

Independent Advisor Outlook Study

January 2008

The data gathered for this study is for general information purposes only, resulting from an unscientific poll and is not an indication of future performance. The information contained is not intended to provide specific financial, accounting, or legal advice. The advisor and investor should consult with counsel to determine whether a particular investment is permissible or suitable for an investor. Schwab Institutional® is a division of Schwab. (0308-0182)

Table of contents

- Background
- Methodology
- Results
 - Economic Outlook
 - Investment Outlook
 - Client Outlook
 - Advisor Profile

Background

- Schwab Institutional is a leading provider of custodial, operational and trading support for independent fee-based investment advisors. Since 1987, Schwab Institutional has supported independent investment advisors by offering support and services to help grow their businesses and help their clients reach their financial goals. As of December 31, 2007, client assets custodied with Schwab Institutional stood at \$583 billion.
- Schwab Institutional is committed to building consumer awareness of independent investment advisors. This semi-annual study – the Independent Advisor Outlook Study – has been designed to measure advisors' views on a variety of timely subjects. Many of the questions are repeated in order to track and report changes in attitudes over time, and other questions appear seasonally. The aggregate results are shared with the news media to help paint a more complete picture of the role played by independent investment advisors.

Methodology

- An online study was conducted among a sample of 1006 financial advisors employed by independent investment firms with assets custodied at Charles Schwab Institutional, from January 17 to January 28, 2008.
- The Independent Advisor Outlook Study, conducted for Schwab Institutional by Koski Research, has a 3.15% margin of error. Koski Research is not affiliated with nor employed by Charles Schwab & Co. Inc.
- Participation was voluntary. Respondents were offered the opportunity to sign up for a summary of the results. The survey averaged under 12 minutes.
- For this report the majority of data are reported at the total sample level. When applicable, comparisons between each of the three waves of the study are made.

Economic Outlook

Economic outlook at-a-glance: optimism continues to decrease

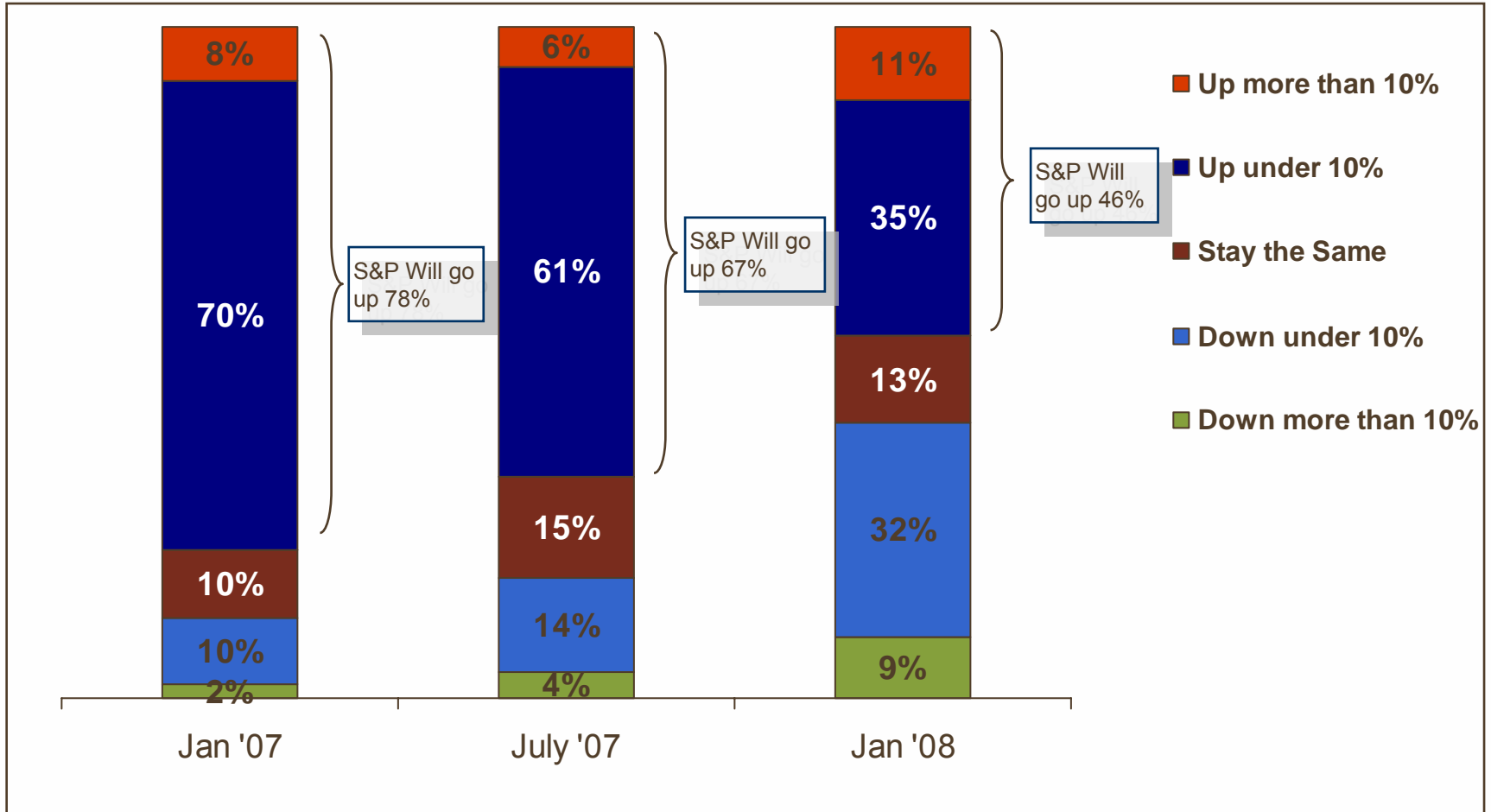
All Respondents

S&P 500	UP—MORE/LESS THAN 10%			STAY THE SAME			DOWN—MORE/LESS THAN 10%		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Which of the following best describes what you think will happen to the S&P 500 in the next six months?	▼ 78%	67%	46%	10%	15%	13%	12%	18%	41%
DOMESTIC POLITICAL LANDSCAPE	MUCH / SOMEWHAT MORE UNITED			STAY THE SAME			MUCH / SOMEWHAT MORE DIVIDED		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Which of the following best describes your perspective on the United States domestic political landscape during the next six months?	▲ 15%	7%	14%	32%	27%	32%	53%	66%	54%
GLOBAL POLITICAL LANDSCAPE	MUCH / SOMEWHAT MORE STABLE			STAY THE SAME			MUCH / SOMEWHAT MORE VOLATILE		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Which of the following best describes your perspective on the global-political landscape during the next six months?	▲ 11%	10%	15%	33%	39%	49%	56%	51%	36%
CHAIRMAN BERNANKE	HIGHLY / MODERATELY APPROVE			NO OPINION			HIGHLY / MODERATELY DISAPPROVE		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Which of the following best describes your view of Chairman Bernanke's Federal Reserve Board leadership thus far?	▼ 80%	80%	61%	18%	18%	17%	2%	2%	22%
ACHIEVING CLIENTS' INVESTMENT GOALS	EXTREMELY / SOMEWHAT EASY			NEITHER			VERY / SOMEWHAT DIFFICULT		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Which of the following best describes how easy or difficult you think it will be to achieve your clients' investment goals in the current market environment?	▼ 21%	29%	5%	47%	44%	25%	32%	27%	70%
EVENTS	EXTREMELY / SOMEWHAT LIKELY			NEITHER			EXTREMELY/ SOMEWHAT UNLIKELY		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Please choose the response that best describes your opinion of each of the below events occurring in the U.S. in the next six months.									
▪ The housing market will continue to soften	▲ 71%	80%	81%	15%	12%	10%	14%	8%	9%
▪ Unemployment will increase	▲ 32%	35%	78%	35%	34%	13%	34%	30%	9%
▪ Inflation will increase	▲ 45%	53%	62%	30%	28%	19%	25%	19%	19%
▪ Energy prices will go down	▲ 36%	24%	42%	24%	19%	17%	40%	57%	41%
▪ U.S. deficit will decrease	▼ 40%	40%	31%	16%	16%	13%	44%	44%	56%
▪ Consumer spending will increase	▼ 40%	35%	16%	30%	28%	23%	30%	37%	61%
▪ Federal reserve board will raise interest rates	▼ 21%	22%	6%	26%	29%	4%	53%	49%	90%

Advisors of the current wave are much less optimistic about the market

SIX-MONTH OUTLOOK FOR THE S&P 500*

All Respondents



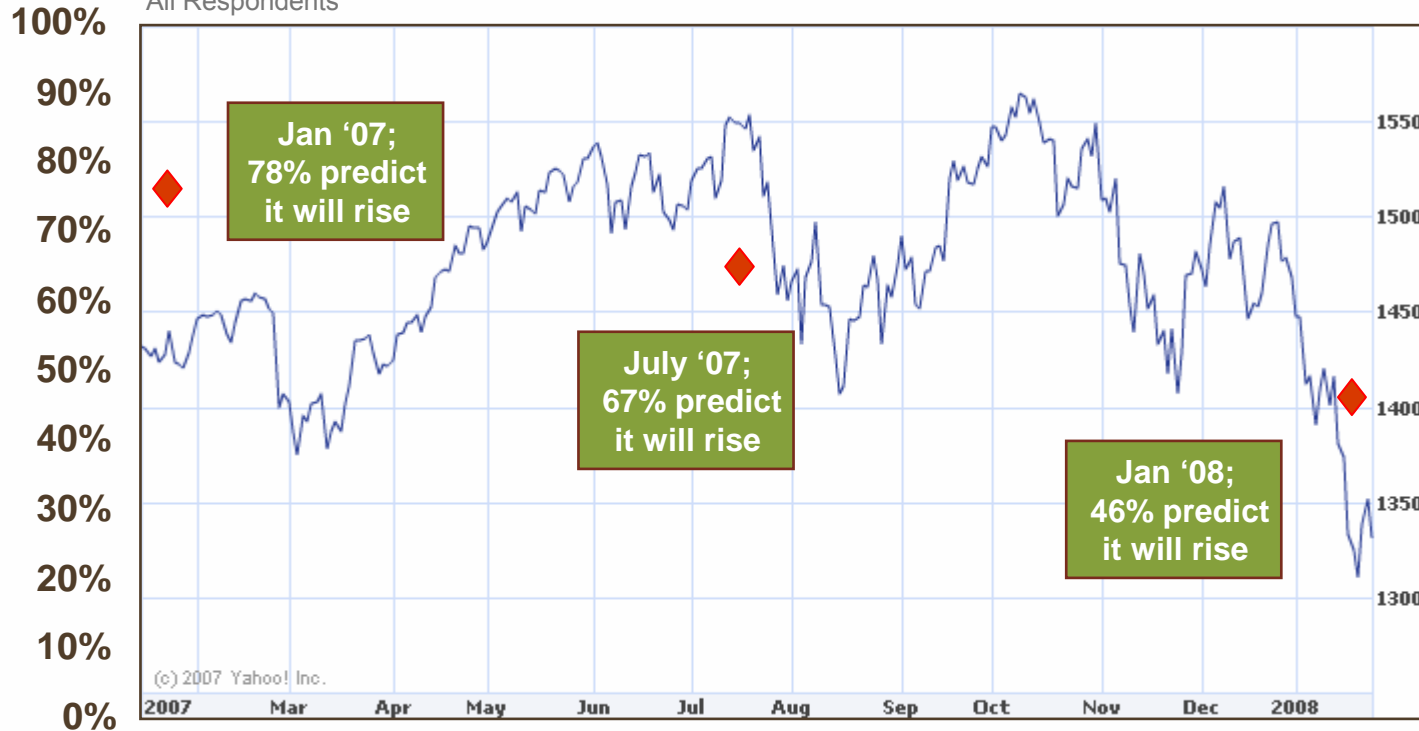
Source: Q1: Which of the following best describes what you think will happen to the S&P 500 in the next six months? (Base = All Respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

