



Investment
Management

Prospectus | April 28, 2021

Schwab Funds®

Schwab® Government Money Market Portfolio

Ticker Symbol **SWPXX**

As with all mutual funds, the Securities and Exchange Commission (SEC) has not approved these securities or passed on whether the information in this prospectus is adequate and accurate. Anyone who indicates otherwise is committing a federal crime.

Schwab Government Money Market Portfolio

Fund Summary

Schwab Government Money Market Portfolio	1
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Fund Details

Money Fund Regulations	4
------------------------------	---

Portfolio Holdings	4
--------------------------	---

Financial Highlights	5
----------------------------	---

Fund Management

Investing in the Fund

Share Price	7
-------------------	---

Additional Policies Affecting Your Investment	7
---	---

Distributions and Taxes	8
-------------------------------	---

Schwab[®] Government Money Market Portfolio

Ticker Symbol: SWPXX

Investment Objective

The fund's goal is to seek the highest current income consistent with stability of capital and liquidity.

Fund Fees and Expenses

This table describes the fees and expenses you may pay if you buy, hold and sell shares of the fund. You may pay other fees, such as brokerage commissions and other fees to financial intermediaries, which are not reflected in the table and Example below. This table does not reflect the fees and expenses of any insurance company separate account or variable insurance contract issued by such insurance company. If they were reflected, fees would be higher.

Shareholder Fees (fees paid directly from your investment)

None

Annual Fund Operating Expenses (expenses that you pay each year as a % of the value of your investment)

Management fees ⁽¹⁾	0.19
Distribution (12b-1) fees	None
Other expenses	0.11
Total annual fund operating expenses	0.30

⁽¹⁾ The Management fees have been restated to reflect current fees.

Example

This example is intended to help you compare the cost of investing in the fund with the cost of investing in other funds. The example assumes that you invest \$10,000 in the fund for the time periods indicated and then redeem all of your shares at the end of those time periods. The example also assumes that your investment has a 5% return each year and that the fund's operating expenses remain the same. The figures are based on total annual fund operating expenses after any expense reduction. This example does not reflect the fees and expenses of any insurance company separate account or variable insurance contract issued by such insurance company. If they were reflected, costs would be higher. Your actual costs may be higher or lower.

Expenses on a \$10,000 Investment

1 Year	3 Years	5 Years	10 Years
\$31	\$97	\$169	\$381

Principal Investment Strategies

To pursue its goal, the fund is authorized to invest in U.S. government securities, such as:

- U.S. Treasury bills and notes
- other obligations that are issued by the U.S. government, its agencies or instrumentalities, including obligations that are not fully guaranteed by the U.S. Treasury, such as those issued by

the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks

- repurchase agreements that are collateralized fully by cash and/or U.S. government securities
- obligations that are issued by private issuers that are guaranteed as to principal or interest by the U.S. government, its agencies or instrumentalities

The fund intends to operate as a government money market fund under the regulations governing money market funds.

The fund will (i) invest at least 99.5% of its total assets in cash, U.S. government securities and/or repurchase agreements that are collateralized fully by cash and/or U.S. government securities, and (ii) under normal circumstances, invest at least 80% of its net assets (including, for this purpose, any borrowings for investment purposes) in U.S. government securities, including repurchase agreements that are collateralized fully by U.S. government securities. With respect to the 80% policy, the fund will notify its shareholders at least 60 days before changing the policy.

In choosing securities, the fund's manager seeks to maximize current income within the limits of the fund's investment objective and credit, maturity and diversification policies. Some of these policies may be stricter than the federal regulations that apply to all money market funds.

The investment adviser's credit research department analyzes and monitors the securities that the fund owns or is considering buying. The manager may adjust the fund's holdings or its average maturity based on actual or anticipated changes in interest rates or credit quality. To preserve its investors' capital, the fund seeks to maintain a stable \$1.00 share price.

For temporary defensive purposes during unusual market conditions, the fund may invest up to 100% of its assets in cash, cash equivalents or other high quality short-term investments.

As a government money market fund, the fund's Board of Trustees (the Board) has determined not to subject the fund to a liquidity fee and/or a redemption gate on fund redemptions. Please note that the Board has reserved its ability to change this determination with respect to liquidity fees and/or redemption gates, but only after providing appropriate prior notice to shareholders.

