

September 2023

Dear Client,

What started in 2020 with Charles Schwab's acquisition of TD Ameritrade, has now come to its complete fruition. Over the Labor Day weekend, all of TD Ameritrade Institutional accounts transitioned over to the Schwab platform. However, while Schwab reported that the conversion had gone relatively smoothly, with such a large number of accounts involved, it was not unexpected that there would be some technical issues.

We at Pearson Financial had been with TD Ameritrade for over 18 years and in that time knew the systems inside-out, as well as exactly who to talk to when we needed to get things done. We want to thank all of you for your patience and understanding as it certainly has been a learning process for us, using the new systems and then finding the right individuals inside Schwab to help us with any service issues. Charles Schwab is the largest publicly traded brokerage business in the US – so they certainly are not new to the custody business. And rest assured, we are pushing ahead in replicating the same client service expertise with Schwab, that we had with TDA, but on a much quicker time-frame than 18 years!

I want to touch on a few items within this conversion to Schwab that I feel may impact you:

- One thing that is turning out to be an issue for some clients is having the same online access of their accounts as they had previously with TD Ameritrade. Clients are noticing that they are only able to access accounts tied to their own social security numbers, with spouses or certain trust accounts not linked. In most cases a form is needed to link those accounts to your user ID. We are working hard to get your online access set up exactly as you had before the changeover, so please reach out to us if you are having any problems getting online to view your accounts.
- Trade settlement times with Schwab are slightly longer. Settlement times on trades default back to what was actually standard in the industry. Essentially, this is now a 3-day process from when you need money (if a trade is placed), to when the money is in your checking account. In the past, we could sell stocks or ETF's and push money out the very same day. Now, we can no longer do that. For example, if you call on a Monday and we place a trade – the trade would settle on Wednesday and would be in your checking account on Thursday. Mutual Funds sales have the potential to be a day quicker. If cash is available and a trade is not needed – the timing is next day. If you feel that you will need money available from your account quickly, we can certainly look to leave a bit more in cash. Just something to be aware of as we move forward, so please keep us informed.
- On demand IRA distributions – (when you call to push out a distribution from your IRA), will now have a default tax rate implemented on all IRA accounts; meaning Schwab will withhold 10% Federal and any minimum "state specific" tax rate. If you want a different rate or no taxes withheld, you will need to update that by signing a form. **This does not affect anyone with monthly IRA distributions – this is solely for people who are set up with "on demand" IRA distributions. As we handle distributions over the next few months – keep in mind that we may need a form signed if this affects you.

(OVER)

- The next statements that you will receive in early October (for the month of September) either by mail or online – depending on your preference, will be a set from TD Ameritrade that will show zero balances and the new set of corresponding accounts from Schwab, showing all of the money into the Schwab accounts. Going forward, the TD Ameritrade statements will stop and Schwab monthly statements will continue.
- At year-end, Tax Forms will come from TD Ameritrade for all activity till business close, Friday, Sept 1st 2023; and Schwab Tax forms will cover activity starting from Sept 5th through year end. We will work closely with you to make sure that you have all the tax forms needed to complete your taxes for year 2023.

The takeaway on all of this, is that our team is here to continue to service your account(s) as we have in the past. Each day we are getting more familiar with the Schwab platform's capabilities and making the right connections with people at Schwab who get things done! As we put a bit of time behind us, I suspect that we will start to uncover more of the enhanced capability that a leader like Schwab has to offer in the custody business that will only help us to better serve you in the future.

Recently we have been made aware of phishing attempts going around via text message, claiming your Schwab account(s) have been locked down due to suspicious activity, with a URL to click-on to a login and "correct" the issue. **DO NOT CLICK THE LINK!** This URL would take you to a look-a-like Schwab site to collect your User Name and Password. Schwab will never text you a URL link. **DELETE THE TEXT MESSAGE!**

On another note, markets have performed respectably so far this year, with the **S&P 500 Index** up close to 12%. This is a welcomed change from the poor performance of 2022, and all in the face of the US debt ceiling debate earlier in the year and the latest brinkmanship of a government shutdown. Interest rates have continued to inch up a bit this year; but it appears as though the Federal Reserve has done most, if not all, of the heavy lifting of raising rates. Now we have to wait and see the effect of these drastically higher rates on the economy, as this typically has a lag effect before things materially slowdown. The unprecedented surge in the deficit this year may be the reason we're still are not seeing the effects of these higher rates in the real economy. According to Brian Westbury, (Chief Economist at **First Trust**) a surge in the deficit this large can sometimes artificially maintain growth in the short term. Our hope is that the Fed will leave rates where they are and the economy only slows marginally – realizing the so called "soft landing" or "no landing" that the financial media continually talks about.

As always, if you have any questions at all, please do not hesitate to reach out to us.

Sincerely,



Bryan Bastoni, CFP
CERTIFIED FINANCIAL PLANNER, TM