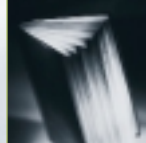


THE SCHWAB FUND FOR CHARITABLE GIVING 2000 ANNUAL OF GIVING
& AUTUMN 2000 NEWSLETTER



SCHWAB FUND *for* CHARITABLE GIVING™

LETTER FROM CHARLES SCHWAB
& KIMBERLY WRIGHT-VIOLICH

Our mission for the Schwab Fund for Charitable Giving™ is to promote philanthropy by providing a cost-effective, convenient and strategic way to give. We have honored this commitment by creating one of the best donor-advised funds in the marketplace today.

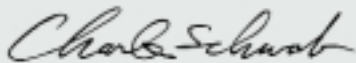
During our first year, from July 1999 to June 2000, we have already made changes to enhance the Fund. We streamlined our grant approval process to help charities receive grants more quickly. We built new online calculators to point out the important tax advantages of charitable giving, especially donations of appreciated securities. And we expanded our services and our staff to support your growing needs for services and information.

Financially, we had an incredible first year. Your contributions to the Fund's Charitable Gift Accounts totaled an impressive \$72.3 million. Even more impressive, you requested \$13.8 million in grants to more than 2,400 charities in almost every state in the union. These grants went to art museums, food banks, religious institutions, schools, environmental groups, homeless shelters and many more.

During our second year, we plan to improve our grant processing, create more online services and functionality, and provide you with new educational tools and resources to help you choose and evaluate charities. We also hope to build new partnerships with other charities nationwide that can help us continue to fulfill our mission of promoting philanthropy.

Thank you for choosing Schwab as your charitable giving partner and for contributing so generously during our first year of operation. We thank you for making the Fund a success and, through your contributions, helping to make the world a better place. We look forward to working with you to grow philanthropy in the U.S.

Sincerely,



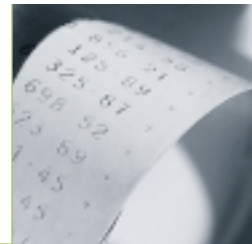
Charles Schwab
Chairman of the Board
The Schwab Fund for Charitable Giving



Kimberly Wright-Violich
President & Executive Director
The Schwab Fund for Charitable Giving

OUR NEW ONLINE CALCULATORS

Web-Based Tools for Today's Philanthropist



Planning your charitable giving just got a lot easier.

Available now online, at www.schwabcharitable.org, are two new interactive calculators that will help you determine the net costs of contributions and plan your long-term giving. “These are great new tools for our donors, and we hope that everyone goes online to use them,” says Kimberly Wright-Violich, President & Executive Director for the Schwab Fund for Charitable Giving. “These tools can help our donors to give more and incorporate giving into their overall financial budgets and long-term plans.”

How Much Can I Give?

The first new tool is the Cost of Contribution Calculator, which allows you to estimate the net cost of your contribution. Whether you plan to donate cash or securities, the calculator will instantly estimate the net, after-tax cost of your donation, based on how much the donation will reduce your federal tax liability for the year. For most donors, there will also be additional savings—and an even lower net cost of a donation—because charitable donations will also reduce state tax liability.

“Tax laws favor the generous, and seeing how much a donation will truly cost leads many people to give more,” says Wright-Violich.

For example, single taxpayers with taxable incomes of \$150,000 a year are in a 36% federal tax bracket. If you fall into this category and plan to donate \$50,000 to your Charitable Gift Account, the Cost of Contribution Calculator can show you that you can actually donate \$75,000, for a net after-tax cost of \$48,000.¹

Savings can be even more dramatic for donors who live in states that also have an income tax. If our hypothetical donor, earning \$150,000 a year, lives in California, state income taxes may add another 8% to the total tax rate. “You can almost double what you plan to give in these circumstances, and the money goes to charity instead of to the government,” says Wright-Violich. “It’s gratifying on all counts.”

