

FALL/WINTER  
2009

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## INVESTING FOR CHARITABLE GOOD

On September 15, 2008, Lehman Brothers, the fourth-largest U.S. investment bank and a survivor of many crises in its 158-year history, filed for Chapter 11 bankruptcy protection—the largest bankruptcy filing in U.S. history. The following day, the Dow Jones Industrial Average dropped 504 points—the largest one-day point drop since 9/11, and stock prices plunged in markets across the globe.

Investors braced for bank failures and sought safety in money market funds, which had traditionally been able to limit losses with their highly liquid and stable security holdings. Imagine the shock when the following day the oldest money market fund in America (the Reserve Primary Fund) announced that its price per share had dropped below \$1 (“breaking the buck”) for the first time in history due to losses on hundreds of millions of dollars of Lehman Brothers’ debt securities. Panic ensued and capital fled to the relative safety of U.S. Treasury securities. In fact, Treasuries proved so popular that on some days their prices were so high they provided no return at all for their investors. For many, the return of their money outweighed any return on their money.



The market meltdown of 2008 left all investors disillusioned. Average portfolio values had plunged precipitously from their highs in 2007, and charitable assets (including nonprofit endowments, foundations, charitable trusts and donor-advised funds) were similarly impacted. Would this be a temporary or long-term setback? Did the old rules of investing—asset allocation and diversification—still apply? Were long-held assumptions about the relative performance of markets no longer applicable? Most importantly, how should individuals proceed to invest? And what about assets in charitable accounts? With nonprofits and

charities more reliant on continued support from their donors, the growing importance of a proper philanthropic investment and granting strategy became readily apparent.

### Differing Charitable Investment Philosophies

Invested charitable assets are inherently different than personal investments. Although the fundamental principles of asset allocation and diversification also apply to investments held for charitable purposes, philanthropic assets are generally subject to fewer, if any, taxes. For example, because Schwab Charitable is a tax-exempt 501(c)(3) public charity, Charitable Gift Accounts can be invested without regard to income or capital gains taxes, and investment decisions can be made on the merits of anticipated future performance without any concern for tax implications. Private foundations are generally subject to a modest (around 2%) tax on net investment income, depending on how much they grant out.

*continued on page 2*



SCHWAB CHARITABLE®

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## INVESTING FOR CHARITABLE GOOD

*continued from page 1*

### MICROFINANCE PROGRAM LAUNCH A BIG SUCCESS

Based on the generosity of more than 150 Schwab Charitable donors, we're happy to announce that we have delivered over \$10 million in loan guarantees for the first phase of our Microfinance Guarantee Program. In partnership with the Grameen Foundation, these guarantees are expected to make possible over 100,000 microloans for the world's neediest entrepreneurs.

As highlighted in the previous *Giving* newsletter, this innovative program enables Schwab Charitable donors to recommend that a portion of their Charitable Gift Account assets be used to guarantee microloans to assist the entrepreneurs to start, maintain or expand small businesses. The program is designed to allow donors to maximize their charitable impact by putting donated dollars to use for microloan guarantees during a 5-year commitment period, while the funds remain invested for potential growth and future grantmaking within their Charitable Gift Accounts. 90% or more of a Donor's account remains available for granting, as usual, during the commitment period.

Participating donors, with commitments ranging from just \$500 to well over \$1 million, will receive quarterly updates throughout the 5-year commitment period that contain detailed microloan issuance and payback statistics, as well as compelling profiles of some of the individuals, families and communities that have benefited from their generosity.

Please visit [schwabcharitable.org](http://schwabcharitable.org) for more information about our Microfinance Guarantee Program. If you have any questions or would like to be added to the growing list of donors interested in participating in future phases of the program, please call a Donor Relations Specialist at 800-746-6216.