*The Standard and Poor's 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. The index tracks industrial, transportation, financial and utility stocks; it is a large cap index. The composition of the 500 stocks is flexible and the number of issues in each sector varies over time.

Average daily opening value of S&P 500 is close to 200 points lower than the previous wave of the study

PERFORMANCE OF THE S&P 500 BY ADVISOR OPTIMISM

All Respondents



AVERAGE	AVERAGE DAILY OPENING VALUE WHILE IN FIELD				
	JAN '07	JULY '07	JAN '08	JAN '07 TO JAN '08	JULY '07 TO JAN '08
S&P 500	1429.28	1530.25	1337.63	▼91.7 points	▼192.6 points

Source: Graph from Yahoo Finance webpage

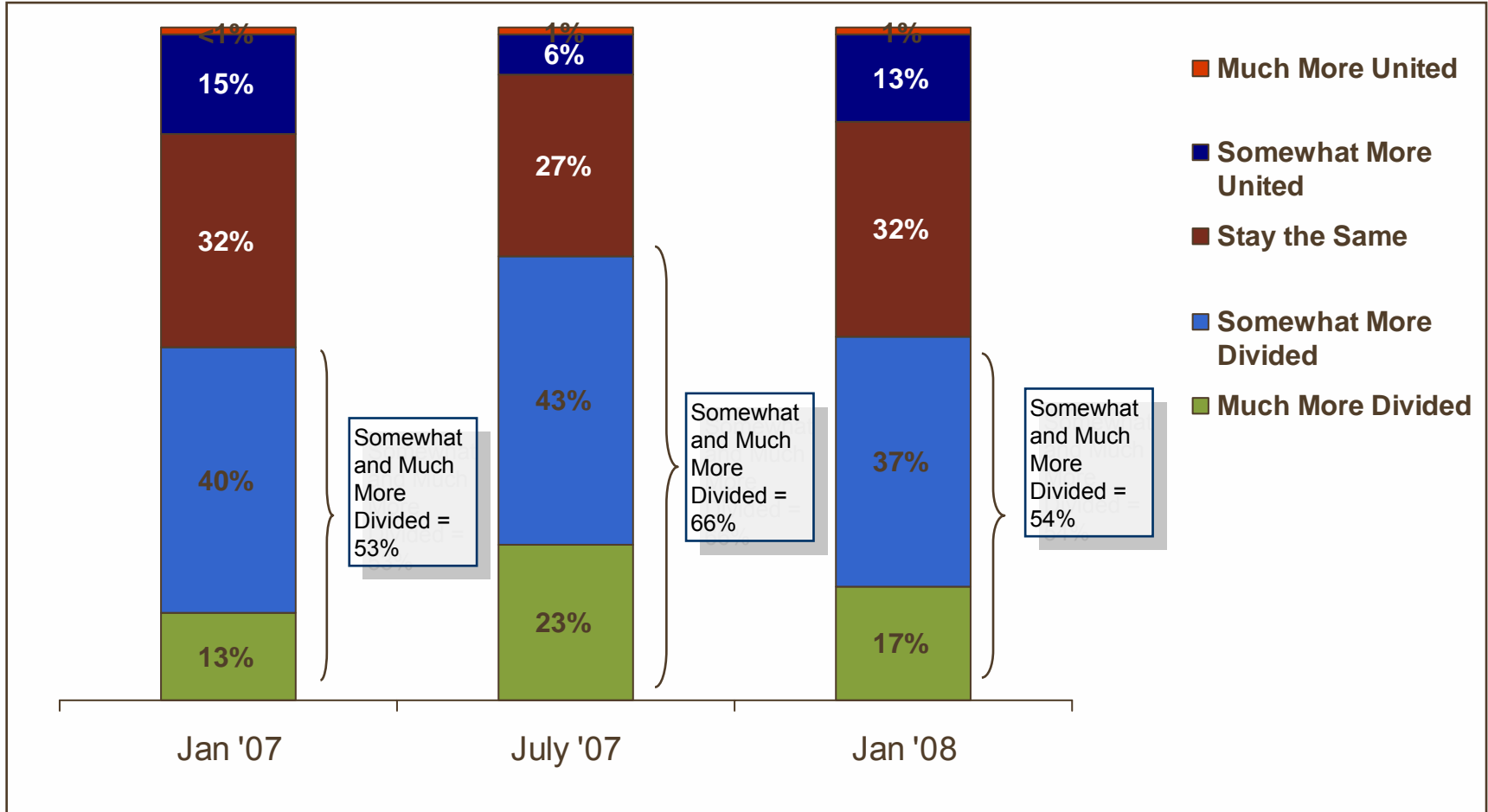
(<http://finance.yahoo.com/charts#chart8:symbol=%5Egspc;range=20070116,20080125;indicator=volume;charttype=line;crosshair=on;logscale=off;source=undefined>)

retrieved on January 30, 2008.

“United” domestic political landscape increased from the previous wave

SIX-MONTH OUTLOOK TOWARD THE U.S. DOMESTIC POLITICAL LANDSCAPE

All Respondents

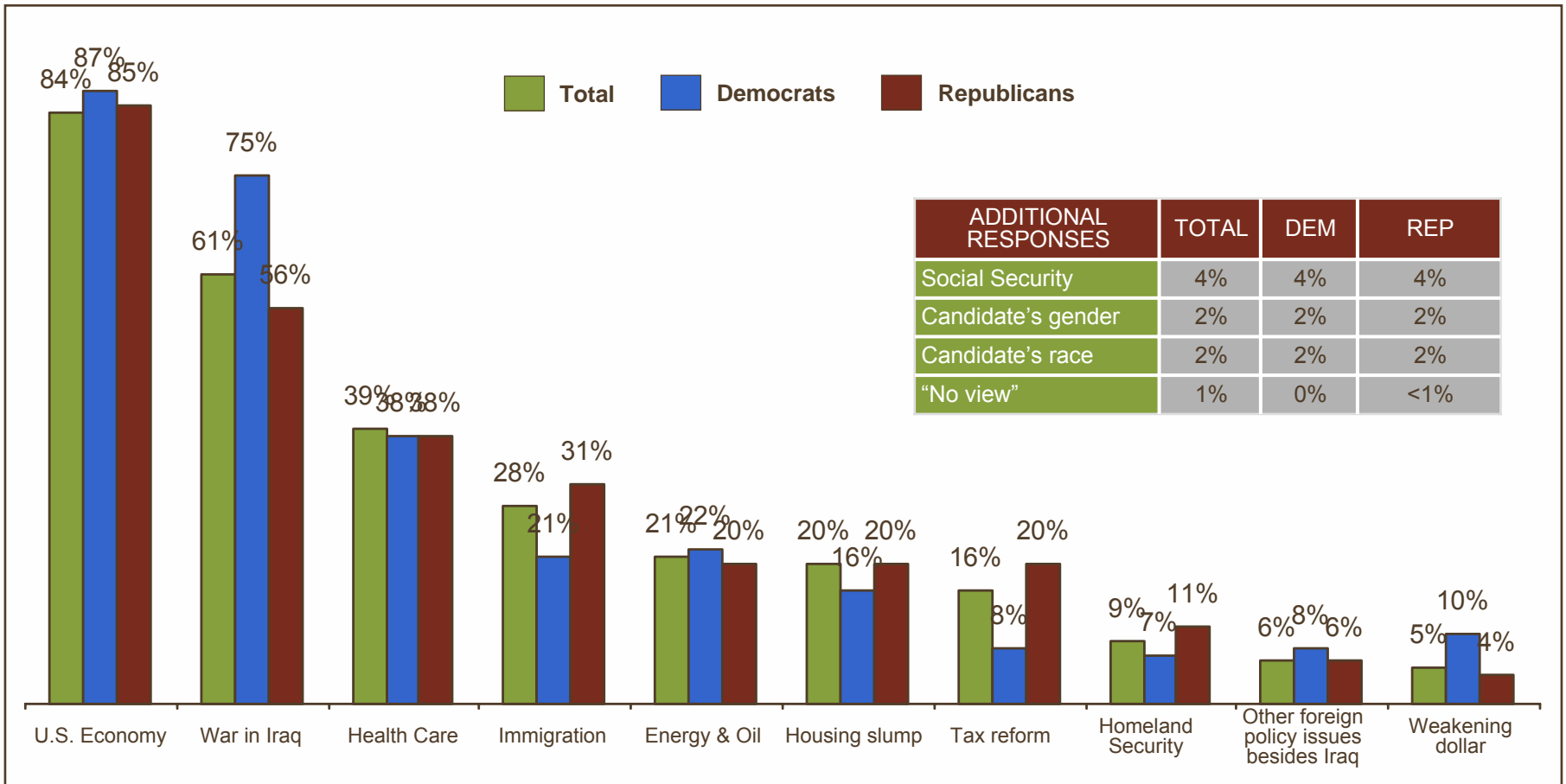


Source: Q4: Which of the following best describes your perspective on the United States domestic political landscape during the next six months? (Base = All respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