Principal Risks

The fund is subject to risks, any of which could cause an investor to lose money. The fund's principal risks include:

Market Risk. Financial markets rise and fall in response to a variety of factors, sometimes rapidly and unpredictably. Markets may be impacted by economic, political, regulatory and other conditions,

including economic sanctions and other government actions. In addition, the occurrence of global events, such as war, terrorism, environmental disasters, natural disasters and epidemics, may also negatively affect the financial markets. These events could reduce consumer demand or economic output; result in market closures, low or negative interest rates, travel restrictions or quarantines; and significantly adversely impact the economy. Governmental and quasi-governmental authorities and regulators throughout the world have in the past often responded to serious economic disruptions with a variety of significant fiscal and monetary policy changes which could have an unexpected impact on financial markets and the fund's investments. As with any investment whose performance is tied to these markets, the value of an investment in the fund will fluctuate, which means that an investor could lose money over short or long periods.

Investment Risk. You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Interest Rate Risk. Interest rates rise and fall over time. As with any investment whose yield reflects current interest rates, the fund's yield will change over time. During periods when interest rates are low or there are negative interest rates, the fund's yield (and total return) also could be low or even negative. In addition, the fund may be unable to pay expenses out of fund assets or maintain a stable \$1.00 share price. Also, a change in a central bank's monetary policy or economic conditions may result in a change in interest rates, which could have sudden and unpredictable effects on the markets. A sudden or unpredictable rise or decline in interest rates may cause volatility. Volatility in the market may decrease liquidity in the money market securities markets, making it more difficult for the fund to sell its money market investments at a time when the investment adviser might wish to sell such investments. Decreased market liquidity also may make it more difficult to value some or all of the fund's money market securities holdings.

Stable Net Asset Value Risk. If the fund or another money market fund fails to maintain a stable net asset value (or such perception exists in the market place), the fund could experience increased redemptions, which may adversely impact the fund's share price. The fund is permitted, among other things, to reduce or withhold any income and/or gains generated by the fund to maintain a stable \$1.00 share price.

Repurchase Agreements Risk. When the fund enters into a repurchase agreement, the fund is exposed to the risk that the other party (i.e., the counterparty) will not fulfill its contractual obligation. In a repurchase agreement, there exists the risk that, when the fund buys a security from a counterparty that agrees to repurchase the security at an agreed upon price (usually higher) and time, the counterparty will not repurchase the security.

Credit Risk. A decline in the credit quality of an issuer, guarantor or liquidity provider of a portfolio investment or a counterparty could cause the fund to lose money or underperform. The fund could lose money if, due to a decline in credit quality, the issuer, guarantor or liquidity provider of a portfolio investment or a counterparty fails to make, or is perceived as being unable or unwilling to make, timely principal or interest payments or otherwise honor its obligations. Even though the fund's investments in repurchase agreements are collateralized at all times, there is some risk to the fund if the other party should default on its obligations and the fund is delayed or prevented from recovering or disposing of the collateral. The credit quality of the fund's portfolio holdings can change rapidly in certain market environments and any downgrade or default on the part of a single portfolio investment could cause the fund's share price or yield to fall.

Certain U.S. government securities that the fund invests in are not backed by the full faith and credit of the U.S. government, which means they are neither issued nor guaranteed by the U.S. Treasury. Although maintained in conservatorship by the Federal Housing Finance Agency (FHFA) since September 2008, Fannie Mae and Freddie Mac maintain only lines of credit with the U.S. Treasury. The Federal Home Loan Banks maintain limited access to credit lines from the U.S. Treasury. Other securities, such as obligations issued by the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law. Also, any government guarantees on securities the fund owns do not extend to the shares of the fund itself.

Management Risk. Any actively managed mutual fund is subject to the risk that its investment adviser will select investments or allocate assets in a manner that could cause the fund to underperform or otherwise not meet its investment objective. The fund's investment adviser applies its own investment techniques and risk analyses in making investment decisions for the fund, but there can be no guarantee that they will produce the desired results. The investment adviser's maturity decisions will also affect the fund's yield, and potentially could affect its share price. To the extent that the investment adviser anticipates interest rate trends imprecisely, the fund's yield at times could lag the yields of other money market funds.