There are also some differing philosophies about how charitable assets should be invested. Some experts believe that investment recommendations should be based on the particular time horizon for the Charitable Gift Account, anticipated contribution and granting behavior and risk tolerance (click here to see *Investment Allocation Survey and Strategies*). "First and foremost, it is most important to think about how long you plan to hold your Charitable Gift Account and your expected pattern of contributions and grant recommendations," says Bill Swerbenski, Director of Asset Allocation and Portfolio Analysis for the Schwab Center for Financial Research. "If you have a very long time horizon and/or plan to re-contribute more than you recommend in grants from the account over the next few years (net contributor), you can be slightly more aggressive with your investment recommendations. If you have a shorter time horizon or will be recommending more in grants than you contribute (net grantor) over the next few years, you should probably be more conservative."

In addition, a donor's risk tolerance will influence the recommended investment strategy. Risk tolerance reflects a donor's attitude toward negative outcomes and is often predicted by emotional reactions and behavior in response to actual events.

Did you invest money back into the markets over the past year amidst the steep market declines? If so, this shows a higher risk tolerance and may lead to investment recommendations with a higher percentage of equities. Did you instead sell substantial equity holdings or stay on the sidelines to see what would happen? If so, this indicates a lower tolerance for risk and may lead to more conservative investment recommendations.

### Growth is Good

Donors who have opened donor-advised fund accounts as a result of—or in conjunction with—a significant tax event or windfall (i.e., liquidation of appreciated securities, initial public offering, sale of a business, or an inheritance), but do not have an immediate plan to recommend substantial granting, can typically recommend investments that involve somewhat higher risk and offer greater potential for appreciation. Often these donors want to see their accounts grow and last for their entire lives or into the next generation(s) in order to leave a charitable legacy. With this longer-term goal, short-term portfolio declines may be acceptable as long as higher overall returns can be expected further down the road to ensure the longevity of the account. Jeff Colin, Partner at Baker Street Advisors, an investment advisor with many affluent clients who fall into this category, observes,

### Growth Potential of a Charitable Gift Account

Giving \$200,000 to charity would be generous. Contributing the same amount to a Charitable Gift Account may allow you to substantially increase your charitable impact over time through tax-free potential growth of your contribution.

<i>Giving directly to charities</i>	<b>\$200,000</b>
<i>Annual Investment 3% Growth Rate for the Charitable Gift Account</i>	<b>\$230,818</b>
<i>Annual Investment 6% Growth Rate for the Charitable Gift Account</i>	<b>\$281,283</b>
<i>Annual Investment 9% Growth Rate for the Charitable Gift Account</i>	<b>\$348,255</b>

*Assumes 20 year time period and generous granting of 15% of the Account balance every year. Contribution is assumed to be made on January 1 of the first year, and grant distributions on December 31 of each year. This is a hypothetical example used for illustrative purposes only.*



“For these individuals and families, our goal is to invest their accounts for long-term potential growth and maximum charitable impact. This includes an appropriate allocation in equities and non-traditional investments that offer equity-like risk and return characteristics.”

### **An Argument for Conservatism**

Other donors prefer to take a more conservative approach toward the investment of their Charitable Gift Accounts because they either intend to recommend a substantial amount in grants in the short term or have a more risk-averse attitude toward charitable contributions. “Since my Charitable Gift Account is committed to charity, and I have already received a tax deduction, I don’t want to take any unnecessary investment risks with this money.” says Sandy Robertson, an investment banker and board member of Schwab Charitable.

### **Consider Liquidity Needs**

Investment managers of private foundations must also focus on the liquidity needs of their accounts and invest them appropriately. Some learned this lesson the hard way when they invested substantial portions of their portfolios in illiquid assets (i.e., real estate, private equity) that lost value and were also unable to be tapped to meet annual

distribution requirements and charitable commitments. Fortunately, donor-advised funds do not have annual minimum distribution requirements and therefore provide more flexibility in this regard. According to Kathryn Hall, Chief Executive Officer and Chief Investment Officer of Hall Capital Partners LLC, “Investment advisors of charitable assets and individual donors are realizing that it is increasingly difficult to evaluate complex investment options. Their liquidity implications require proper due diligence and greater expertise and time commitment than ever before.”