For the 2008 U.S. Presidential election, advisors say the U.S. economy and war in Iraq will be the top issues

TOP DECISIVE ISSUES FOR 2008 U.S. PRESIDENTIAL ELECTION—JANUARY '08

All Respondents

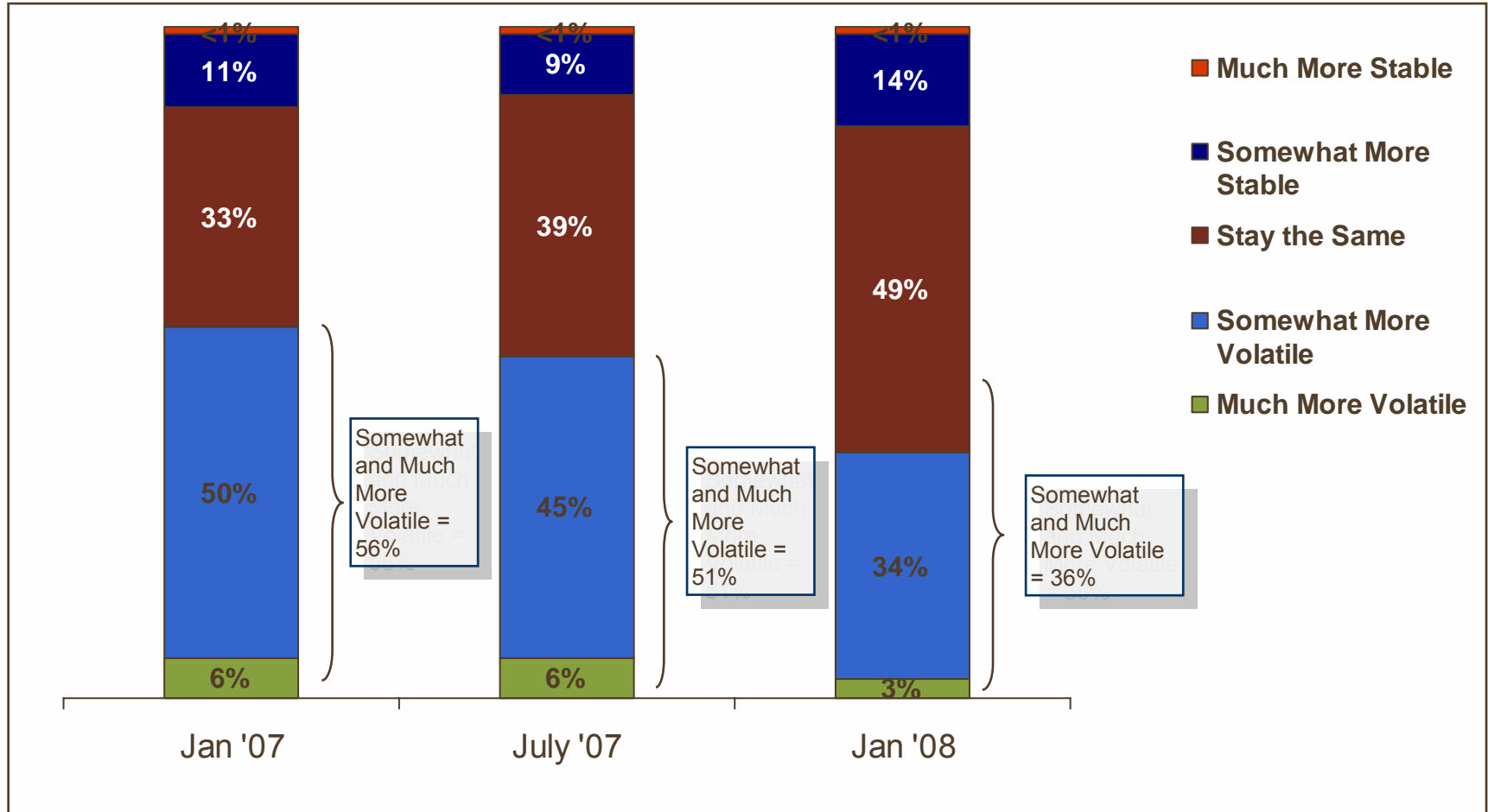


Source: Q4b: What will be the top three decisive issues for the 2008 United States Presidential election? (Base = All Respondents; Jan '08 = 1006)

Advisors anticipate the global-political landscape to remain the same

SIX-MONTH OUTLOOK TOWARD THE GLOBAL-POLITICAL LANDSCAPE

All Respondents



Source: Q5: Which of the following best describes your perspective on the global-political landscape during the next six months? (Base = All respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

Advisors of this wave anticipate unemployment and inflation will increase

LIKELIHOOD OF EVENTS OCCURRING IN THE U.S. DURING THE NEXT SIX MONTHS

All Respondents

EVENTS	EXTREMELY / SOMEWHAT LIKELY			NEITHER			EXTREMELY / SOMEWHAT UNLIKELY		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Housing Market Will Continue to Soften	71%	80%	81%	15%	12%	10%	14%	8%	9%
Unemployment Will Increase	32%	35%	78%	34%	35%	13%	34%	30%	9%
Inflation Will Increase	45%	53%	62%	30%	28%	19%	25%	19%	19%
Energy Prices Will Go Down	36%	24%	42%	24%	19%	17%	40%	57%	41%
U.S. Deficit Will Decrease	40%	40%	31%	16%	16%	13%	44%	44%	56%
Consumer Spending Will Increase	40%	35%	16%	30%	28%	23%	30%	37%	61%
Federal Reserve Board Will Raise Rates	21%	22%	6%	26%	29%	4%	53%	49%	90%

Source: Q2: Please choose the response that best describes your opinion of each of the below events occurring in the U.S. in the next six months.
(Base = All Respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

Approval for Bernanke is now declining

APPROVAL OF CHAIRMAN BERNANKE*

All Respondents

	HIGHLY / MODERATELY APPROVE			NO OPINION			HIGHLY / MODERATELY DISAPPROVE		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Approval of Bernanke	80%	80%	61%	18%	18%	17%	2%	2%	22%

Source: Q3: Which of the following best describes your view of Chairman Bernanke's Federal Reserve Board leadership thus far? (Base = All Respondents: Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

*Note: slight text change to Q3, July '07.

Investment Outlook

A significant terrorist act in the U.S. and continued weakness of the U.S. dollar would have the largest impact on advisors' investment decisions

IMPACT POTENTIAL ADVERSE EVENTS WILL HAVE ON INVESTMENT DECISION-MAKING IF THEY OCCUR IN THE U.S. DURING THE NEXT SIX MONTHS

All Respondents

EVENTS	NO/FEW DECISIONS			UNSURE OF IMPACT			ALL/MOST DECISIONS		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
Further decline in presidential approval ratings	81%	84%	81%	17%	13%	16%	2%	3%	3%
Nuclear threats by Iran and North Korea	55%	59%	61%	27%	24%	25%	18%	16%	14%
Significant change in U.S. involvement in Iraq	58%	61%	57%	29%	24%	30%	13%	15%	13%
Record level gas prices*	N/A	62%	55%	N/A	17%	19%	N/A	21%	26%
Major natural disaster in U.S.	57%	59%	52%	25%	23%	29%	18%	18%	18%
Conflict in Middle East expanding beyond Iraq	46%	46%	42%	21%	23%	25%	33%	32%	33%
Continued weakness in U.S. Dollar**	N/A	N/A	44%	N/A	N/A	17%	N/A	N/A	39%
Significant terrorist act in U.S.	36%	37%	33%	19%	21%	23%	45%	42%	44%

Source: Q6: Please rate the impact the following potential adverse events may have on your investment decision-making during the next six months. (Base = All respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

*New to July '07.

**New to January '08.

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3/4/2008 | 15

Advisors anticipate increasing cash and fixed income investments

PLANS FOR INVESTING DURING THE NEXT SIX MONTHS

All Respondents

ASSET CLASS	INVEST MORE			KEEP CURRENT LEVEL			INVEST LESS BUT NOT ELIMINATE			ELIMINATE		
	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08	JAN '07	JULY '07	JAN '08
U.S. Large Cap Equities	39%	32%	34%	54%	58%	52%	7%	9%	14%	1%	<1%	1%
International Large Cap Equities in Developed Markets	31%	29%	29%	62%	64%	59%	6%	6%	11%	1%	1%	1%
Cash	11%	16%	28%	68%	69%	55%	19%	13%	16%	2%	1%	1%
Fixed Income	16%	18%	27%	68%	66%	58%	15%	15%	14%	1%	2%	1%
International Large Cap Equities in Emerging Markets	18%	19%	20%	60%	63%	58%	18%	15%	18%	5%	3%	4%
International Small Cap Equities in Developed Markets	16%	16%	12%	64%	66%	58%	17%	16%	25%	3%	2%	4%
International Small Cap Equities in Emerging Markets	10%	12%	11%	58%	61%	55%	25%	20%	25%	7%	6%	9%
U.S. Small Cap Equities	7%	7%	9%	58%	59%	49%	33%	32%	38%	2%	2%	4%

Source: Q8: For each of the following asset classes, please choose the response that best describes how you plan to invest in that asset class for your clients in the next six months. (Base = All respondents: Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

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ETFs continue to be the top investment vehicle