Net costs of donations are lowered even further for those donating appreciated securities. If your \$30,000 donation came from appreciated stock that you purchased for \$10,000 more than a year earlier, making the donation enables you to also avoid \$4,000 in federal long-term capital gains tax. (Long term capital gains are taxed at a top rate of 20% unless you are in the 15% tax bracket, in which case a 10% rate applies.) “A large portion of our donations are made in the form of appreciated securities because the advantages are so strong,” says Wright-Violich.

Continued on next page

¹ Example is based on federal tax rates only and does not reflect effects of certain limitations, such as Alternative Minimum Tax, state or local taxes, or Adjusted Gross Income limitations on itemized deductions. Consult your tax advisor.

GLAD YOU ASKED

Here are some of the questions that donors ask us, and our answers.

Q. After my death, can I leave assets from an IRA account to my Charitable Gift Account?

A. Yes, you will need to open a Charitable Gift Account while you are alive and then simply name the account as the beneficiary for your IRA. If you want family members or friends to manage the account and continue your charitable giving program, then you will need to name them as Nominators or Donors on the account. You may also name the Schwab Fund for Charitable Giving's Philanthropy Fund as your IRA beneficiary. The Philanthropy Fund makes charitable grants in support of a variety of causes and sponsors educational programs. You may contribute to The Philanthropy Fund at any time, either through direct contributions or from your Charitable Gift Account.

Q. How does a Charitable Gift Account differ from a Private Foundation?

A. Many financial advisors recommend private foundations only for people with more than \$7 million in charitable assets. Tax treatment for a foundation is complex, and administrative costs may be substantial. For most donors, a Charitable Gift Account offers a simple, cost-efficient alternative to a private foundation. The account offers similar benefits, such as being able to name your account and request grants to any U.S. charity recognized by the Internal Revenue Service,⁴ but the Fund also takes on all the administrative requirements of setting up and managing the account. Additionally, the Fund has the onus to distribute 5% of assets, rather than the individual donor.⁵

⁴ Grant requests are subject to review and approval by the Fund.

⁵ If the Fund does not meet the requirement, the Fund may contact the current primary donors on accounts that have requested grants equal to less than 5% of their account balances on an annual basis. If the Fund does not receive sufficient grant requests within 90 days, the Fund may transfer the requisite amounts from these accounts to The Philanthropy Fund and may make corresponding grants from the Fund.

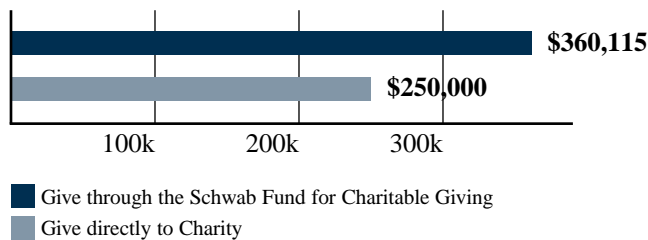
Our New Online Calculators continued

The Cost of Contribution Calculator also features a federal tax rate chart, as well as separate calculators for donations of cash or stocks and mutual fund shares.

What about giving for the long term? We've made that easier too.

Our second, new online calculator is the Charitable Giving Planner. This powerful tool can show you how to build on the tax advantages of charitable giving as well as the power of compounded growth to construct a generous long-term giving plan.

How Much of a Difference Can I Make?



Giving \$250,000 directly to charity over 20 years would be generous. Investing the same amount in a Charitable Gift Account could allow you to increase your generosity by more than \$110,000.²

Let's say that you opened your Charitable Gift Account with an initial donation of \$60,000 and plan to contribute \$10,000 in each of the next 19 years. You also plan to request grants totaling 20% of your account's balance during each year. If you are a married couple with an annual income of \$300,000, your total contributions of \$250,000 will cost you only \$151,000, or less if you are also subject to state income tax. And more important, you will be able to request grants totaling more than \$360,115 over your 20 years of generosity.²

"The numbers can really be impressive when you look at the tax-free growth potential of a Charitable Gift Account," says Wright-Violich. "We really want to encourage donors to plan for long-term giving, and the Charitable Giving Planner is an easy way to build a realistic long-term plan."

