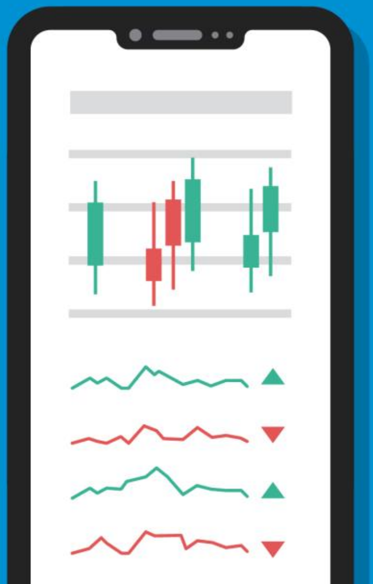
Morgan Stanley

MONEY MOVES WITH MORGAN STANLEY

Investing 2.0:

Beyond the Basics



What is Investing?

DEFINE IT:

Invest verb / in•vest

The act of putting money to work by committing financial capital (e.g., money) to an entity or a financial product (i.e., a stock or bond) to generate a potential profit or return.

63%

of millennials invest their money

61%

of millennials feel confident in their money management skills

On the surface, investing can be intimidating. While 63%[1] of millennials currently invest their money, 61%[2] feel confident in their money management skills. On top of that, investing can involve an endless number of financial buzzwords that tend to trigger the snooze button before you can fully comprehend what they mean.

Fortunately, there are many ways that people at every level of wealth can start investing and there's no time like the present to get started!

[1] https://www.investopedia.com/financial-advisor-advice-for-millennials-8598158

[2] https://www.investopedia.com/millennials-are-financially-confident-but-stressed-5224413

Why Invest? The Role of Inflation

When putting money away for your future, it's important to think about *inflation*: how things in our everyday lives will cost more over time.

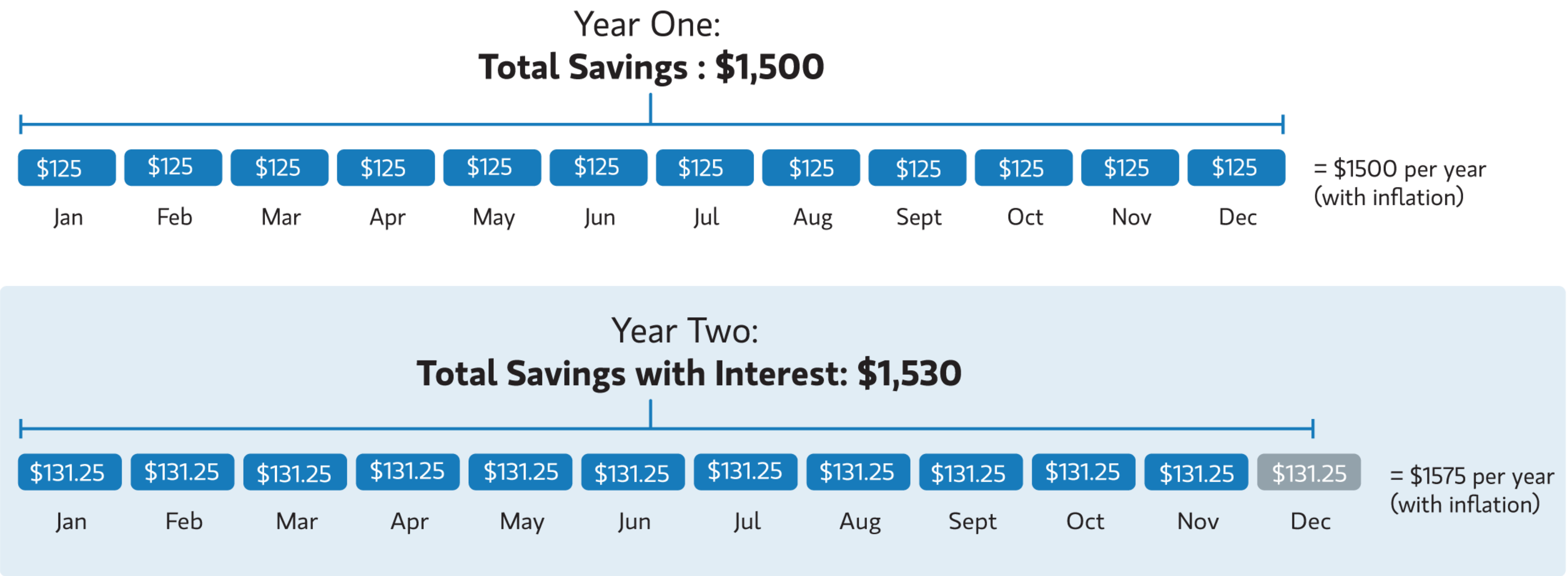
Over time, the cost of living gets more expensive and investing allows you to grow your money at a rate that keeps up with (or exceeds) inflation.