PLANS FOR INVESTING DURING THE NEXT SIX MONTHS—JANUARY '08

All Respondents

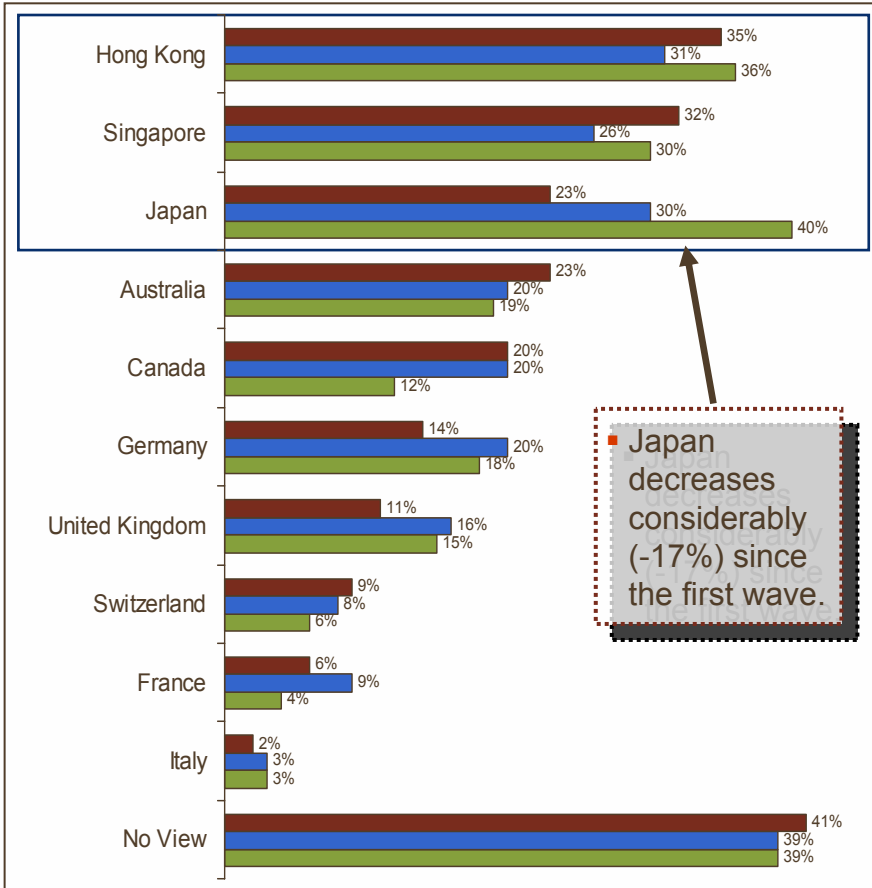
INVESTMENT VEHICLES	INVEST NOW AND IN NEXT SIX MONTHS...					DO NOT INVEST NOW BUT IN NEXT SIX MONTHS....	
	TOTAL CURRENTLY INVEST	INVEST MORE	CURRENT INVESTMENT LEVEL	INVEST LESS	ELIMINATE	WILL BEGIN TO INVEST	WILL NOT BEGIN TO INVEST
ETFs	82%	36%	42%	3%	1%	4%	14%
REITs	68%	12%	35%	18%	3%	7%	25%
Real Estate	52%	7%	29%	14%	2%	6%	43%
Mutual funds that employ hedging strategies	50%	14%	30%	4%	2%	5%	43%
Closed-End Funds	50%	8%	34%	6%	2%	3%	47%
SMA	47%	11%	29%	5%	2%	4%	49%
Donor-advised Funds	39%	6%	28%	3%	2%	5%	56%
Private Equity	35%	6%	21%	6%	2%	3%	62%
Hedge Funds	35%	8%	19%	5%	3%	3%	63%

Source: Q9: For each of the following investment vehicles, please choose the response that best describes how you invest for your clients now and what your plans are for the next six months. (Base = All Respondents; Jan '08 = 1006)

Hong Kong is still considered the top-performing developed international market

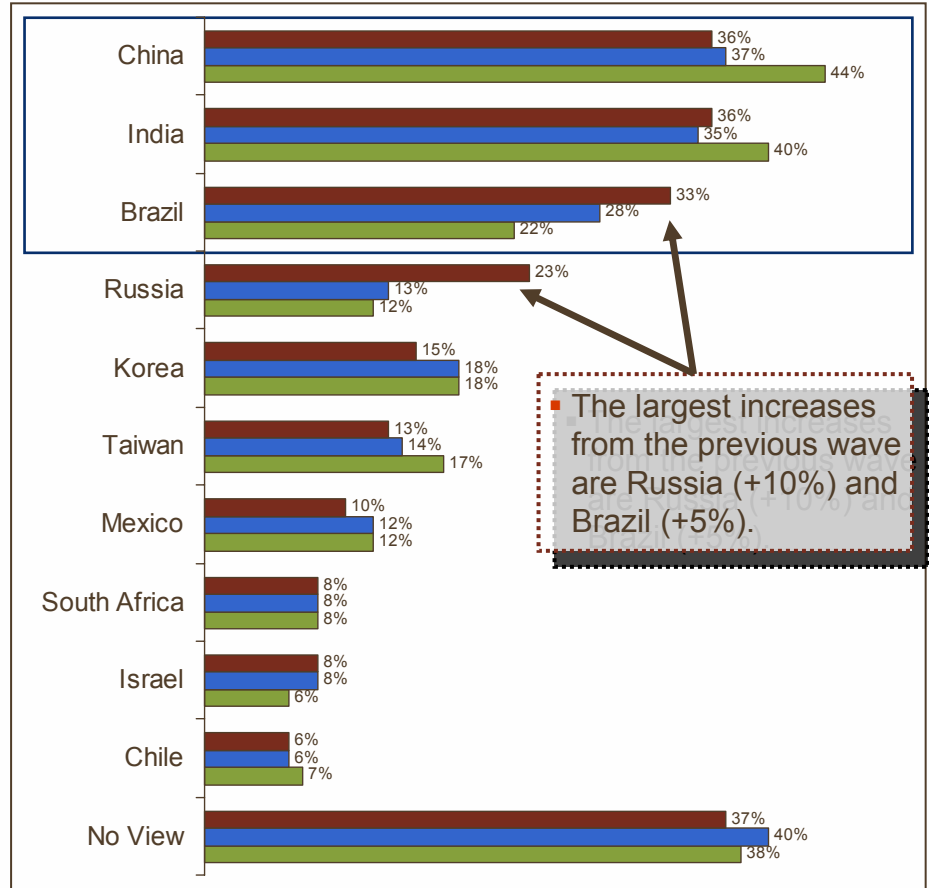
TOP PERFORMING DEVELOPED INTERNATIONAL MARKETS DURING THE NEXT SIX MONTHS

Chart Shows 1st Three Mentions



TOP PERFORMING EMERGING INTERNATIONAL MARKETS DURING THE NEXT SIX MONTHS

Chart Shows 1st Three Mentions



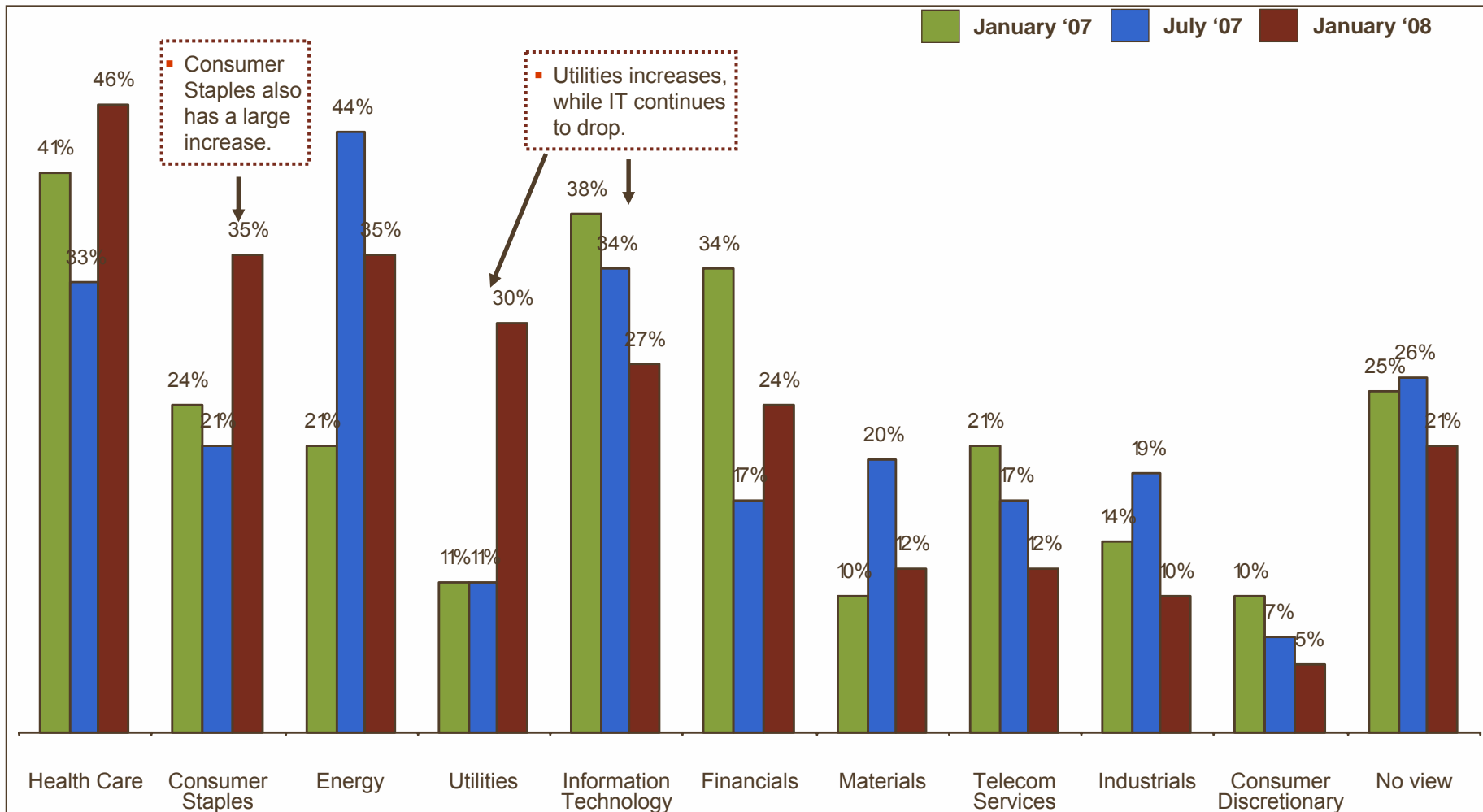
January '07 July '07 January '08

Source: Q13: Which three of the following developed international markets do you think will perform best in the next six months? Q14: Which three of the following emerging international markets do you think will perform best in the next six months? (Base = All Respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

After a considerable drop during the second wave, healthcare is again the anticipated top-performing market sector

