

The enclosed information may be useful in the preparation of your federal, state, and/or city tax returns.

- U.S. Government Obligations Information
- Percentage of Income Earned by State and U.S. Territory
- Percentage of Income Subject to the Federal Alternative Minimum Tax (AMT)

U.S. Government Obligations Information

In most states, fund dividends derived from U.S. government obligations are exempt from state income taxes. The percentage shown below is the portion of the dividend income paid by certain funds that qualifies for this exemption. To calculate the amount of income earned from U.S. government obligations, multiply the percentage by the ordinary dividends (excluding any short-term capital gain distributions) you received from the fund during the 2016 calendar year. Shareholders in CA, CT and NY should note that only the funds denoted with an asterisk (*) meet the minimum investment requirements of these states to permit the “pass-through” of exempt income.

	U.S. Government Obligation %		U.S. Government Obligation %
Schwab Short-Term Bond Market Fund™	47.14%	Schwab Target 2035 Index Fund ¹	2.66%
Schwab Total Bond Market Fund™	26.58%	Schwab Target 2040 Index Fund ¹	1.63%
Schwab® Treasury Inflation Protected Securities Index Fund*	99.98%	Schwab Target 2045 Index Fund ¹	1.15%
Schwab Intermediate-Term Bond Fund™	18.31%	Schwab Target 2050 Index Fund ¹	0.88%
Schwab MarketTrack Growth Portfolio™	3.60%	Schwab Target 2055 Index Fund ¹	0.58%
Schwab MarketTrack Balanced Portfolio™	8.45%	Schwab Target 2060 Index Fund ¹	0.39%
Schwab MarketTrack Conservative Portfolio™	14.34%	Schwab Advisor Cash Reserves® ¹	0.91%
Schwab Balanced Fund™	8.65%	Schwab Cash Reserves™	0.83%
Schwab Target 2010 Fund	20.37%	Schwab Government Money Fund ¹	27.37%
Schwab Target 2015 Fund	17.72%	Schwab Investor Money Fund®	1.14%
Schwab Target 2020 Fund	13.53%	Schwab Money Market Fund™	0.92%
Schwab Target 2025 Fund	8.29%	Schwab Retirement Advantage Money Fund®	1.15%
Schwab Target 2030 Fund	5.87%	Schwab Retirement Government Money Fund™	33.44%
Schwab Target 2035 Fund	4.18%	Schwab Treasury Obligations Money Fund™* ¹	55.99%
Schwab Target 2040 Fund	2.61%	Schwab U.S. Treasury Money Fund™*	99.96%
Schwab Target 2045 Fund	1.84%	Schwab Value Advantage Money Fund® ¹	0.25%
Schwab Target 2050 Fund	1.26%	Schwab® Monthly Income Fund – Moderate Payout	11.37%
Schwab Target 2055 Fund	0.72%	Schwab® Monthly Income Fund – Enhanced Payout	14.89%
Schwab Target 2060 Fund	0.27%	Schwab® Monthly Income Fund – Maximum Payout	18.24%
Schwab Target 2010 Index Fund ¹	18.28%	Schwab U.S. TIPS ETF™*	99.99%
Schwab Target 2015 Index Fund ¹	18.94%	Schwab Short-Term U.S. Treasury ETF™*	99.96%
Schwab Target 2020 Index Fund ¹	10.27%	Schwab Intermediate-Term U.S. Treasury ETF™*	99.89%
Schwab Target 2025 Index Fund ¹	5.90%	Schwab U.S. Aggregate Bond ETF™	25.86%
Schwab Target 2030 Index Fund ¹	3.49%		

¹ Percentages apply to all share classes.

Investors should consider carefully information contained in a fund's prospectus, including investment objectives, risks, charges and expenses. You can view and download a prospectus by visiting www.csimfunds.com. Please read the prospectus carefully before investing.