Whenever you park your money in a financial institution, asset or security, you receive interest. This interest may not be much at first, but over time it can grow significantly.

Why Invest? The Role of Inflation cont.

EXAMPLE

If you have $1,500 dollars in your bank account today, you can pay for a year's worth of mobile phone service if your monthly payment plan is $125. However, if your savings account grows by 2% each year, but the cost of your phone plan increases by 5%, you will only be able to pay for 11 months of service next year.



NOTE: FOR ILLUSTRATIVE PURPOSES ONLY

Saving vs. Investing

Wise money management starts with understanding the different saving and investing strategies that can help you grow your money, while mitigating risk.

Tip:
Remember, saving comes before investing! Make sure you have sufficient savings (at least 10–15% of the money you receive or earn) to cover monthly living expenses as well as cash reserves available in case of emergencies before you begin investing money in the markets.

Saving

Pros
The risk of losing your money in savings is low and, since it's sitting in an account, it is immediately accessible as cash.

Cons
When you put your money in a savings account, the interest rate is low—which may not be enough to keep up with inflation!

Investing

Pros
Investing may help you achieve higher returns, which is why many people look for investment opportunities.

Cons
Investing involves more volatility than saving and, as a result, the risk of losing your money is also considerably higher—it also means that you may not have immediate access to your money.

The Effect of Compound Interest

DEFINE IT:

Compound Interest

The process of earning interest on your interest.

With higher potential returns, *compound interest* can make a significant impact. Compound interest only works when your money is in savings. Sticking to a sound plan can help you take advantage of compounding, while riding out market dips, to help increase your return in the long-term.

EXAMPLE

If, for example, you begin investing $100 a month beginning at age 11, with a 5% return, by the time you're 60, you'll potentially have over $250,000 with the help of compound interest!

*Hypothetical illustration. Not representative of any specific investment.

DID YOU KNOW?

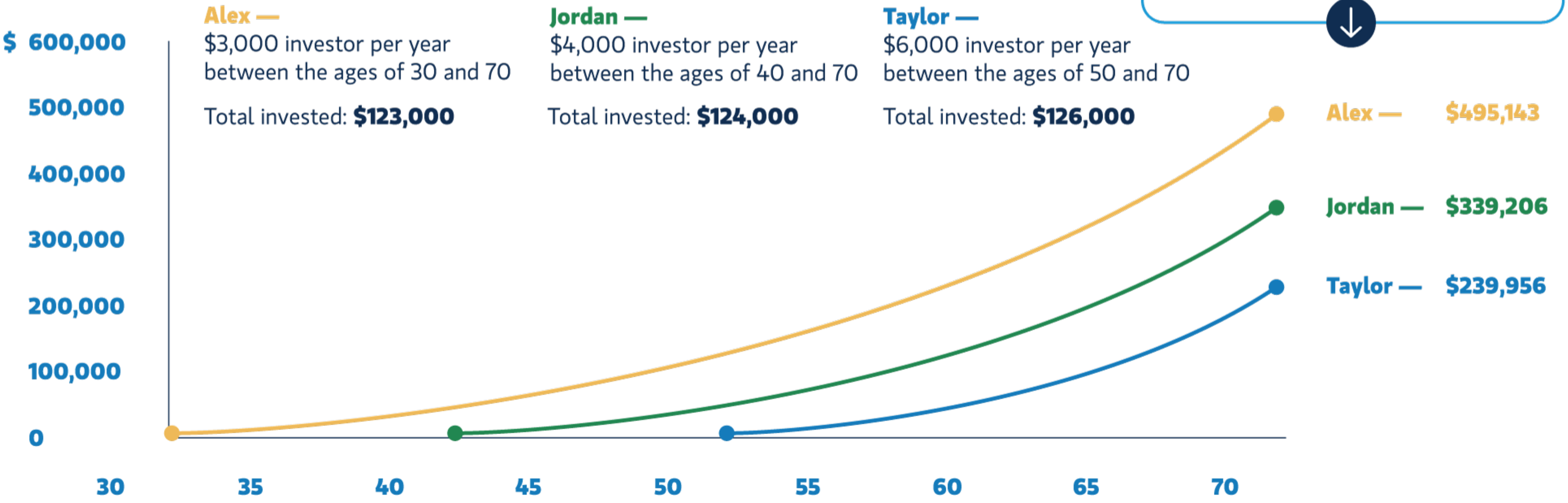
The Rule of 72 is a simplified formula that can be used to calculate the approximate time it will take to double your invested money with compound interest.