Redemption Risk. The fund may experience periods of heavy redemptions that could cause the fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. Redemptions by a few large investors in the fund may have a significant adverse effect on the fund's ability to maintain a stable \$1.00 share price. In the event any money market fund fails to maintain a stable net asset value, other money market funds, including the fund, could face a market-wide risk of increased redemption pressures, potentially jeopardizing the stability of their \$1.00 share prices.

Money Market Fund Risk. The fund is not designed to offer capital appreciation. In exchange for their emphasis on stability and liquidity, money market investments may offer lower long-term performance than stock or bond investments.

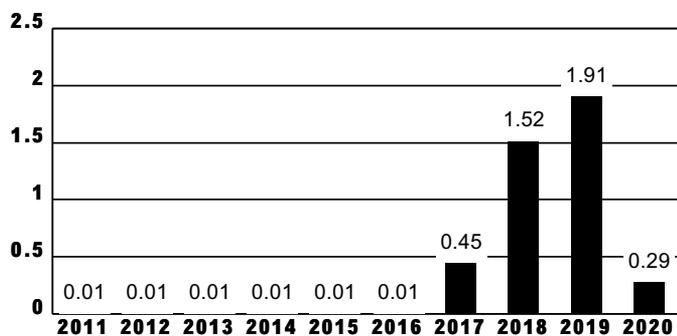
Tax Diversification Risk. As described above, the fund intends to operate as a government money market fund under the regulations governing money market funds. Additionally, the fund intends to meet the diversification requirements that are applicable to insurance company separate accounts under Subchapter L of the Internal Revenue Code of 1986, as amended (the Diversification Requirements). To satisfy the Diversification Requirements applicable to variable annuity contracts, the value of the assets of the fund invested in securities issued by the U.S. government, its agencies or instrumentalities must remain below specified thresholds. For these purposes, each U.S. government agency or instrumentality is treated as a separate issuer.

Operating as a government money market fund may make it difficult for the fund to meet the Diversification Requirements. This difficulty may be exacerbated by the potential increase in demand for the types of securities in which the fund invests as a result of changes to the rules that govern SEC registered money market funds. A failure to satisfy the Diversification Requirements could have significant adverse tax consequences for variable life insurance and variable annuity contract owners whose contract values are determined by investment in the fund. See “Distributions and Taxes” for more information.

Performance

The bar chart below shows how the fund’s investment results have varied from year to year, and the following table shows the fund’s average annual total returns for various periods. This information provides some indication of the risks of investing in the fund. All figures assume distributions were reinvested. The figures do not reflect the fees and expenses of any insurance company separate account or variable insurance contract issued by such insurance company. Such expenses, if included, would lower the figures shown. The fund’s past performance is not necessarily an indication of how the fund will perform in the future. Prior to April 14, 2016, the fund was named Schwab Money Market Portfolio, and the fund operated under certain different investment policies. The fund’s historical performance may not represent its current investment policies. Keep in mind that future performance may differ from past performance. Please see www.schwabfunds.com/schwabfunds_prospectus or call toll-free 1-888-311-4889 for the fund’s current seven-day yield.

Annual Total Returns (%) as of 12/31



Best Quarter: 0.53% Q2 2019
Worst Quarter: 0.00% Q3 2016

Average Annual Total Returns as of 12/31/20

	1 Year	5 Years	10 Years
Government Money Market Portfolio	0.29%	0.83%	0.42%

Investment Adviser

Charles Schwab Investment Management, Inc.

Purchase and Sale of Fund Shares

Shares of the fund are sold on a continuous no load basis and are currently available exclusively for variable annuity and variable life insurance separate accounts, and in the future may be offered to tax-qualified retirement plans (tax qualified plans). Variable life insurance and variable annuity contract (variable contract(s)) investors should review the variable contract prospectus prepared by their insurance company for information on how to allocate premiums to the fund and to transfer to, and redeem amounts from, the fund.

The fund is open for business each day that the New York Stock Exchange (NYSE) is open. If the NYSE is closed due to weather or other extenuating circumstances on a day it would typically be open for business, or the NYSE has an unscheduled early closing on a day it has opened for business, the fund reserves the right to treat such day as a business day and accept purchase and redemption orders and calculate its share price as of the normally scheduled close of regular trading on the NYSE for that day.

