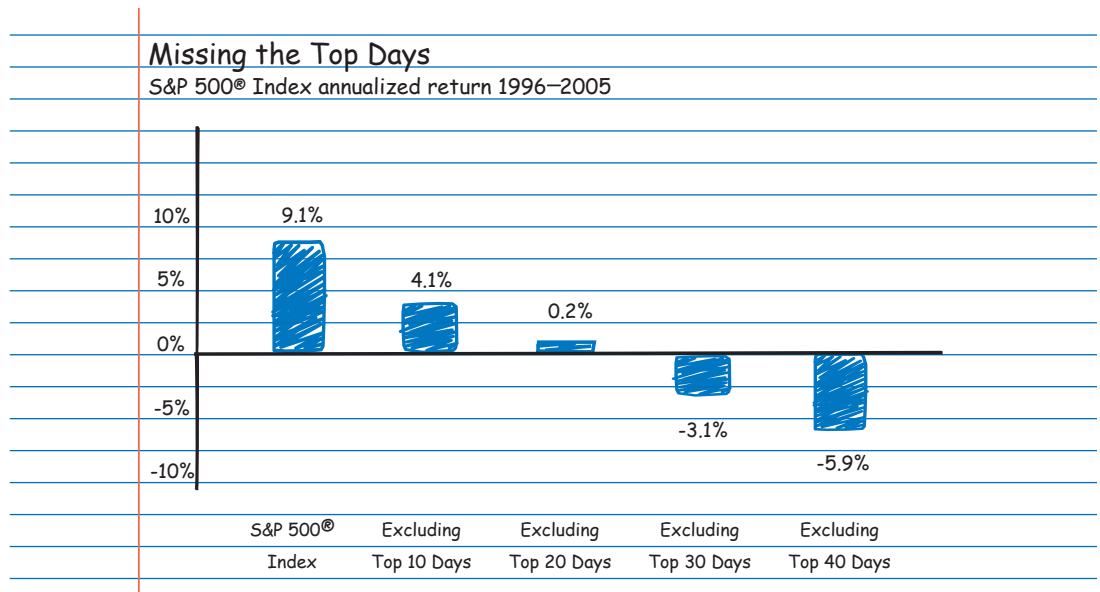
examine different asset classes (cash equivalents, bonds and stocks) as well as choices within each class (different sectors, industries, and market capitalizations). The table below shows how the same asset classes can perform very differently in different time periods.

Teens in particular can reap the benefits of the stock market over the long term.



Source: Schwab Center for Investment Research® with data provided by Ibbotson Associates, Inc. Asset class performance is represented by total annual returns of the following indices: S&P 500® Index (large cap), Russell® 1000 Growth Index (large-cap growth), Russell 1000 Value Index (large-cap value), Russell 2000 Index (small cap), Russell 2000 Growth Index (small-cap growth), Russell 2000 Value Index (small-cap value), MSCI EAFE Net of Taxes (international stocks), Lehman Brothers U.S. Aggregate Index (bonds), and Citigroup U.S. Domestic 3-Month Treasury bills (cash). Returns assume reinvestment of dividends, interest, and capital gains. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. Past performance is no indication of future results.

- Invest for the long term—investing is a marathon, not a sprint. As the graph below shows, it's almost impossible to time the market, but being in the market over the long term enables an investor to take advantage of the best days.



Source: Schwab Center for Investment 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 of December, and daily total returns were used. Returns assume reinvestment of dividends. When out of the market, cash is not invested. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. Past performance is no indication of future results.