Unlike mutual funds, shares of ETFs are not individually redeemable directly with the ETF. ETF shares are bought and sold at market price, which may be higher or lower than the net asset value (NAV). Charles Schwab & Co., Inc. does not recommend investment or reporting methods for specific tax situations. For advice on your particular tax situation, or for more information on the taxes covered in this supplement, please consult a tax advisor, the Internal Revenue Service or your state tax authority.

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Percentage of Income Earned by State and U.S. Territory

Most states do not impose income tax on interest income derived from their own municipal obligations. The following table shows the percentage of income paid by each fund on a state-by-state basis. To calculate the amount of income attributable to a particular state or territory, you should multiply Form 1099-DIV box 10 total tax-exempt income you received in 2016 from a particular fund by the appropriate percentage below. Shareholders who are residents of CA, CT and MN should note that investment thresholds and income limitations may prevent the “pass-through” of state-exempt income.

	Schwab Municipal Money Fund™ ¹ (%)	Schwab AMT Tax-Free Money Fund™ ¹ (%)	Schwab Massachusetts Municipal Money Fund™ (%)	Schwab Pennsylvania Municipal Money Fund™ (%)	Schwab New Jersey Municipal Money Fund™ (%)	Schwab Tax-Free Bond Fund™ (%)
Alabama	3.81%	8.95%	0.00%	0.65%	0.00%	0.55%
Alaska	0.50%	0.54%	0.02%	0.03%	0.65%	0.95%
Arizona	0.83%	0.49%	0.05%	0.00%	0.12%	1.60%
Arkansas	0.16%	0.00%	0.00%	0.00%	0.00%	1.05%
California	6.09%	6.68%	0.90%	0.07%	0.22%	11.87%
Colorado	3.31%	3.07%	0.69%	0.00%	0.52%	1.55%
Connecticut	0.36%	0.59%	0.03%	0.00%	0.00%	1.47%
Delaware	0.19%	0.30%	0.00%	0.00%	0.11%	0.23%
District of Columbia	2.67%	3.01%	0.25%	0.03%	0.19%	0.75%
Florida	6.80%	6.28%	0.15%	0.57%	0.01%	8.17%
Georgia	3.63%	2.73%	0.05%	0.00%	0.63%	0.52%
Hawaii	0.15%	0.21%	0.00%	0.01%	0.00%	0.65%
Idaho	0.42%	0.61%	0.00%	0.04%	1.95%	0.81%
Illinois	5.82%	8.04%	1.09%	1.54%	2.65%	7.90%
Indiana	2.45%	1.79%	1.00%	0.32%	0.02%	1.40%
Iowa	1.31%	1.89%	0.04%	0.00%	0.00%	0.13%
Kansas	0.54%	0.76%	0.01%	0.00%	0.00%	0.73%
Kentucky	0.81%	0.11%	0.03%	0.00%	0.00%	0.69%
Louisiana	1.23%	1.41%	0.02%	0.00%	0.00%	0.58%
Maine	0.06%	0.01%	0.01%	0.00%	0.00%	0.00%
Maryland	1.28%	0.50%	1.30%	0.01%	0.00%	0.43%
Massachusetts	2.38%	2.13%	89.83%	0.00%	0.27%	1.87%
Michigan	2.63%	2.16%	0.51%	0.00%	0.00%	3.90%
Minnesota	0.86%	0.49%	0.35%	0.00%	0.00%	1.76%
Mississippi	0.43%	0.54%	0.11%	0.02%	0.00%	2.10%
Missouri	1.76%	1.11%	0.05%	0.00%	0.00%	1.81%
Montana	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%
Nebraska	0.66%	0.76%	0.02%	0.00%	0.00%	0.69%
Nevada	2.37%	1.42%	0.23%	0.08%	0.03%	1.62%
New Hampshire	0.01%	0.00%	0.02%	0.00%	0.00%	0.47%
New Jersey	2.77%	3.06%	0.81%	0.71%	78.43%	4.60%
New Mexico	0.08%	0.00%	0.00%	0.00%	0.00%	0.41%
New York	10.15%	11.05%	0.13%	0.08%	10.06%	10.21%
North Carolina	0.30%	0.77%	0.04%	0.18%	0.44%	1.99%
North Dakota	0.19%	0.37%	0.01%	0.00%	0.00%	0.08%
Ohio	1.79%	1.61%	0.29%	0.10%	0.04%	1.75%
Oklahoma	0.14%	0.20%	0.01%	0.00%	0.00%	0.73%
Oregon	1.08%	0.22%	0.00%	0.01%	0.00%	3.97%
Pennsylvania	2.69%	1.57%	0.12%	92.98%	1.27%	1.43%
Puerto Rico	0.01%	0.00%	0.02%	0.00%	0.00%	0.00%
Rhode Island	0.11%	0.00%	0.01%	0.00%	0.00%	0.15%
South Carolina	0.67%	0.66%	0.06%	0.00%	0.00%	0.72%
South Dakota	0.72%	0.00%	0.00%	0.00%	0.00%	0.14%
Tennessee	2.24%	3.14%	0.29%	0.07%	0.45%	0.87%
Texas	13.75%	11.81%	1.03%	0.86%	1.78%	10.30%
Utah	1.69%	1.76%	0.00%	0.00%	0.05%	0.78%
Vermont	0.00%	0.00%	0.00%	0.00%	0.00%	0.48%
Virginia	0.23%	0.46%	0.05%	0.13%	0.04%	0.89%
Virgin Islands	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Washington	4.38%	2.39%	0.03%	1.40%	0.00%	3.00%
West Virginia	0.49%	1.24%	0.01%	0.00%	0.00%	0.00%
Wisconsin	2.24%	3.07%	0.31%	0.05%	0.07%	1.25%
Wyoming	0.76%	0.03%	0.02%	0.06%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