Tax Information

The fund declares a dividend every business day, and pays a dividend to the participating insurance companies’ separate accounts every month, except that in December dividends are paid by the last business day of the month. Distributions are normally reinvested pursuant to elections by the separate accounts. Since the fund’s shareholders are insurance company separate accounts, the tax treatment of dividends and distributions will depend on the tax status of the insurance company. Accordingly, no discussion is included about the personal income tax consequences to variable contract holders. For this information, such persons should consult the appropriate variable contract prospectus.

Payments to Financial Intermediaries

The fund is currently available solely as an underlying investment for variable contracts issued by insurance companies. The fund and its related companies may make payments to insurance companies (or their affiliates), and to broker-dealers and other financial intermediaries, for distribution and/or other services. These payments may be a factor that the insurance company considers in including the fund as an underlying investment option for its variable contracts. Payments to broker-dealers and other financial intermediaries may create a conflict of interest by influencing the broker-dealer or other financial intermediary to recommend a variable contract and the fund over another investment. Ask your financial adviser or visit the website of the insurance company or the financial intermediary for more information. The disclosure document for your variable contract may contain additional information about these payments.

Fund Details

The fund invests exclusively in money market instruments. There can be no assurance that the fund will achieve its objective. Except as explicitly described otherwise, the strategies and policies of the fund may be changed without shareholder approval.

Money Fund Regulations

Money market funds in the United States are subject to rules governing their operation:

- **Credit quality:** money market funds must invest exclusively in high-quality securities.
- **Diversification:** requirements for diversification limit the fund's exposure to any given issuer, guarantor or liquidity provider.
- **Maturity:** money market funds must maintain a dollar-weighted average portfolio maturity of no more than 60 days and a dollar-weighted average life to maturity of no more than 120 days. In addition, money market funds cannot invest in any security whose effective maturity is longer than 397 days (approximately 13 months).
- **Liquidity:** taxable money market funds are subject to minimum liquidity requirements that prohibit a fund from acquiring certain types of securities if, immediately after the acquisition, the fund's investments in daily or weekly liquid assets would be below 10% or 30%, respectively, of the fund's total assets.

Investors should be aware that the investments made by the fund and the results achieved by the fund at any given time are not expected to be the same as those made by other money market mutual funds for which Charles Schwab Investment Management, Inc. serves as investment adviser, including money market mutual funds with names, investment objectives and policies similar to the fund.

The SEC and other regulators may review the regulation of money market funds and may propose further changes to the rules that govern the fund's operations. These changes may result in reduced yields achieved by certain money market funds.

Portfolio Holdings

A description of the fund's policies and procedures with respect to the disclosure of the fund's portfolio securities is available in the fund's Statement of Additional Information (SAI). The fund posts on its website at www.schwabfunds.com/schwabfunds_prospectus a list of the securities held by the fund as of the last business day of the most recent month. This list is updated within 5 business days after the end of each month and will remain available online for at least 6 months after the initial posting. In addition, not later than 5 business days after the end of each calendar month, the fund will file a schedule of information regarding its portfolio holdings and other information about the fund as of the last day of that month with the SEC on Form N-MFP. These filings will be publicly available immediately upon filing on the SEC's website at www.sec.gov. A link to the fund's Form N-MFP filings on the SEC's website will also be available at www.schwabfunds.com/schwabfunds_prospectus.

Financial Highlights

This section provides further details about the fund's financial history for the past five years. Certain information reflects financial results for a single fund share. "Total return" shows the percentage that an investor in the fund would have earned or lost during a given period, assuming all distributions were reinvested. The figures do not reflect the fees and expenses of any insurance company separate account or variable insurance contract issued by such insurance company. Such expenses, if included, would lower the figures shown. This information for fiscal years ended December 31, 2016 through December 31, 2019 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The information for the fiscal year ended December 31, 2020 has been audited by Deloitte & Touche LLP (Deloitte). Deloitte's full report is included in the fund's annual report (see back cover).