TOP PERFORMING MARKET SECTORS DURING THE NEXT SIX MONTHS

Chart Shows 1st Three Mentions



Source: Q12: Which three market sectors do you think will perform best in the next six months? (Base = All Respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

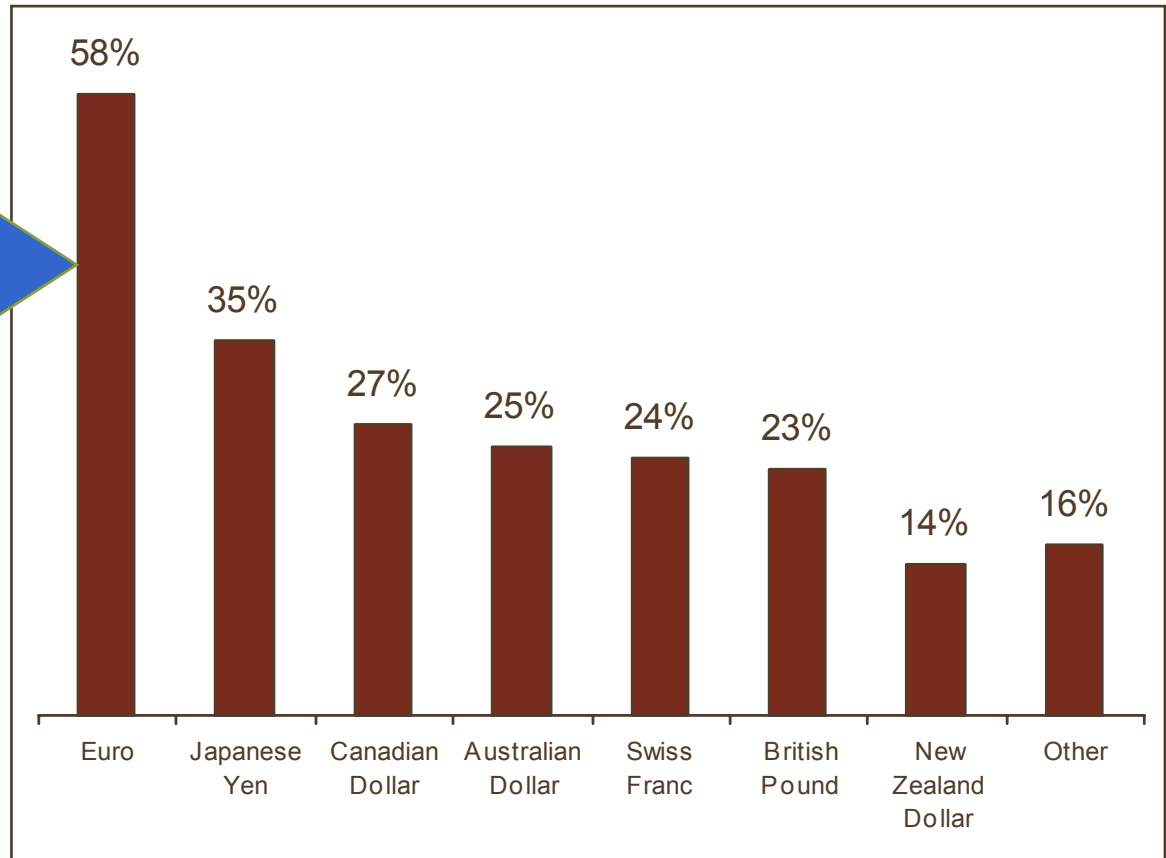
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Just over 10% of advisors have begun investing in foreign currencies for their clients; Euro is top currency

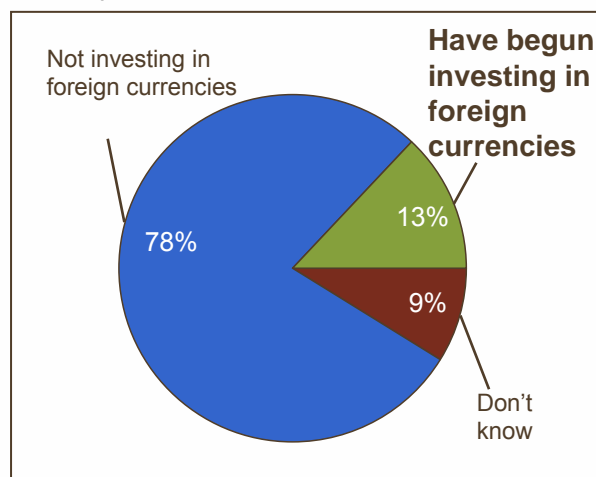
CURRENCIES INVESTING IN DURING THE PAST SIX MONTHS— JANUARY '08

Have Begun Investing In Foreign Currencies



INVESTING IN FOREIGN CURRENCIES— JANUARY '08

All Respondents



Source: Q12a: Which of the following currencies, if any, have you begun investing in for your clients in the past six months? (Base = All respondents; Jan '08 = 1006)

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Client Outlook

Advisors anticipate it will be somewhat difficult to achieve their clients' investment goals in the current market

ABILITY TO ACHIEVE CLIENTS' INVESTMENT GOALS IN CURRENT MARKET ENVIRONMENT

All Respondents

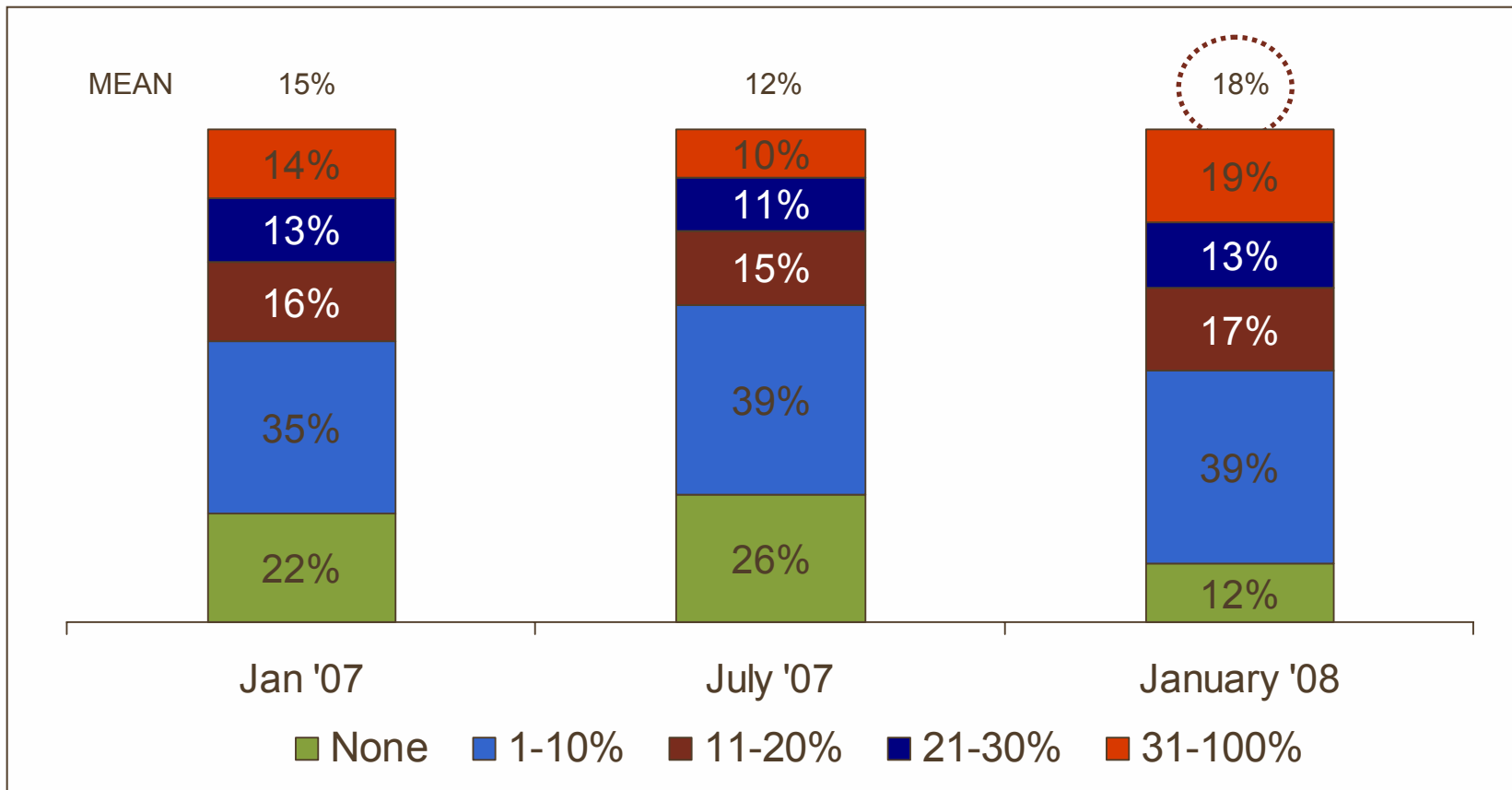
	ACHIEVE CLIENTS' GOALS		
	JAN '07	JULY '07	JAN '08
Extremely Easy	2%	4%	1%
Somewhat Easy	19%	25%	4%
Neither	47%	44%	25%
Somewhat Difficult	30%	26%	57%
Very Difficult	1%	1%	13%

Source: Q7: Which of the following best describes how easy or difficult you think it will be to achieve your clients' investment goals in the current market environment? (Base = All respondents; Jan '07 1387; July '07 = 1044; Jan '08 = 1006)

A small percent of clients needed reassurance during the past six months, slightly up from prior waves