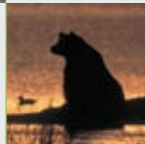
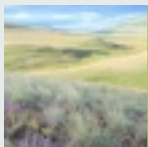
The calculator can also help you determine how much you might be able to support a specific charity over a number of years with a series of grant requests.³ "While the Fund can't honor pledges, our donors can certainly set their own goals for long-term support for a charity," she says.

² Assumes an annualized investment growth rate of 8%. This estimate is for illustration purposes only and is not a guaranteed rate of return, nor does it reflect the performance of any specific security (including the Schwab Fund for Charitable Giving Investment Pools). Contributions are assumed to be made on January 1, and grant distributions on December 31.

³ Grants requests are subject to review and approval by the Fund.

THE NATURE CONSERVANCY

Charity Profile



With more than a million members, The Nature Conservancy is one of the world's leading private conservation groups. It is also one of the most popular charities for grant requests from Charitable Gift Account donors.

The mission of The Nature Conservancy is to preserve plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive. Over the past half-century, The Nature Conservancy has helped protect more than 11 million acres of vital habitat in the United States and nearly 60 million acres in Canada, Latin America, the Caribbean, Asia and the Pacific. It currently manages 1,340 preserves, the largest system of private nature sanctuaries in the world.

"Our results-oriented, nonconfrontational approach allows us to forge partnerships with landowners, corporations, and governments," says Alexis Beshara, Director of Corporate Partnerships for The Nature Conservancy. "And our commitment to working with local people gives us an on-the-ground presence in communities around the world."

Ms. Beshara notes that The Nature Conservancy supports donor-advised funds, such as the Schwab Fund for Charitable Giving, because they make it easy for donors to contribute appreciated securities. "It's an advantage to us, and to the donors."

Donations from the Schwab Fund for Charitable Giving to The Nature Conservancy totaled more than \$45,000 in 2000.

The Nature Conservancy's headquarters are located in Arlington, Virginia. It has field offices in every state and more than 30 countries worldwide. For more information about The Nature Conservancy, visit its Web site, at www.tnc.org.

"I COME FROM A FAMILY WITH A
HISTORY OF GIVING, AND THE FUND
GIVES ME THE OPPORTUNITY TO
DO SO ON A LARGER SCALE."

— *An Anonymous Schwab Fund for Charitable Giving Donor*

YOUR PHILANTHROPY IN ACTION

More than 2,400 charities received Schwab Fund for Charitable Giving grants, requested by our donors, during our first fiscal year, from July 1999 to June 2000. Here are just a few of the organizations that have benefited from your generosity.

AIDS Project of Rhode Island
Providence, Rhode Island

Albuquerque Health Care for the Homeless
Albuquerque, New Mexico

Alzheimer's Association
Chicago, Illinois

Appalachian Children's Chorus, Inc.
South Charleston, West Virginia

Bolinas-Stinson Beach Library
Improvement Society
Stinson Beach, California

Central Park Conservancy
New York, New York

Girls Inc. of Alameda County
San Leandro, California

Puppies Behind Bars
New York, New York

Red Cloud Indian School, Inc.
Pine Ridge, South Dakota

Special Olympics
West Des Moines, Iowa

Toledo Museum of Art
Toledo, Ohio

United Negro College Fund
Fairfax, Virginia

Volunteers of America
Salt Lake City, Utah

Westside Food Bank
Sun City, Arizona

ONE DONOR'S WAY TO GIVE

Donor Profile

Gary J. Yarus is a hands-on philanthropist. He spends about 20% of his professional time working for philanthropic causes, including serving on several nonprofit boards of directors. And, as a Financial Advisor, he makes a special effort to tell his clients about the advantages of donor-advised funds, such as the Schwab Fund for Charitable Giving. He is a donor to the Fund and uses his Charitable Gift Account mainly to support schools, family services organizations and Jewish charities.