### **The Light at the End of the Tunnel**

While many have had their doubts over the past year, most experts agree that the key principles of investing still apply. “The world has not changed,” says Bryan Olson, Vice President and Head of Portfolio Consulting at Charles Schwab & Co., Inc. “While the market drop was incredibly painful, it was a natural course correction back to fundamentals after a period of excess. The old rules of asset allocation and diversification still apply, especially over long time horizons.”

As the markets have staged a partial recovery and appear to be stabilizing, many investors are finally able to take a deep breath, reassess

their positions and at least start to consider taking on more risk in exchange for the potential of higher returns. Cash as a percentage of portfolio weight has eased since the all-time high registered in December 2008. Initially, some of that money moved into higher-yielding areas of fixed income, but lately some of it has moved back into equities. Some rallies may still be ahead as some of the cash (which is earning next-to-nothing yields) will find its way back into higher-risk investments seeking higher return.


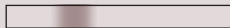


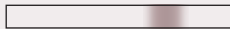

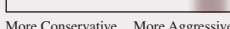
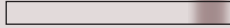

Schwab Charitable donors are also beginning to recommend investments that include more equity exposure. Since the launch of new investment pools in early August, the portion of assets allocated to the Money Market Pool has declined from 43% to 37% while the portion allocated to investment pools with substantial equity exposure has increased from 53% to 57%. The number of accounts which are exclusively invested in the Money Market Pool has declined by 5%, while the number of donors who are exclusively invested in the new Income and Treasury Inflation Protected Securities Pools has increased by 46% as many seek some additional return on their account for minimal incremental risk.

Many analysts now believe we have seen the worst of the current economic crisis and that we are on our way to recovery, although the ride may be quite bumpy. This thinking seems to be shared by investors, who have driven up equity prices by an impressive 50% since their March lows. “If there’s been a silver lining to the financial crisis,” says Liz Ann Sonders, Senior Vice President, Chief Investment Strategist of Charles Schwab & Co. Inc., “It’s that we’re likely to come out of it a more financially fit nation—that includes consumers, financial institutions, charitable organizations, and maybe eventually the government. Behavior is changing and it’s ultimately a blessing.”



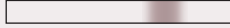
## NEW INVESTMENT CHOICES & ADVICE TOOL AVAILABLE

In response to research and feedback, Schwab Charitable has recently launched a new investment line-up. The expanded selection includes nine individual investment pools and three asset allocation pools. The underlying funds include index funds, actively-managed funds and a socially responsible fund. The choice is not limited to the best of Schwab funds alone; also included are funds from top Morningstar-rated fund families including American Century, Janus, Manning & Napier, Parnassus and PIMCO.

### Individual Investment Pools *(for donors who want to recommend a customized investment strategy by combining pools with specific objectives)*

INVESTMENT POOL	CATEGORY	RISK	UNDERLYING FUND
<b>Money Market Pool</b>	Cash Investments	 More Conservative More Aggressive	Schwab Value Advantage Money Fund Institutional Prime Shares (SNAXX)
<b>Income Pool</b>	Fixed Income	 More Conservative More Aggressive	PIMCO Total Return Bond Fund (PTTDX)
<b>Treasury Inflation Protected Securities (TIPS) Pool</b>	Fixed Income	 More Conservative More Aggressive	American Century Inflation Adjusted Bond Fund (ACITX)
<b>Large Cap Equity Index Pool</b>	Large Cap Equity	 More Conservative More Aggressive	Schwab Institutional Select S&P 500 Fund (SWPPX)
<b>Large Cap Equity Managed Pool</b>	Large Cap Equity	 More Conservative More Aggressive	Schwab Dividend Equity Fund Select Shares (SWDSX)
<b>Socially Responsible Pool</b>	Large Cap Equity	 More Conservative More Aggressive	Parnassus Equity Income (PRBLX)
<b>Small Cap Equity Pool</b>	Small Cap Equity	 More Conservative More Aggressive	Schwab Small Cap Index Fund Select Shares (SWSSX)
<b>International Equity Index Pool</b>	International Equity	 More Conservative More Aggressive	Schwab Fundamental International Large Company Index Institutional Fund (SFNNX)
<b>International Equity Managed Pool</b>	International Equity	 More Conservative More Aggressive	Manning & Napier World Opportunities A (EXWAX)