PORTION OF CLIENTS WHO NEEDED REASSURANCE OF MEETING THEIR FINANCIAL GOALS DURING THE PAST SIX MONTHS

All Respondents

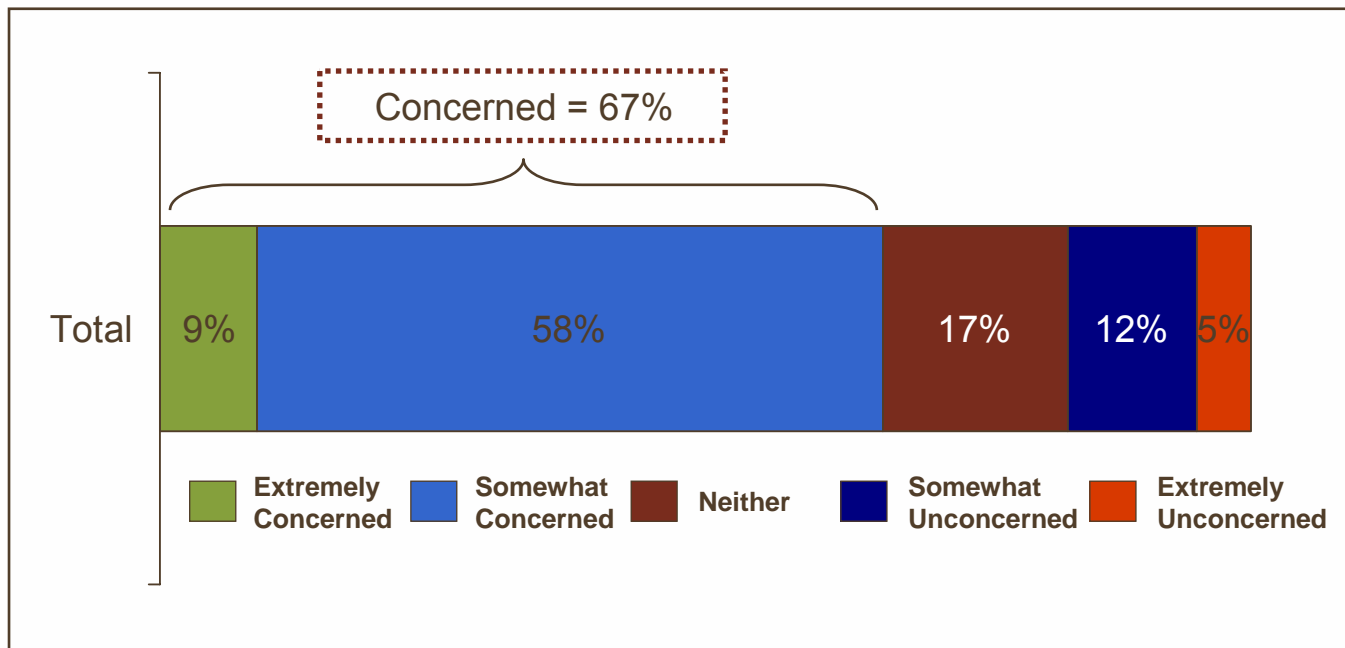


Source: Q13: In the past six months, what percent of your clients have you needed to reassure that they will achieve their investment goals? (Base = All respondents; Jan '07 = 1387; July '07 = 1044; Jan '08 = 1006)

More than two-thirds of clients are concerned with the impact of sub-prime mortgages on their portfolios

CLIENTS' CONCERN WITH PORTFOLIO IMPACTED BY SUB-PRIME MORTGAGE ISSUE—JANUARY '08

All Respondents



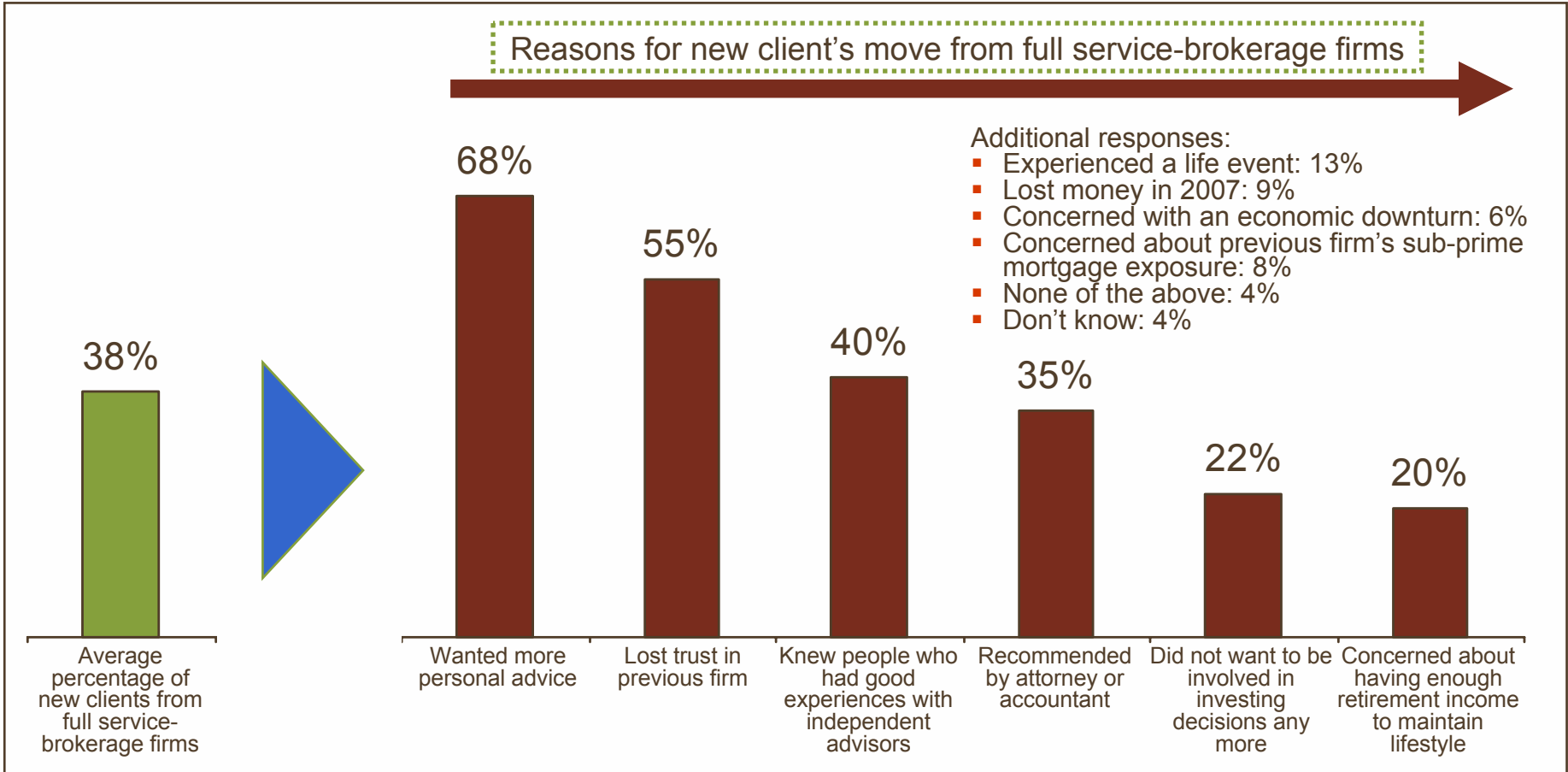
- Advisors at firms with over \$500 million assets under management (AUM) are significantly more likely than advisors at firms with fewer than \$25 million AUM and firms with \$100 to \$250 million AUM to have clients who are concerned with the sub-prime mortgage issue (73% vs. 62% & 64%).

Source: Q13a: How concerned are your clients about how the sub-prime mortgage issue will impact their portfolios? (Base = All respondents; Jan '08 = 1006)

Over a third of advisor's new clients were from full-service brokerage firms; more personal advice and loss of trust are the top reasons for the switch

PERCENTAGE OF 2007 NEW CLIENTS THAT CAME FROM FULL-SERVICE BROKERAGE FIRMS AND REASON FOR MOVING ASSETS—JANUARY '08

All Respondents and New Clients From Full-Service Firms



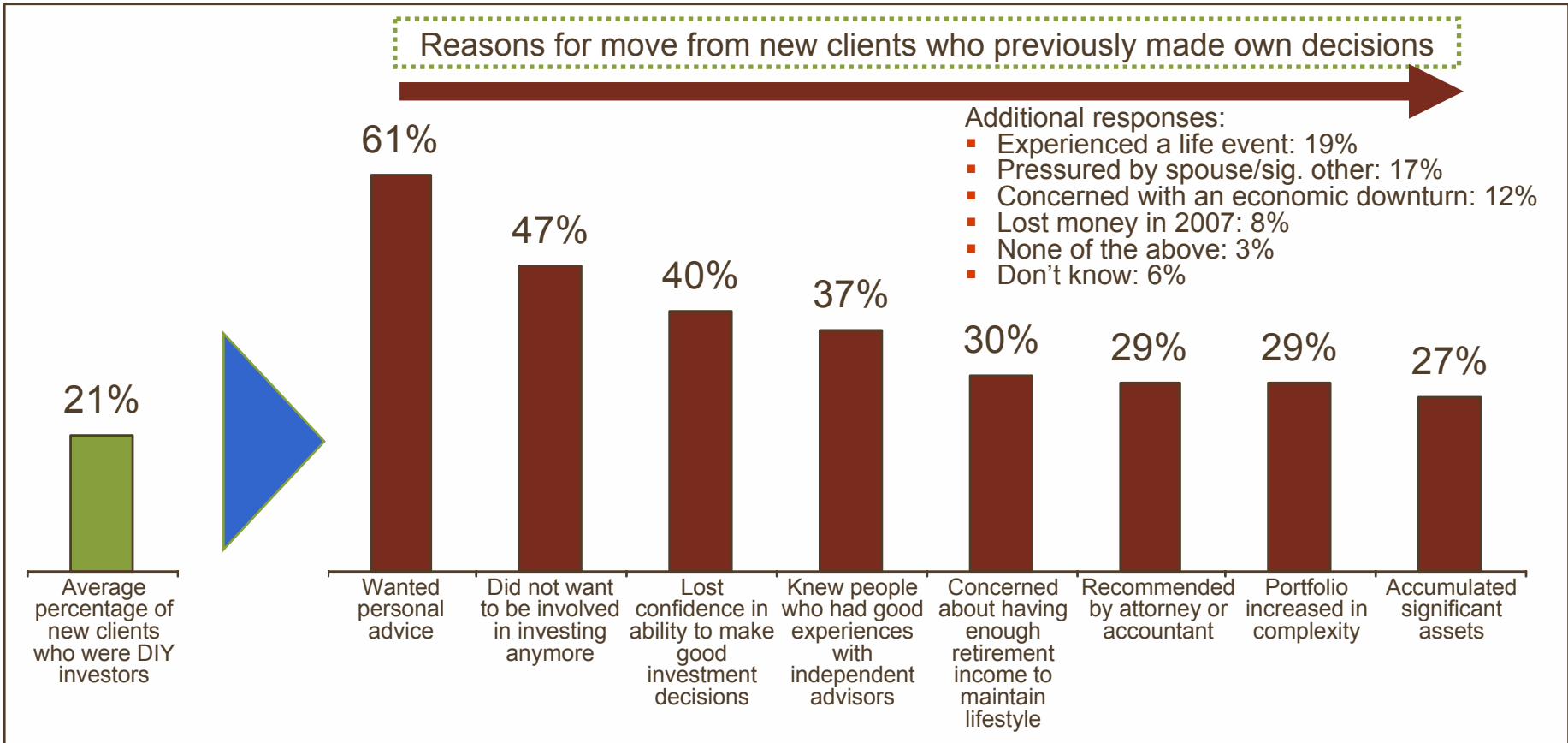
Source: Q13b: What percent of your new clients in 2007 moved their accounts to you directly from full service brokerage firms (e.g., Merrill Lynch, Smith Barney, etc.)? (Base = All respondents; Jan '08 = 1006); Q13c: For which of the following reasons, if any, did your new clients from full service brokerage firms move their assets to your firm in 2007? (Base = Have new clients who moved their accounts from full service brokerage firm; Jan '08 = 817)