"Many investors, including me, have enjoyed incredible gains in recent years through the stock market," says Mr. Yarus, President of Diversified Capital Corporation in Miami. "Incomes are higher, net worths are higher—it makes sense that many investors are now really interested in giving more to charity."

One of the Fund's key advantages for Mr. Yarus is that donors can request that grants be made anonymously. "I really appreciate this kind of privacy and many of my clients do as well," he says.

Mr. Yarus notes that another advantage of the Fund is that it gives donors a tax-smart way to convert mutual fund gains into charitable donations. "It's always been possible to donate appreciated stock to charities, although it's cumbersome to do," says Mr. Yarus. "The Schwab Fund for Charitable Giving not only makes it easy to donate appreciated stock without tax liabilities—it also allows you to convert appreciated mutual fund shares in the same way. That's extremely complicated for a donor and charity to do on their own."

Mr. Yarus says he tries to "fill up" his Charitable Gift Account each year to fund future giving. "Your Fund makes it so easy to give to charities, with such great financial advantages," he says. "There's no doubt you can give more when you have such an easy-to-use resource."



NOW YOU CAN MAKE GRANTS ONLINE

Effective November 1, 2000, you can make your grants to charity online. It is a simpler, faster and more convenient way to help you support the charities you have chosen.

What to do:

- Simply log in to your account at our Web site and select 'Service'
- Select 'Nominate a Grant'
- Provide details of the grant recipient, grant amount, and any acknowledgements
- Submit your request for immediate acknowledgement that we have received your request
- We will contact you when we issue the grant or need more information

The benefits of online grants:

- No more paperwork
- Assurance that your grant request has been received
- Faster issue of your grant

Our goal is to increase charitable giving by making it more strategic and convenient for you. We look forward to bringing you more tools and resources for your personal philanthropy program in the future.

THE SCHWAB FUND FOR CHARITABLE GIVING

Financial Statements For The Period From January 4, 1999 (inception) Through June 30, 2000

STATEMENT OF FINANCIAL POSITION *June 30, 2000*

ASSETS	
Cash and Equivalents	\$315,840
Investments	61,399,866
Accounts Receivable	108,013
Other Assets	<u>39,253</u>
TOTAL ASSETS	<u>\$61,862,972</u>
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Grants payable	\$371,912
Accounts payable and accrued liabilities	135,712
Note payable, related party	<u>1,825,000</u>
Total liabilities	2,332,624
NET ASSETS, UNRESTRICTED	<u>59,530,348</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$61,862,972</u>

The financial information presented has been derived from the Fund's audited financial statements, copies of which can be obtained by contacting the Fund at (800) 746-6216.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Period From January 4, 1999 (Inception) through June 30, 2000

REVENUES AND SUPPORT:	
Donor contributions	\$74,754,843
Investment income	527,153
Net realized and unrealized losses on investments	<u>(490,041)</u>
Total revenues and support	<u>74,791,955</u>
EXPENSES:	
Grants to charitable organizations	13,320,976
Management and general	<u>1,940,631</u>
Total expenses	<u>15,261,607</u>
INCREASE IN NET ASSETS, UNRESTRICTED	<u>\$59,530,348</u>

YEAR-END DEADLINES

Time is running out! If you are considering a donation to the Fund for the 2000 tax year, we urge you to make your contribution by December 15. The following deadlines apply:

Type of Contribution	Deadline for 2000 tax deduction
Transfers from a Schwab account	Must be requested by December 27.
Wire transfers	Must be received by the Fund by December 27.
Check or security certificates	Must be placed in the mail by December 31.
Transfers from other institutions	Should be requested from the delivering institution by November 15. Please check with your financial institution so the transferred securities will be processed in time.
Restricted stock	Individual restrictions vary. We will undertake best efforts to process for year-end.