### Asset Allocation Pools *(for donors who want to recommend a diversified investment strategy within one investment choice)*

INVESTMENT POOL	ALLOCATION	RISK	UNDERLYING FUND
<b>Conservative Pool</b>	~ 80% Cash & Fixed Income ~ 20% Equity	 More Conservative More Aggressive	Manning & Napier Pro-Blend Conservative Term S (EXDAX)
<b>Balanced Pool</b>	~ 50% Cash & Fixed Income ~ 50% Equity	 More Conservative More Aggressive	Janus Balanced (JABAX)
<b>Growth Pool</b>	~ 20% Cash & Fixed Income ~ 80% Equity	 More Conservative More Aggressive	Schwab MarketTrack Growth Portfolio Preferred Shares (SWPGX)

Concurrent with the launch of our improved investment options, Schwab Charitable has made available an easy-to-use tool to help donors recommend an appropriate investment allocation for their Charitable Gift Accounts based on their unique time horizon, granting behavior and risk tolerance. This is the first tool of its kind specifically designed for Charitable Gift Accounts. [Click here](#) to see the *Investment Allocation Survey and Strategies* for details. A web-enabled version is also available on the Schwab Charitable Donor Center.

Donors 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 the Fund at (800) 746-6216. Please read the prospectus carefully before making contributions or recommending investment of funds.

Market fluctuations may cause the value of investment funds shares held in a Charitable Gift Account to be worth more or less than the value of the original contribution to the funds. Funds may focus on certain sectors that may involve a greater degree of risk than other funds, which provide broader diversification. Funds that invest in international stocks may be exposed to additional risks, including currency fluctuations, political volatility, foreign taxes and foreign regulators and the potential for illiquid markets. Historically, small-cap stocks have been more volatile than stocks of larger, more established companies.



## COMPARE AND CONTRAST: INVESTMENT OF PERSONAL VS. CHARITABLE ASSETS

### PRIVATE FOUNDATION CONVERSION SERVICE

Schwab Charitable is proud to announce our new Private Foundation Conversion Service. Through the Service, we provide tools and objective advice to help you determine if converting your private foundation to a Charitable Gift Account is the best solution for your particular philanthropic needs. If so, we help dissolve the existing private foundation and transition your giving to a Charitable Gift Account.

A Schwab Charitable Donor Relations Specialist will walk interested private foundation directors and officers through the general steps involved in the process and provide state-specific documents for dissolving the foundation.

Schwab Charitable has been a thought leader in this space with published articles in *Trusts & Estates* "Breaking Up Is (Not So) Hard To Do" and *Wealth Manager* "If the Shoe No Longer Fits." Charitable Gift Accounts offer many benefits versus private foundations, including increased privacy, superior tax benefits, lower expenses and reduced administrative burden.

We look forward to providing you information and answering any questions you may have about this exciting new Service. Please feel free to call a Donor Relations Specialist at 1-800-746-6216 (weekdays, 8am – 5pm Pacific time).

#### NEWSLETTER CONTRIBUTORS:

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Charles Schwab & Co., Inc.  
Director, Asset Allocation  
& Portfolio Analysis

*Schwab Charitable has invited Rande Spiegelman of Charles Schwab & Co., Inc. to discuss his perspectives on the differences between investing charitable assets and investing personal assets. We hope you find the comparison useful as you consider investment recommendations for your Charitable Gift Account.*

#### Similarities:

- **Asset allocation**— The asset allocation decision (how much of the portfolio should go into stocks, bonds, cash, real estate, commodities, socially responsible investments, etc.) remains the primary driver of expected risk and return and should always come first.
- **Diversification**— Whether investing for a major life goal, for heirs via an estate, or for charitable purposes, broad diversification within each asset class is a good idea. That means holding domestic and international large and mid/small company stocks that emphasize both value and growth in all sectors of the economy, bonds from various corporate and governmental issues, and so on. The age-old advice not to put all your eggs in one basket applies regardless of your objectives.
- **Quality**— You should always focus on high quality companies, issuers, and providers.