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And just one-in-five of new clients previously made all of their own decisions; wanting personal advice is the top reason for the switch

PERCENTAGE OF 2007 NEW CLIENTS THAT PREVIOUSLY MADE ALL OF THEIR OWN INVESTING DECISIONS AND REASON FOR MOVING ASSETS—JANUARY '08

All Respondents and New Clients Who Previously Made All of Their Own Investment Decisions



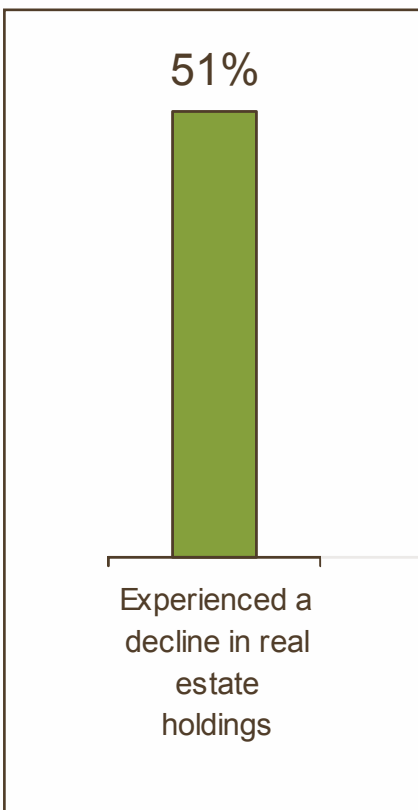
Source: Q13d: What percent of your new clients in 2007 made all of their own investment decisions prior to moving their assets to your firm? (Base = All respondents; Jan '08 = 1006); Q13e. For which of the following reasons, if any, did your new clients who previously made their own investing decisions move their assets to your firm in 2007? (Base = Have new clients who previously made all decisions; Jan '08 = 686)

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Half of advisors' clients have experienced some real estate loss during the past 12 months

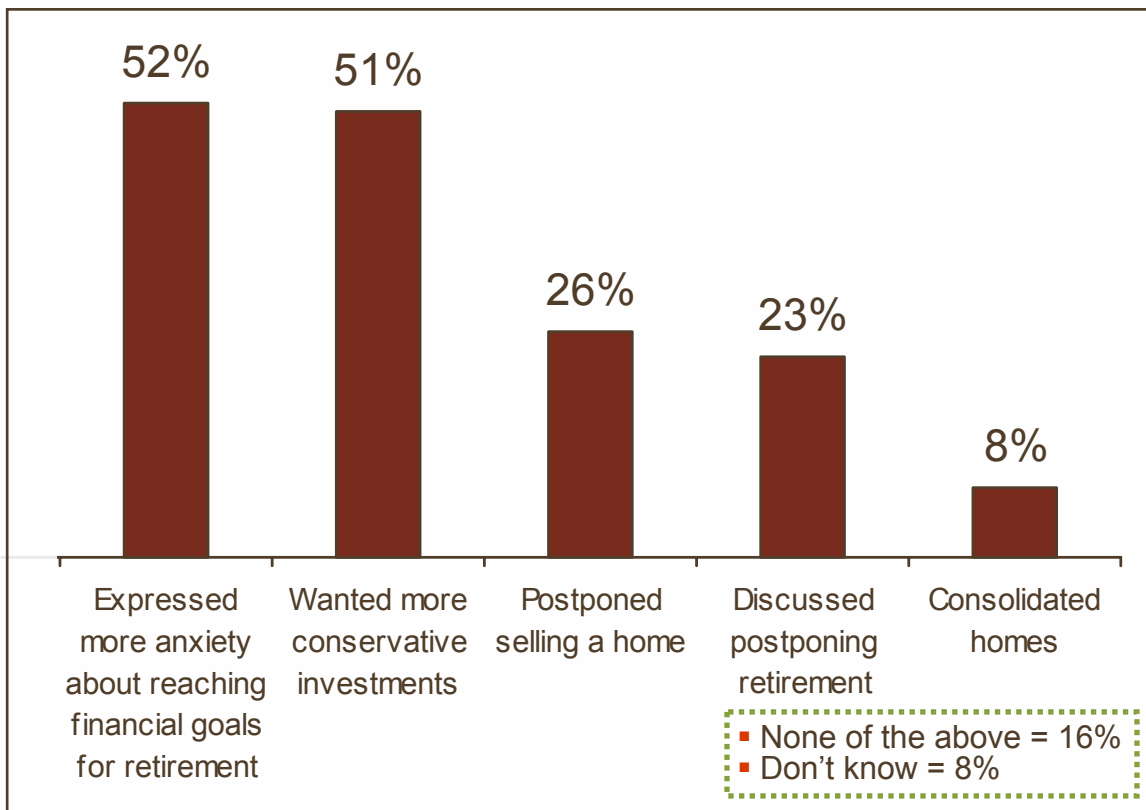
DURING PAST 12 MONTHS: AVERAGE PERCENT OF CLIENTS WHO HAVE EXPERIENCED A DECLINE IN REAL-ESTATE HOLDINGS—JANUARY '08

All Respondents



DURING PAST 12 MONTHS: CLIENTS' REACTION TO CHANGES IN STOCK AND REAL ESTATE MARKETS—JANUARY '08

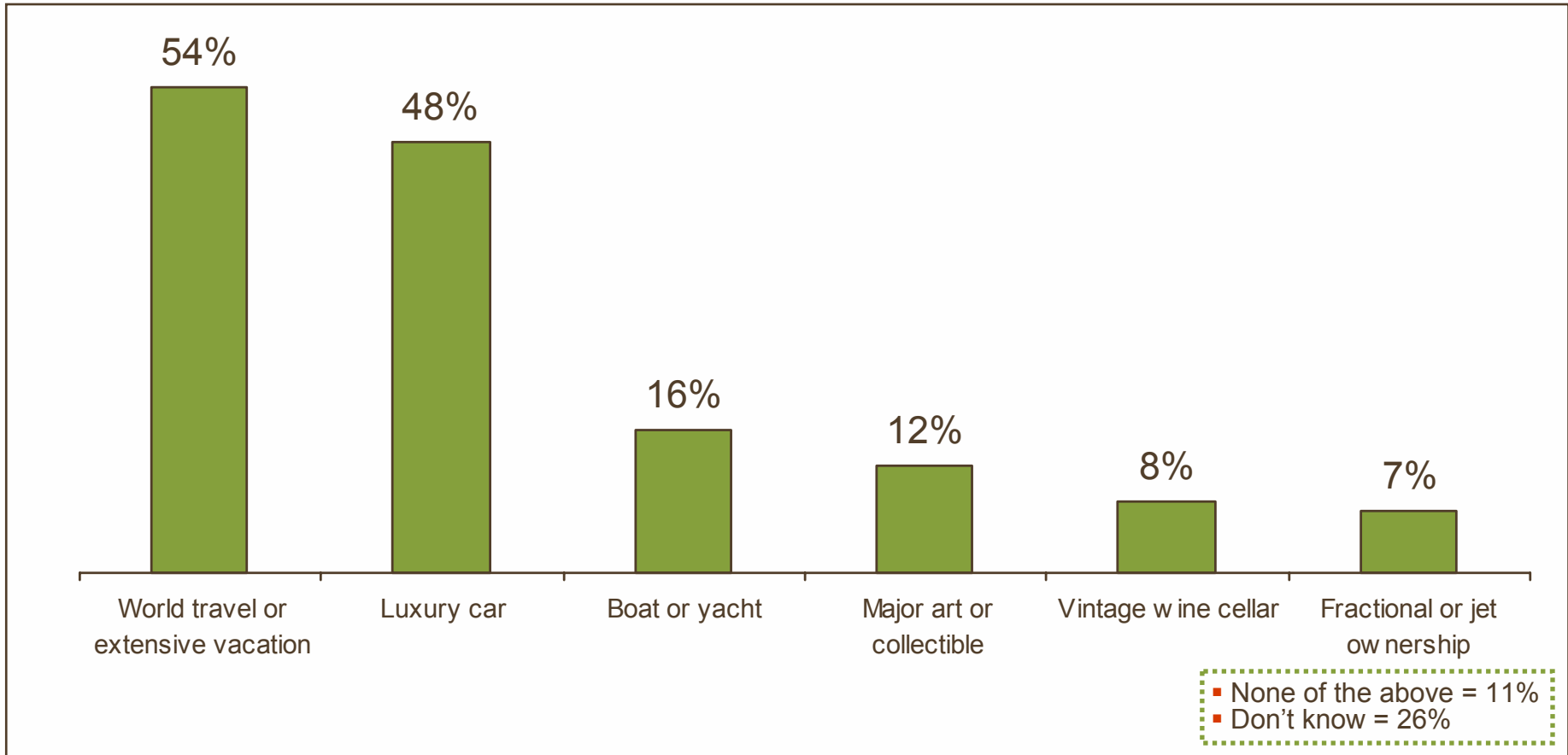
All Respondents



Source: Q13f. In the past 12 months, what percentage of your clients have experienced a decline in the equity they have in their real estate holdings (i.e., experienced real property loss)?; Q19b. Given changes in the stock and real estate market in the past twelve months, which of the following, if any, have your clients done? (Base = All respondents; Jan '08 = 1006)