To contact us, write to the Schwab Fund for Charitable Giving, 101 Montgomery Street, San Francisco, California 94104. Or send e-mail to giving@schwabcharitable.org.

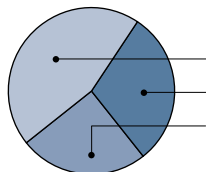
3RD QUARTER 2000 PERFORMANCE REPORT For period ending September 30, 2000

Contributions to the Schwab Fund for Charitable Giving are invested among three professionally managed investment pools composed of SchwabFunds® mutual funds.

	RETURNS		
	3rd Quarter 2000	Year-to-Date	One-Year

Growth Index Pool. This pool seeks high capital growth over the long term and has a target allocation of 100% stocks.

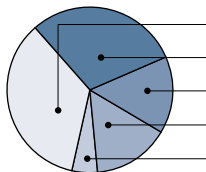
-2.17% -3.23% 13.22%



- 45% Schwab S&P 500 Fund — Select Shares¹
- 30% Schwab International Index Fund® — Select Shares
- 25% Schwab Small-Cap Index Fund® — Select Shares

Balanced Index Pool. This pool seeks moderate total return through both capital growth and income and has a target allocation of 60% stocks, 35% bonds and 5% cash.

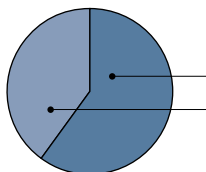
-0.04% 0.94% 10.77%



- 35% Schwab Total Bond Market Index Fund
- 30% Schwab S&P 500 Fund — Select Shares
- 15% Schwab International Index Fund — Select Shares
- 15% Schwab Small-Cap Index Fund — Select Shares
- 5% Schwab Value Advantage Money Fund®

Gift Preservation Pool. This pool seeks current income and relative stability of principal and has a target allocation of 40% bonds and 60% cash.

1.77% 4.48% 5.25%



- 60% Schwab Value Advantage Money Fund
- 40% Schwab Short-Term Bond Market Index Fund

Other Representative Market Indices

S&P 500 Index Includes the common stocks of 500 leading U.S. companies from a broad range of industries.	-0.97%	-1.39%	13.28%
Lehman Brothers Aggregate Bond Index Includes U.S. government and other investment-grade debt securities, such as corporate and international (dollar-denominated) bonds, asset-backed securities and mortgage-backed securities.	3.01%	7.12%	6.99%
3-month Treasury Bill Index	1.59	4.64	6.00
Schwab International Index Includes the 350 largest securities (per market capitalization) traded outside of the U.S. in developed markets.	-7.24%	-12.02%	5.19%

¹ Select Shares are a special class of SchwabFunds with lower operating expenses that are only available to individuals with initial minimum investments of \$50,000. Select Shares are available to the Schwab Fund for Charitable Giving because the Fund purchases SchwabFunds Select Shares in aggregate amounts for each pool.

Prospectuses for the registered mutual funds underlying the investment pools are available from the Fund upon request. Please read them carefully before selecting an investment pool to recommend. The highlighted performance for the pools and the underlying funds represent a relatively short time period. Past performance is no guarantee of future results.

The pool returns are based on the total returns of the underlying mutual funds in each pool, minus operating expenses of the Schwab Fund for Charitable Giving. Principal value and investment return will fluctuate with changes in market conditions, and an account in the Fund may be worth more or less than the original amount contributed to the Fund. Indices are unmanaged and do not reflect advisory fees and other expenses associated with an investment in funds. Investors cannot invest in an index directly. During the period, the pools' holdings may have deviated from their target allocations, because of changing market conditions. The portfolio managers rebalanced the pools' holdings as needed to limit significant variances.

The Schwab Fund for Charitable Giving has entered into service agreements with certain affiliates of The Charles Schwab Corporation (Charles Schwab & Co., Inc. and Charles Schwab Investment Management, Inc.) to perform administrative, record keeping, and investment management services. Charles Schwab & Co., Inc. is a member SIPC/NYSE.