Schwab Government Money Market Portfolio

	1/1/20- 12/31/20	1/1/19- 12/31/19	1/1/18- 12/31/18	1/1/17- 12/31/17	1/1/16- 12/31/16
Per-Share Data					
Net asset value at beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Income (loss) from investment operations:					
Net investment income (loss) ⁽¹⁾	0.00 ⁽²⁾	0.02	0.02	0.00 ⁽²⁾	0.00 ⁽²⁾
Net realized and unrealized gains (losses)	0.00 ⁽²⁾	0.00 ⁽²⁾	(0.00) ⁽²⁾	0.00 ⁽²⁾	0.00 ⁽²⁾
Total from investment operations	0.00 ⁽²⁾	0.02	0.02	0.00 ⁽²⁾	0.00 ⁽²⁾
Less distributions:					
Distributions from net investment income	(0.00) ⁽²⁾	(0.02)	(0.02)	(0.00) ⁽²⁾	(0.00) ⁽²⁾
Net asset value at end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return	0.28%	1.91%	1.52%	0.45%	0.01%
Ratios/Supplemental Data					
Ratios to average net assets:					
Net operating expenses	0.26% ⁽³⁾⁽⁴⁾	0.35%	0.35%	0.46% ⁽⁵⁾	0.37% ⁽³⁾
Gross operating expenses	0.41%	0.47%	0.48%	0.50%	0.49%
Net investment income (loss)	0.25%	1.88%	1.55%	0.44%	0.01%
Net assets, end of period (x 1,000,000)	\$ 185	\$ 149	\$ 138	\$ 95	\$ 106

⁽¹⁾ Calculated based on the average shares outstanding during the period.

⁽²⁾ Per-share amount was less than \$0.005.

⁽³⁾ Reflects the effect of a voluntary yield waiver in excess of the contractual expense limitation.

⁽⁴⁾ Effective September 24, 2020, the contractual expense limitation changed. The ratio presented for period ended December 31, 2020 is a blended ratio.

⁽⁵⁾ Effective October 3, 2017, the contractual expense limitation changed. The ratio presented for period ended December 31, 2017 is a blended ratio.

Fund Management

The investment adviser for the fund is Charles Schwab Investment Management, Inc. (CSIM), 211 Main Street, San Francisco, CA 94105. CSIM was founded in 1989 and as of February 28, 2021, managed approximately \$594.2 billion in assets.

As the investment adviser, CSIM oversees the asset management and administration of the fund. Effective September 24, 2020, as compensation for these services, CSIM receives a management fee of 0.19% of the fund's average daily net assets. Prior to September 24, 2020, as compensation for these services, CSIM received a graduated annual management fee of 0.35% of the fund's average daily net assets for the first \$1 billion, 0.32% of such assets more than \$1 billion but not exceeding \$10 billion, 0.30% of such assets more than \$10 billion but not exceeding \$20 billion, 0.27% of such assets more than \$20 billion but not exceeding \$40 billion, and 0.25% of such assets over \$40 billion. For the 12 months ended December 31, 2020, this fee was 0.16% for the fund. This figure, which is expressed as a percentage of the fund's average daily net assets, represents the actual amount paid, including the effects of reductions. CSIM and its affiliates have agreed to limit the total annual fund operating expenses (excluding interest, taxes and certain non-routine expenses) of the fund to 0.34% for so long as CSIM serves as the adviser to the fund. In addition to any contractual expense limitation for the fund, CSIM and/or its affiliates also may voluntarily waive and/or reimburse expenses in excess of their current fee waiver and reimbursement commitment to the extent necessary to maintain a non-negative net yield the fund.

A discussion regarding the basis for the Board of Trustees' approval of the fund's investment advisory agreement is available in the fund's 2020 semiannual report, which covers the period from January 1, 2020 through June 30, 2020. A discussion regarding the basis for the Board of Trustees' approval of an amendment to the investment advisory agreement providing for a fee reduction is available in the fund's 2020 annual report, which covers the fiscal year ending December 31, 2020.

Investing in the Fund

Investing Through a Financial Intermediary

Shares of the fund are sold on a continuous no load basis and are currently available exclusively for variable annuity and variable life insurance separate accounts, and in the future may be offered to tax-qualified retirement plans (tax qualified plans). Variable life and variable annuity contract (variable contract(s)) investors also should review the variable contract prospectus prepared by their insurance company.