#### Differences:

- **Risk tolerance**— You might be aggressive or conservative by nature. That is fine when investing for yourself, but when you are investing or recommending investments on behalf of future charitable recipients, you should also keep the best interests of the ultimate charitable beneficiary in mind. In some cases, that could mean taking a more moderate investment approach if you normally find yourself at either extreme.
- **Time horizon**— Often, the investment of charitable assets is similar to investing for the next or even multiple generations of family members from an estate planning context because the time horizon will likely exceed your lifespan. If that's the case, you might be inclined to accept more risk than you otherwise would, or at least place more of an investment emphasis on growth vs. current income.
- **Income taxes**— Income and capital gains taxes are not a consideration when recommending investments for charitable vehicles.

### 2009 YEAR-END DEADLINES

*Please refer to the chart below for important deadlines for your Charitable Gift Account that could affect your 2009 taxes and which will help us process your donations before the end of the year.*

TYPE OF SUBMISSION	HOW TO SUBMIT & DATE FOR DONOR TO INITIATE
<b>Grant Recommendations</b>	Submit your recommendation online, by fax, or by mail – <b>Must be received by December 18th</b>
<b>Transfers from a Schwab Brokerage Account</b>	Submit your request online, by fax, or by mail – <b>Must be received by December 30th</b>
<b>Stock Transfers from firm other than Schwab</b>	Submit a transfer request to the firm holding the securities <b>by December 1st*</b>
<b>Mutual Fund Transfers from firm other than Schwab</b>	Mail a contribution form with your most recent mutual fund statement – <b>Submit by November 20th*</b>
<b>Wire Transfers from a non-Schwab financial institution</b>	Submit a transfer request to the financial institution to wire the funds – <b>Submit by December 18th*</b>
<b>Checks</b>	Mail your check – <b>Must be Postmarked by December 31st</b>
<b>Security Certificates</b>	Mail the certificate via registered mail or delivery service – <b>Must be received by December 30th</b>
<b>Restricted Stock</b>	Please call a Donor Relations Specialist at 1-800-746-6216 – <b>Must be requested by November 20th*</b>

\* Initiating a contribution by this date does not guarantee that Schwab Charitable Fund will receive it by year end.

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The following questionnaire provides a simplified approach to determining your donor profile so that you may recommend an investment allocation strategy for your Charitable Gift Account.

### 1. Important Considerations when Recommending your Investment Allocation

A. YOUR TIME HORIZON	B. YOUR RISK TOLERANCE
How long do you plan to maintain your Account and at what rate will you be contributing to and recommending grants from it? The longer your time horizon, the more time you have to weather the inevitable ups and downs of the market.	How do you feel about risk as it relates to your philanthropic goals? Some investments fluctuate more dramatically in value than others but may have the potential for higher returns. It is important that the investments fit within your level of tolerance for this risk.

