

# Change the Cost Basis Accounting Method on My Schwab Brokerage Account Information Sheet

Use this form to change the cost basis accounting method at the account level or for specific assets held in your account. **You must complete this form to make changes between the Average Cost Method and the Identified Cost Method.**

Schwab's default cost basis accounting method for open-end mutual funds (open-end MFs) is the **Average Cost Method**, as described below. Schwab's default cost basis accounting method for equities, exchange-traded funds (ETFs), exchange-traded notes (ETNs), closed-end mutual funds (closed-end MFs), options, and fixed income is the **Identified Cost Method** with the **FIFO Lot Selection Method**, as described below. Please consult a certified tax professional to determine the cost basis method that is appropriate for your tax situation.

You can change the **Lot Selection Method** for **all** securities that are currently set to the **Identified Cost Method** in your account, **except** open-end MFs, by going to [Schwab.com](https://www.schwab.com) > **Service** > **Account Settings**. If you want to change the **Lot Selection Method** for open-end MFs currently set to the **Identified Cost Method**, call us at 1-800-435-4000.

**Do not use this form** to identify or match specific lots for unsettled trades. Please call 1-800-435-4000. To provide cost basis updates to existing uncovered positions, please go to [Schwab.com](https://www.schwab.com) > **Accounts** > **Positions** > **Market Value** or **Unrealized Gain/Loss** or complete the **Cost Basis Update Form for Noncovered Shares** found on [Schwab.com](https://www.schwab.com) > **Service** > **Account Servicing** > **Forms**, or call 1-800-435-4000.

**There are two components of cost basis accounting at Schwab: the Cost Method and the Lot Selection Method.**

- **The Cost Method** determines how to calculate the cost of securities sold to determine gains and losses.
  - 1) The **Average Cost Method** calculates the average price for shares bought and sold, regardless of how long they are held, by allocating the gains and losses evenly across all shares. Assets using the **Average Cost Method** will default to the **FIFO Lot Selection Method** when disposed (i.e., sold, journaled, transferred, or other closing transactions).
 

**Note: Only the following asset types are eligible for this cost method: open-end MFs, closed-end MFs, ETFs, ETNs, and equities enrolled in the Schwab StockBuilder Plan® for dividend reinvestment.** You can only select an asset type or asset group listed on this form.
  - 2) The **Identified Cost Method** reflects the actual cost basis for each individual lot bought or sold. If you select this cost method, you must select a **Lot Selection Method** (described below).
 

**Note: All security types are eligible for this cost method.**
- **The Lot Selection Method** determines the order in which lots are selected.
  - **First In, First Out (FIFO):** The first lot acquired is the first lot selected. If lots are missing cost basis, these lots will be selected first.
  - **Last In, First Out (LIFO):** The last lot acquired is the first lot selected, regardless of whether lots are missing cost basis.
  - **High-Cost Lot (HCLLOT):** For long positions, the lot with the highest cost is selected first; for short positions, the lot with the lowest cost is selected first. Lots with missing cost basis will be selected after lots with known cost basis are selected.
  - **Low-Cost Lot (LCLLOT):** For long positions, the lot with the lowest cost is selected first; for short positions, the lot with the highest cost is selected first. Lots with missing cost basis will be selected before lots with known cost basis are selected.
  - **Tax Lot Optimizer™ (TLO):** Lots are selected with the objective of taking losses first (short term then long term) and gains last (long term then short term). Any shares moved will be processed using the HCLLOT method. Lots with missing cost basis will be selected after lots with known cost basis are selected.

## When will the election go into effect?

The new cost basis changes will apply to this account only after the date the method was changed on your account. We **will not** retroactively apply these changes to your account.

## How do I deliver this form to Schwab?

Return the completed form by using secure messaging on [Schwab.com](https://www.schwab.com); fax to 1-888-526-7252; or mail to Charles Schwab & Co., Inc., IS Document Control, 1945 Northwestern Dr., El Paso, TX 79912.



# Change the Cost Basis Accounting Method on My Schwab Brokerage Account

Schwab.com

1-800-435-4000  
(inside the U.S.)

+1-415-667-8400  
(outside the U.S.)

1-877-686-1937  
(multilingual services)

We're here to help.

Clients of

Investment Advisors:

Contact your advisor directly or call Schwab Alliance at 1-800-515-2157.

The Identified Cost Method can be used on all security types.

Only complete the appropriate section(s) to change your cost basis accounting method on either your entire account and/or on a specific asset(s) held in your account. Please refer to the Information Sheet for cost basis accounting methods and definitions. Changes are on a "go forward" basis.

Return the completed form by using secure messaging on Schwab.com or fax to 1-888-526-7252.

Change the Cost Basis Accounting Method on:

Schwab Account Number	Name(s) on Your Schwab Account as Displayed on Your Statement <i>Please print.</i>	Daytime Telephone Number
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### Change From the Average Cost Method to the Identified Cost Method.

You can change the Lot Selection Method for all securities that are currently set to the Identified Cost Method in your account, except open-end MFs, by going to Schwab.com > Service > Account Settings. If you want to change the Lot Selection Method for open-end MFs currently set to the Identified Cost Method, call us at 1-800-435-4000.

Apply the Identified Cost Method to all assets and asset types in my account. Choose only one Lot Selection Method below. (If you do not choose a Lot Selection Method, we will use your current Lot Selection Method.)

FIFO  LIFO  HCLLOT  LCLLOT  TLO

Apply the Identified Cost Method to the specific asset(s) listed below. (Choose a Lot Selection Method or we will use the existing method on your account. Complete additional forms to add more assets.)

\_\_\_\_\_  FIFO  LIFO  HCLLOT  LCLLOT  TLO

\_\_\_\_\_  FIFO  LIFO  HCLLOT  LCLLOT  TLO

### Change From the Identified Cost Method to the Average Cost Method.

Apply the Average Cost Method to an asset type or asset group listed below and retain the existing cost method for all other asset types in my account. (The Lot Selection Method will be FIFO per IRS regulations.)

All open-end MFs  All open-end and closed-end MFs  All open-end MFs, ETNs, and ETFs

All open-end MFs, closed-end MFs, ETNs, and ETFs

All equities. (This selection requires equities to be enrolled in the automatic dividend reinvestment plan, the Schwab StockBuilder Plan® for dividend reinvestment. Only equities that are enrolled will be updated.)

Apply the Average Cost Method to the specific asset(s) listed below. (Equities listed below need to be enrolled in the automatic dividend reinvestment plan, the Schwab StockBuilder Plan for dividend reinvestment. Only equities that are enrolled will be updated. The Lot Selection Method will be FIFO per IRS regulations. Complete additional forms to add more assets.)

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Average Cost Method can only be used on the following security types: open-end MFs, closed-end MFs, ETFs, ETNs, or equities enrolled in the automatic dividend reinvestment plan (the Schwab StockBuilder Plan for dividend reinvestment.)

For information on the Schwab StockBuilder Plan for dividend reinvestment, go to Schwab.com > Products > Investment Products > Dividend Reinvestment or call 1-800-435-4000.

Read and sign below.

Prior sales in your account will not be retroactively processed under the new cost basis method indicated on this form. This information is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Schwab does not provide tax advice, and you agree that Schwab is not responsible for any potential tax consequences associated with changing the cost basis method on your account. Please consult with a qualified tax advisor, CPA, financial planner, or investment manager prior to completing this form. By signing below, you confirm that you have read this form's instructions and disclaimers.

**SIGN HERE**



Today's Date mm/dd/yyyy

Print Name