¹ Percentages apply to all share classes.

Percentage of Income Subject to the Federal Alternative Minimum Tax (AMT)

Depending on your individual tax situation, you may be required to file IRS Form 6251, Alternative Minimum Tax—Individuals. Please refer to box 11 on your Form 1099-DIV from Charles Schwab & Co., Inc. for the amount of tax-exempt interest dividends you earned that should be included on IRS Form 6251, if any. For more information about national and state-specific money funds and bond funds, please visit csimfunds.com.



U.S. government obligations information

Important tax information for 2016

This tax update provides information to help you properly report your state and local tax liability on income distributions you received from your mutual fund investments in 2016.

On the reverse side, you'll find a list of Vanguard funds that earned a portion of their investment income from obligations of the U.S. government. (You can find U.S. government obligation information for Vanguard Institutional Target Retirement Funds online at advisors.vanguard.com/taxcenter.) Direct U.S. government obligations and certain U.S. government agency obligations are generally exempt from taxation in most states.* To the right of each fund name, you'll find two columns:

- **Column 1. Percentage of the fund's total *income* derived from U.S. government obligations in 2016.** Check with your state or local tax office or with your tax advisor to determine whether your state allows you to exclude some or all of the income you earn from mutual funds that invest in U.S. government obligations. If your state allows an exclusion, refer to this column for the percentage of income that may be excluded for each fund in which you're invested.**
- **Column 2. Percentage of the fund's *assets* invested in U.S. government obligations as of December 31, 2016.** Certain states and municipalities require residents to pay intangible or personal property tax. If you're required to pay either of these taxes, refer to this column for the percentage that may be excluded from these taxes for each fund in which you're invested.

Questions?

Call us at 877-662-7447 Monday through Friday from 8 a.m. to 10 p.m., Eastern time. Our investment professionals can't provide tax advice; consult a qualified tax professional if your tax situation is complex or if you're uncertain about a specific IRS rule. You can also find a variety of general tax-preparation data and tools at vanguard.com/taxcenter.