### 2. Donor Profile Questionnaire *Circle the number of points for each answer and note the section total.*

A. YOUR TIME HORIZON & GRANTING BEHAVIOR	B. YOUR RISK TOLERANCE
<p><b>1. How long do you plan to maintain your Charitable Gift Account from this point forward?</b></p> <p>a. I expect to maintain my Account for 20 years or more (or pass to future generations) 20</p> <p>b. I expect to maintain my Account for 11 to 20 years 18</p> <p>c. I expect to fully grant out the balance of my Account in the next 6 to 10 years 16</p> <p>d. I expect to fully grant out the balance of my Account in the next 3 to 5 years 10</p> <p>e. I expect to fully grant out the balance of my Account within the next 2 years 0</p> <p><b>2. Which of the following statements best describes your planned pattern of contributing to and granting from your Charitable Gift Account during the next five years?</b></p> <p>a. I plan to contribute substantially more money than I grant 10</p> <p>b. I plan to contribute more money than I grant 8</p> <p>c. I plan to contribute about the same amount as I grant 4</p> <p>d. I plan to grant more money than I contribute 2</p> <p>e. I plan to grant substantially more money than I contribute 0</p>	<p><b>3. I would describe my knowledge of investments as:</b></p> <p>a. None 0</p> <p>b. Limited 2</p> <p>c. Good 4</p> <p>d. Extensive 6</p> <p><b>4. When making decisions about my Charitable Gift Account, I am:</b></p> <p>a. Most concerned about my Account losing value 0</p> <p>b. Equally concerned about my Account losing or gaining value 4</p> <p>c. Most concerned about my Account gaining value 8</p> <p><b>5. Select the investments that you currently own or have owned in the past with the highest number of points:</b></p> <p>a. Money market funds or cash equivalents 0</p> <p>b. Bonds and/or bond funds 3</p> <p>c. Stocks and/or stock funds 6</p> <p>d. International securities and/or funds 8</p> <p><i>(Example: You now own stock funds. In the past you've purchased international securities. Your point score would be 8.)</i></p> <p><b>6. Consider this scenario:</b></p> <p>Imagine that in a three-month period, the overall stock market lost 25% of its value. An individual investment in your Charitable Gift Account also lost 25% of its value. What would you do?</p> <p>a. Sell all of it 0</p> <p>b. Sell some of it 2</p> <p>c. Do nothing 5</p> <p>d. Buy more 8</p>
<p><b>Time Horizon Subtotal: _____ points</b> <b>If less than 12, STOP HERE!</b></p> <p>For such donors, a relatively low-risk and short-term investment portfolio is suggested.</p> <p><b>See "Short Term" strategy on page 3.</b></p>	

# RECOMMENDING AN APPROPRIATE INVESTMENT ALLOCATION FOR YOUR CHARITABLE GIFT ACCOUNT (CONTINUED)

## B. RISK TOLERANCE, CONTINUED

### 7. Review the Chart to the Right

We've outlined the most likely best and worst-case annual returns of five hypothetical investment plans. Which range of possible outcome is most acceptable to you as it relates to your Charitable Gift Account?

*Note: The figures to the right are hypothetical and do not represent the performance of any particular investment.*

Plan	Average Annual Return	Best-Case	Worst-Case	Points
A	7.2%	16.3%	-5.6%	0
B	9.0%	25.0%	-12.1%	3
C	10.4%	33.6%	-18.2%	6
D	11.7%	42.8%	-24.0%	8
E	12.5%	50.0%	-28.2%	10

## C. DONOR PROFILE SUBTOTALS

**Time Horizon & Granting Behavior**  
**Subtotal: \_\_\_\_\_ points**  
 Enter Total Points for questions 1 and 2

**Risk Tolerance**  
**Subtotal: \_\_\_\_\_ points**  
 Enter Total Points for questions 3 through 7

### 3. Determine Your Donor Profile

The chart below uses the subtotals you calculated in the preceding two sections.

To determine your donor profile, find your Time Horizon & Granting Behavior Score along the left side and your Risk Tolerance Score across the top. Locate their intersection point, situated in the area that corresponds to your Donor Profile. On the next page, select the investment strategy that corresponds to your Donor Profile.


#### RISK TOLERANCE SCORE

	0-9	10	11-14	15	16	17-18	19	20-21	22-24	25	26-29	30-31	32-33	34-35	36-37	38-40
0-11																
12																
14			<b>SHORT TERM</b>													
16																
18																
20							<b>CONSERVATIVE</b>									
22											<b>BALANCED</b>					
24																
26																
28															<b>GROWTH</b>	
30																

#### 4. Donor Profiles

These investment strategies show how you might recommend an allocation of your Charitable Gift Account assets among investments in various categories. Keep in mind that it is important to periodically review your strategy to make sure it continues to be consistent with your philanthropic goals. Please note that these examples are not based on market forecasts, but simply reflect an established approach to investing. They are not the only strategies available to you, and you may continue to recommend a complete allocation to an individual investment pool if you would like.<sup>1</sup>

If one of these investment strategies matches your needs, you may use it to help create an asset allocation plan for your Charitable Gift Account.

