

News Release

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DESPITE ROADBLOCKS, SOME LIGHT AT THE END OF THE TUNNEL, FINDS CHARLES SCHWAB SURVEY OF INDEPENDENT ADVISORS

Advisors say double-dip recession unlikely, S&P likely to rise, 2011 tax strategies should be a priority

SAN FRANCISCO, Aug. 25, 2010 – While world events have caused independent investment advisors to maintain a somewhat conservative outlook, there are still a few bright spots in their forecast, according to Charles Schwab's latest survey of independent registered investment advisors. Nearly 60 percent of advisors surveyed say a double-dip recession in the U.S. is unlikely over the next six months, and more than 60 percent expect the S&P to increase during the same time period. Their optimism is tempered by the aftershocks of world events: more than 80 percent of advisors say their investment decisions have been impacted by the European debt crisis, half point to declines in the Chinese market, and 40 percent say the Gulf oil spill gave them cause for concern.

"In markets like these that are complicated for investors to navigate solo, there is a clear need for the kind of prudent, objective, and personalized guidance provided by independent investment advisors," said Bernie Clark, executive vice president for Charles Schwab Advisor Services.

Among other findings, nearly three-quarters of advisors surveyed approve of Federal Reserve Board chief Bernanke's leadership, and a majority thinks it unlikely that the U.S. Dollar will lose its reserve currency status over the next 24 months. Only 20 percent believe the Fed will raise interest rates over the next six months, a sharp drop from the nearly 40 percent who felt this way in January. Similarly, 28 percent expect inflation to increase, as compared to fully half of advisors who shared this sentiment in January.

Advisors note that they are actively working with their clients now to mitigate the impact of expected 2011 tax increases, citing as their top strategies:

- Realizing capital losses to help offset the expected increase in the capital gains tax
- Converting traditional IRAs to Roth IRAs
- Selling investment that have appreciated in value in advance of capital gains tax increases

Charles Schwab is a leading provider of custodial, operational and trading support for more than 6,000 independent registered investment advisors (RIAs). The semi-annual Independent Advisor Outlook Study ("study") measures the views of independent RIAs on a variety of topics. Nearly 1,200 independent investment advisors with more than \$234 billion in total assets under management participated in the study between July 13 and July 23, 2010.

Clients are Conservative, Cautious

The survey also finds that advisors are more upbeat than their clients in certain areas: roughly half of advisors' clients feel less optimistic about the economy than they did in 2009. Advisors say this cautious attitude extends to their clients' financial lives: 50 percent now doubt their ability to retire on time, and 40 percent of clients are less optimistic about their investment performance than six months ago. Advisors also say that 47 percent of clients are reducing expenses, and more than half are spending less on discretionary items.

(more)

While investors may be circumspect about market conditions, trust in their independent advisors' guidance remains high. The top two reasons advisors say that they are chosen by new clients continue to be a loss of trust in their previous firm and the desire for more personalized advice. And once again, 92 percent of participating advisors say they received new assets over the past six months.

Advisors Remain Focused on Large Caps, Fixed Income, ETFs

Advisors continue to embrace asset classes, sectors and investment vehicles that have fared well in the past. As for investment vehicles, U.S. large cap stocks and fixed income are the two asset classes where advisors expect to invest more compared to January 2010. There also remains a high level of interest in investing more in large cap stocks in emerging markets.

Twenty five percent of advisors plan to use ETFs more over the next six months; alternative investments and real estate round out the top three investment vehicles of choice among advisors.

Advisors say they expect the information technology sector to perform best over the next six months. Energy, health care and consumer staples are also considered top performers; however, enthusiasm for health care has waned significantly. Twenty-nine percent of advisors ranked health care among the top three market sectors as compared to 42 percent who did so in January 2010.

The Independent Advisor Outlook Study, conducted for Schwab Advisor Services by Koski Research in July 2010, has a 2.89% margin of error. Koski Research is not affiliated with nor employed by Charles Schwab & Co. Inc. ("Schwab"). Detailed findings can be found at www.aboutschwab.com/advisors. All data is self-reported by study participants and is not verified or validated.

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