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*Investments in U.S. government obligations may include the following: Banks for Cooperatives, the Commodity Credit Corporation, the Federal Deposit Insurance Corporation, Federal Farm Credit Banks, the Federal Financing Bank, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks and the Federal Land Bank Association, the Federal Savings and Loan Insurance Corporation, the General Insurance Fund, the Government Services Administration (GSA Public Building Trust Participation Certificates), the Production Credit Association, the Student Loan Marketing Association, the Tennessee Valley Authority, the U.S. Postal Service, and the U.S. Treasury Department (bonds, notes, bills, certificates, and savings bonds). GNMA securities aren't U.S. government obligations.

**The percentages provided apply only to income distributions (dividends); they don't apply to capital gains distributions (whether long-term or short-term).

	Column 1	Column 2
Vanguard fund*	Percentage of income from U.S. government obligations	Percentage of assets invested in U.S. government obligations as of December 31, 2016
Admiral™ Treasury Money Market Fund**, †	100.00%	100.00%
Alternative Strategies Fund	0.67	1.15
Balanced Index Fund	12.74	16.29
Core Bond Fund	42.38	22.30
Energy Fund	0.12	0.74
Extended Duration Treasury Index Fund**, †	99.84	99.98
Federal Money Market Fund	58.77	62.55
GNMA Fund	0.19	0.00
Health Care Fund	0.44	0.53
High-Yield Corporate Fund	1.90	4.84
Inflation-Protected Securities Fund**, †	99.81	99.68
Intermediate-Term Bond Index Fund**	38.71	50.70
Intermediate-Term Government Bond Index Fund**, †	97.25	97.87
Intermediate-Term Investment-Grade Fund	3.62	11.75
Intermediate-Term Treasury Fund**, †	99.45	95.85
LifeStrategy Conservative Growth Fund	12.72	17.46
LifeStrategy Growth Fund	4.08	5.89
LifeStrategy Income Fund	17.15	23.00
LifeStrategy Moderate Growth Fund	8.33	11.65
Long-Term Bond Index Fund	27.41	37.86
Long-Term Government Bond Index Fund**, †	96.80	97.03
Long-Term Investment-Grade Fund	2.39	4.51
Long-Term Treasury Fund**, †	98.14	96.62
Managed Payout Fund	4.53	5.18
Mid-Cap Growth Fund	0.10	0.25
Prime Money Market Fund	19.31	21.40
Short-Term Bond Index Fund**	48.30	61.22
Short-Term Federal Fund	24.03	33.78
Short-Term Government Bond Index Fund**, †	91.56	93.11
Short-Term Inflation-Protected Securities Index Fund**, †	99.72	98.93
Short-Term Investment-Grade Fund	8.86	16.55
Short-Term Treasury Fund**, †	98.13	84.27
STAR® Fund	1.70	2.75
Target Retirement 2010 Fund	17.00	31.22
Target Retirement 2015 Fund	12.50	22.74
Target Retirement 2020 Fund	9.16	14.39
Target Retirement 2025 Fund	7.11	14.88
Target Retirement 2030 Fund	5.51	8.11
Target Retirement 2035 Fund	3.95	5.88
Target Retirement 2040 Fund	2.40	3.71
Target Retirement 2045 Fund	2.05	2.97
Target Retirement 2050 Fund	2.03	2.99
Target Retirement 2055 Fund	2.00	2.98
Target Retirement 2060 Fund	1.99	3.02
Target Retirement Income Fund	17.73	32.01
Total Bond Market II Index Fund	29.30	41.02
Total Bond Market Index Fund	30.13	39.93
Ultra-Short-Term Bond Fund	13.44	18.52
Wellesley® Income Fund	5.01	9.82
Wellington™ Fund	3.00	5.88

*This information applies to all share classes of a fund.

**This fund meets the threshold requirements for California, Connecticut, and New York, which require that 50% of the fund's assets at each quarter-end within the tax year consist of U.S. government obligations.

†This fund meets the requirements for a New Jersey "qualified investment fund."