Although shares of the fund are not available for purchase directly by the general public, you may nevertheless allocate account value under your variable contract to and from the fund in accordance with the terms of your variable contract. Please refer to the appropriate variable contract prospectus for further information on how to make an allocation and how to purchase or surrender your variable contract.

Shares of the fund are expected to be offered to participating insurance companies and their separate accounts to fund benefits under variable contracts as well as to tax qualified plans. The relationships of tax qualified plans and plan participants to the fund would be subject, in part, to the provisions of the individual tax qualified plans and applicable law. Accordingly, such relationships could be different from those described in this prospectus for separate accounts and variable contract owners in such areas, for example, as tax matters and voting privileges.

The fund does not foresee any disadvantage to variable contract owners or plan participants arising out of these arrangements. Nevertheless, differences in treatment under tax and other laws, as well as other considerations, could cause the interests of various purchasers of variable contracts (and the interests of any plan participants) to conflict. For example, violation of the federal tax laws by one separate account investing in the fund could cause the variable contracts funded through another separate account to lose their tax-deferred status, unless remedial action were taken. The fund, the participating insurance companies, and any tax qualified plans investing in the fund may be subject to conditions imposed by the SEC that are designed to prevent or remedy any such conflicts. These conditions would require the fund's Board of Trustees to monitor events in order to identify the existence of any material irreconcilable conflict that may possibly arise and to determine what action, if any, should be taken in response to any such conflict. If a material irreconcilable conflict arises involving separate accounts or tax qualified plans, a separate account or tax qualified plan may be required to withdraw its participation in the fund.

The investment adviser or its affiliates make cash payments out of their own resources, or provide products and services at a discount, to certain brokerage firms, banks, retirement plan service providers, insurance companies and other financial intermediaries that perform shareholder, recordkeeping, subaccounting and other administrative services in connection with investments in fund shares. These payments or discounts are separate from, and may be in addition to, any shareholder service fees or other administrative fees the fund may pay to those intermediaries. The investment adviser or its affiliates also make cash payments out of their own resources, or provide products and services at a discount, to certain financial intermediaries that perform distribution, marketing, promotional or other distribution-related services. The payments or discounts described by this paragraph may be substantial; however, distribution-related services provided by such intermediaries are paid by the investment adviser or its affiliates, not by the fund or its shareholders.

Share Price

The fund is open for business each day that the New York Stock Exchange (NYSE) is open. The fund calculates its share price each business day as of the close of the NYSE (generally 4 p.m. Eastern time). If the NYSE is closed due to weather or other extenuating circumstances on a day it would typically be open for business, or the NYSE has an unscheduled early closing on a day it has opened for business, the fund reserves the right to treat such day as a business day and accept purchase and redemption orders and calculate their share price as of the normally scheduled close of regular trading on the NYSE for that day. The fund's share price is its net asset value per share, or NAV, which is the fund's net assets divided by the number of its shares outstanding. The fund seeks to maintain a stable NAV of \$1. Purchase and redemption orders from separate accounts investing in the fund that are received and accepted by a participating insurance company, as the fund's designee, will be executed at the fund's next calculated NAV. The fund typically expects to pay sales proceeds to a participating insurance company within two business days following receipt of a shareholder redemption order. However, the fund may take up to seven days to pay sales proceeds to a participating insurance company.

All orders to purchase shares of the fund are subject to acceptance by the fund and are not binding until confirmed or accepted in writing.

The fund values its investment holdings on the basis of amortized cost (cost plus any discount, or minus any premium, accrued since purchase). Many money market funds use this method to calculate NAV.

Additional Policies Affecting Your Investment

The fund reserves certain rights, including the following:

- To temporarily reduce or suspend dividend payments in an effort to maintain the fund's stable \$1.00 share price.

- To suspend the right to sell shares back to the fund, and delay sending proceeds, during times when trading on the NYSE is restricted or halted, or otherwise as permitted by the SEC, such as to facilitate an orderly liquidation of the fund.
- To withdraw or suspend any part of the offering made by this prospectus.