SHORT TERM	CONSERVATIVE	BALANCED	GROWTH
<p><b>Average Annual Return<sup>2</sup>:</b> 1970-2008: 7.0% Best Year: 19.8% Worst Year: 1.4%</p> <p><i>For donors seeking the most stability</i></p>	<p><b>Average Annual Return<sup>2</sup>:</b> 1970-2008: 8.2% Best Year: 22.8% Worst Year: -4.6%</p> <p><i>For donors seeking stability who are less concerned about growth</i></p>	<p><b>Average Annual Return<sup>2</sup>:</b> 1970-2008: 9.4 % Best Year: 29.2 % Worst Year: -16.6 %</p> <p><i>For donors who plan to recommend grants over a longer period of time and want moderate growth potential. Likely to entail some fluctuations in value, but presents less volatility than the overall equity market</i></p>	<p><b>Average Annual Return<sup>2</sup>:</b> 1970-2008: 9.7% Best Year: 34.4% Worst Year: -29.5%</p> <p><i>For donors who plan to recommend grants over a very long period of time and want the highest growth potential. May entail substantial year-to-year volatility in value in exchange for potentially high long-term returns</i></p>
<p><b><u>Individual Investment Pools</u></b></p>  <ul style="list-style-type: none"> <li>■ 60% Cash Investments (Money Market Pool)</li> <li>■ 40% Fixed Income (Income or TIPS Pool)</li> </ul>	<p><b><u>Individual Investment Pools</u></b></p>  <ul style="list-style-type: none"> <li>■ 30% Cash Investments (Money Market Pool)</li> <li>■ 50% Fixed Income (Income or TIPS Pool)</li> <li>■ 15% Large Cap Equity (Large Cap Equity Index or Managed Pool, Socially Responsible Pool)</li> <li>■ 5% International Equity (International Equity Index or Managed Pool)</li> </ul>	<p><b><u>Individual Investment Pools</u></b></p>  <ul style="list-style-type: none"> <li>■ 5% Cash Investments (Money Market Pool)</li> <li>■ 45% Fixed Income (Income or TIPS Pool)</li> <li>■ 30% Large Cap Equity (Large Cap Equity Index or Managed Pool, Socially Responsible Pool)</li> <li>■ 8% Small Cap Equity (Small Cap Equity Pool)</li> <li>■ 12% International Equity (International Equity Index or Managed Pool)</li> </ul>	<p><b><u>Individual Investment Pools</u></b></p>  <ul style="list-style-type: none"> <li>■ 5% Cash Investments (Money Market Pool)</li> <li>■ 15% Fixed Income (Income or TIPS Pool)</li> <li>■ 45% Large Cap Equity (Large Cap Equity Index or Managed Pool, Socially Responsible Pool)</li> <li>■ 15% Small Cap Equity (Small Cap Equity Pool)</li> <li>■ 20% International Equity (International Equity Index or Managed Pool)</li> </ul>
	<b>OR</b>	<b>OR</b>	<b>OR</b>
	<b><u>Asset Allocation Pools</u></b> <b>100% CONSERVATIVE POOL</b>	<b><u>Asset Allocation Pools</u></b> <b>100% BALANCED POOL</b>	<b><u>Asset Allocation Pools</u></b> <b>100% GROWTH POOL</b>

<sup>1</sup> Due to risk, the Fund discourages the use of either International pool for more than 25% of any Charitable Gift Account balance.

<sup>2</sup> Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. The return figures for 1970–2008 are the compounded annual average, the minimum and the maximum annual total returns of hypothetical asset allocation plans. The asset allocation plans are weighted averages of the performance of the indices used to represent each asset class in the plans, include reinvestment of dividends and interest, and are rebalanced annually. The indices representing each asset class in the historical asset allocation plans are S&P 500® Index (large-cap stocks); CRSP 6–8 Index for the period 1970–1978 and Russell 2000® Index for the period 1979–2008 (small-cap stocks); MSCI EAFE® Net of Taxes (international stocks); Ibbotson Intermediate-Term Government Bond Index for the period 1970–1975 and Barclays Capital U.S. Aggregate Index for the period 1976–2008 (bonds); and Ibbotson U.S. 30-day Treasury Bill Index for the period 1970–1977 and Citigroup U.S. 3-month Treasury bills for the period 1978–2008 (cash investments). Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. Past performance is no indication of future results.