World travel and cars are the top luxury items clients are treating themselves to

DURING THE PAST TWELVE MONTHS: LUXURY ITEMS CLIENTS HAVE TREATED THEMSELVES TO—JANUARY '08
All Respondents



Source: Q19a: During the past 12 months, which of the following luxury items have your clients treated themselves to? (Base = All respondents; Jan '08 = 1006)

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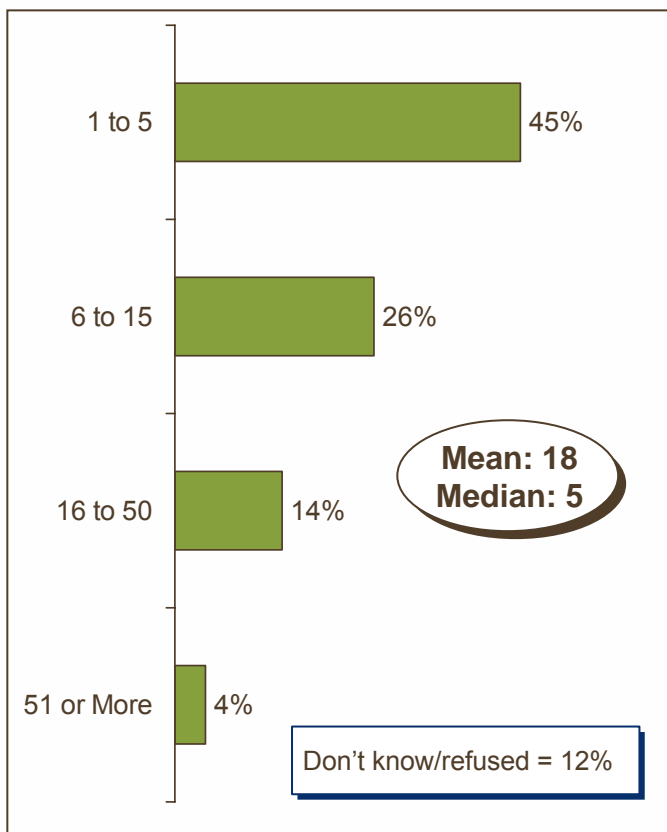
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Advisor Profile

Most firms have about five employees and close to one-third have over \$250 million AUM

NUMBER OF EMPLOYEES AT FIRM— JANUARY '08

Firm Level



ASSETS UNDER MANAGEMENT (AUM) AT FIRM— JANUARY '08

Firm Level

Mean AUM:
\$276 Million

ASSETS UNDER MANAGEMENT	PERCENTAGE OF RESPONDENTS
Less than \$25 Million	13%
\$25 to \$100 Million	27%
\$101 to \$250 Million	21%
\$251 to \$500 Million	13%
Over \$500 Million	21%
Prefer not to say	7%
Total assets (by mean)	\$231 billion
Total assets (by median)	\$128 billion

TYPE OF FIRM—JANUARY '08

Firm Level

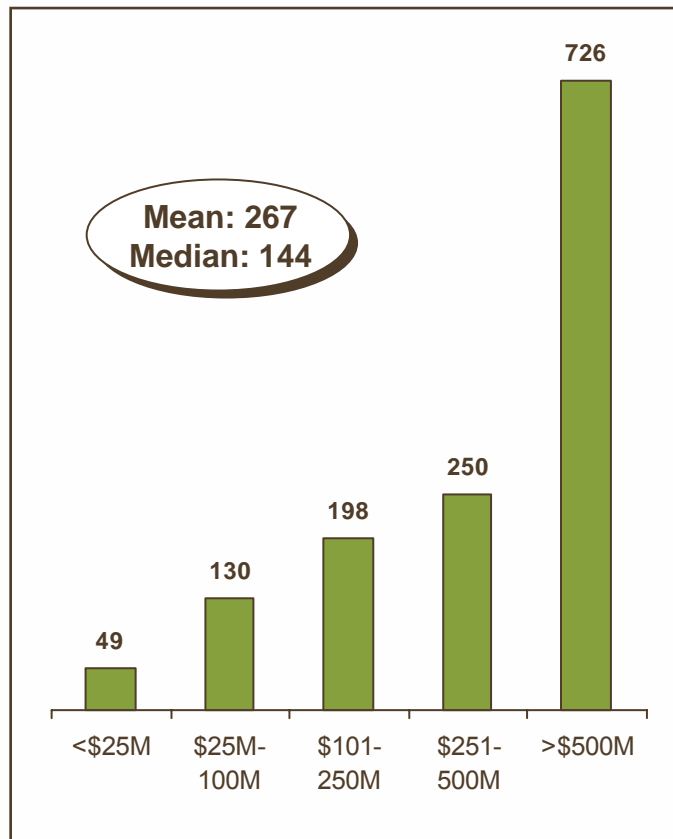
FIRM	PERCENTAGE OF RESPONDENTS
Wealth Manager (Firm provides a broad range of services to address the financial needs of clients)	53%
Money Manager (Firm's primary focus is managing assets and investment performance)	33%
Financial Planner (Firm's primary service is financial planning and investment management)	13%

Source: Q23: How many employees, including yourself, are at your firm? Q25: Approximately, what is the total value of assets managed by your firm? Please include assets under management that are custodied at Charles Schwab and at other custodians. Q30: Which of the following best describes your type of firm? (Base = Firm Level; Jan' 08 = 837)

About one-quarter of clients have accounts with more than \$2 million in assets; clients on average are just under 60 years old

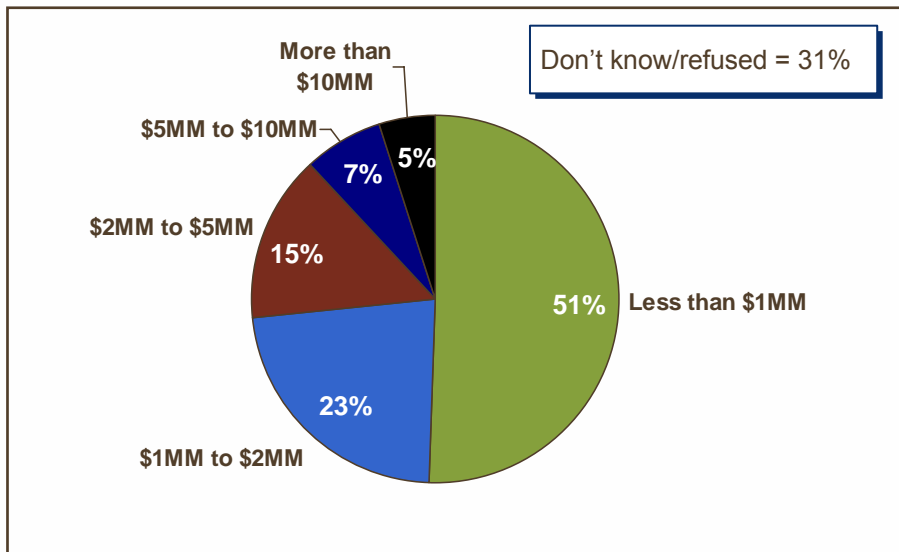
TOTAL AVERAGE NUMBER OF CLIENTS PER FIRM—JANUARY '08

Firm Level by AUM



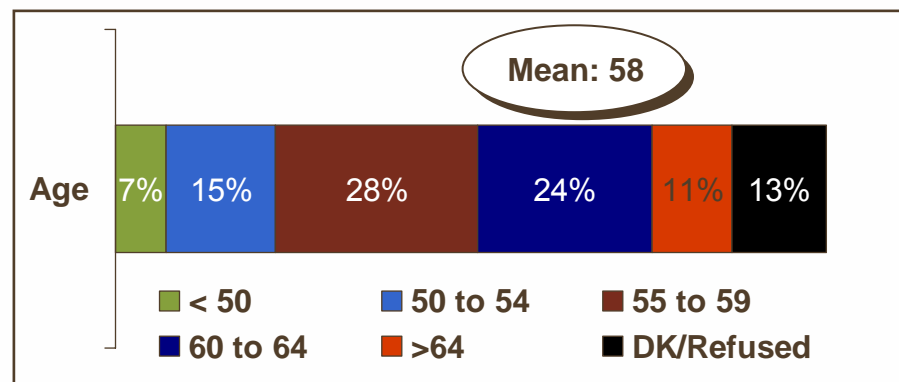
CLIENTS' ACCOUNT SIZES BY RANGE—JANUARY '08

All respondents



CLIENTS' AVERAGE AGE—JANUARY '08

All respondents



Source: Q26: Approximately, how many clients does your firm have in total? (Base = Firm level; Jan '08 = 837); Q27: Approximately what percent of your clients have account sizes in each of the following asset ranges?; Q28: Which of the following categories best represents the average age range of your clients? (Base = All respondents; Jan '08 = 1006)

charles SCHWAB
INSTITUTIONAL

On average, advisors have been working for independent investment firms for 11 years and are 48 years old

NUMBER OF YEARS WORKED FOR INDEPENDENT INVESTMENT FIRM—JANUARY '08

All Respondents

NUMBER OF YEARS	PERCENTAGE OF RESPONDENTS
Less than 2 Years	12%
2 to 5 Years	18%
6 to 10 Years	21%
11 to 15 Years	15%
More than 15 Years	32%
Prefer not to say	1%

Mean: 11

AGE OF ADVISORS—JANUARY '08

All Respondents

AGE	PERCENTAGE OF RESPONDENTS
Under 34	15%
35 to 39	11%
40 to 44	12%
45 to 49	13%
50 to 54	14%
55 to 59	13%
Over 60	17%
Prefer not to say	3%

Mean: 48

PRIMARY ROLE—JANUARY '08

All Respondents

ROLE	PERCENTAGE OF RESPONDENTS
Principal	59%
Portfolio Manager	16%
Operations Staff	12%
Other	13%

Source: Q24: How long have you worked for an independent investment advisory firm? Please include the time at your current firm, as well as any time with other investment advisory firms; Q29: Which of the following best describes your primary role in the firm?; Q31: Into which of the following ranges does your age fall? (Base = All respondents; Jan '08 = 1006)