Policy Regarding Excessive Trading and Trade Activity Monitoring

The fund's Board of Trustees has adopted policies and procedures with respect to frequent purchases and redemptions of shares. However, the fund is a money market fund and seeks to provide shareholders current income, liquidity and a stable net asset value of \$1.00 per share. In addition, the fund is designed to serve as a short-term cash equivalent investment for fund investors and, therefore, expects fund investors to engage in frequent purchases and redemptions. Because of the inherently liquid nature of the fund's investments, and money market instruments in general, and the fund's intended purpose to serve as a short-term investment vehicle for fund investors, the fund does not monitor or limit fund investors' purchases and redemptions of shares. However, the fund's policies and procedures do provide it with the right to reject any purchase or exchange orders by any investor for any reason, including orders which appear to be associated with market timing activities.

Insurance companies and/or their separate accounts that invest in the fund on behalf of the variable contract owners may have different policies and/or restrictions regarding market timing. Fund investors should refer to the applicable variable contract prospectus for more details.

Methods to Meet Redemptions

Under normal market conditions, the fund expects to meet redemption orders by using holdings of cash/cash equivalents or by the sale of portfolio investments. In unusual or stressed market conditions or as CSIM determines appropriate, the fund may borrow through the fund's bank lines of credit or through the fund's interfund lending facility to meet redemption requests. The fund may also utilize its custodian overdraft facility to meet redemptions, if necessary. The fund also reserves the right to honor redemptions in liquid portfolio securities instead of cash when your redemptions over a 90-day period exceed \$250,000 or 1% of the fund's assets, whichever is less. You may be subject to market risk and you may incur transaction expenses and taxable gains in converting the securities to cash. In addition, a redemption in liquid portfolio securities would be treated as a taxable event for you and may result in the recognition of gain or loss for federal income tax purposes. Please note that this ability to make in-kind redemptions may be affected by agreements with participating insurance companies.

Large Shareholder Redemptions

Certain accounts or Schwab affiliates may from time to time own (beneficially or of record) or control a significant percentage of the fund's shares. Redemptions by these shareholders of their holdings in the fund may impact the fund's liquidity and NAV. These redemptions may also force the fund to sell securities, which may negatively impact the fund's brokerage costs.

Distributions and Taxes

The fund declares a dividend every business day, and pays a dividend to the participating insurance companies' separate accounts every month, except that in December dividends are paid by the last business day of the month. Distributions are normally reinvested pursuant to elections by the separate accounts.

The fund has elected to be taxed as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). The Code relieves a regulated investment company from certain Federal income tax and excise tax, if the company distributes substantially all of its net investment income and net realized capital gains.

In order to qualify as a regulated investment company, the fund must meet certain income limitation and asset diversification requirements under Section 851 of the Code. The fund must also meet asset diversification requirements under Section 817(h) of the Code and the related regulations issued by the Internal Revenue Service in order to be offered to life insurance company separate accounts supporting variable contracts. The fund intends to comply with these diversification requirements.

For more information regarding the federal income tax consequences of investing in the fund, see "Federal Tax Information for the Fund" in the SAI. For information concerning the tax consequences of variable contract ownership, variable contract owners should consult the appropriate variable contract prospectus.

Notes

Schwab Government Money Market Portfolio

To Learn More

This prospectus contains important information on the fund and should be read and kept for reference. You also can obtain more information from the following sources:

Annual and semiannual reports, which are sent to current fund investors, contain more information about the fund's holdings and detailed financial information about the fund. Annual reports also contain information from the fund's manager(s) about strategies, recent market conditions and trends and their impact on fund performance during the fund's last fiscal period.

The **Statement of Additional Information (SAI)** includes a more detailed discussion of investment policies and the risks associated with various investments. The SAI is incorporated by reference into the prospectus, making it legally part of the prospectus.

For a free copy of any of these documents or to request other information or ask questions about the fund, call Schwab Funds at 1-877-824-5615. In addition, you may visit the Schwab Funds' website at www.schwabfunds.com/schwabfunds_prospectus for a free copy of a prospectus, SAI or an annual or semiannual report.

The SAI, the fund's annual and semiannual reports and other related materials are available from the EDGAR Database on the SEC's website (www.sec.gov). You can obtain copies of this information, after paying a duplicating fee, by sending a request by e-mail to publicinfo@sec.gov.