72 / compound annual interest rate = years until investment doubles

The Effect of Compound Interest cont.

Hypothetical Illustration of the Power of Compounding Time Horizon[2]

All three investor contributed about the same total amount. Alex ends up with more than $150,000 over the other two investors due to compounding interest.



[2] Morgan Stanley Wealth Management GIC. (1) Assumes 6% annual return

The Effect of Asset Appreciation

Did you know?

Walt Disney gave shares of Disney stock to his housekeeper, Thelma Howard, every year for her birthday and Christmas. She worked for him for over 30 years and never sold any of the stock. When she passed away at 79 years old, her stocks were valued at $9 million. Her fortune was used to create a foundation focused on helping disadvantaged children[3]

[3] "Saving Grace," People Magazine, 1994

Returns, Risk & Reward

So why not invest *all* your money if you can earn more interest?

Because of RISK.

The balance of risk and reward is at the core of every investment decision. Different investments have different risk-return profiles – even investments within the same category can have varying levels of risk.

Risks of investing may include:

- Losing value if your investments decline due to market conditions, worldwide events, company-specific risk, etc.
- Not having immediate access to your money
- Making poor investment decisions that are not appropriate for your goals or level of risk

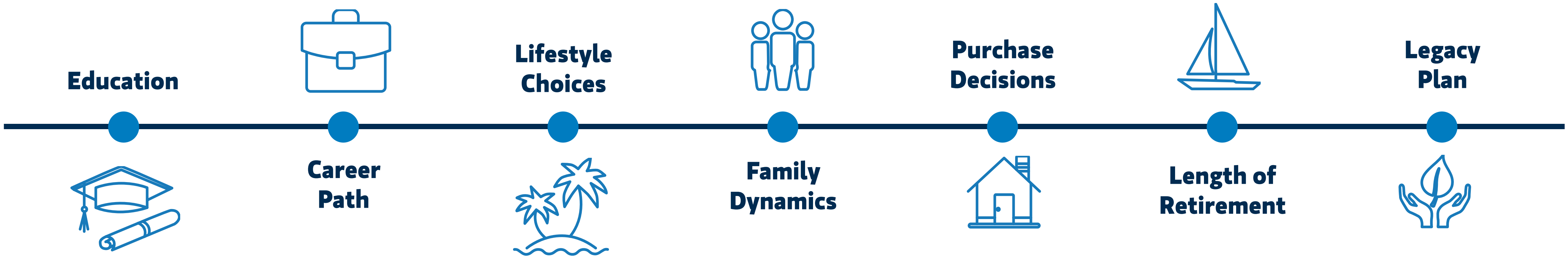
Managing Risk

Investing starts with weighing your risks and potential rewards. Throughout your life, your priorities will change and this will influence your comfort level with risk.

When considering investing, here are some of the questions investors should ask themselves and revisit upon major milestones:

- How long can I keep this money invested before I need to use it?
- What are my goals for using this money?
- Am I willing to risk losing money to seek a bigger reward?
- How much money can I afford to lose?

Managing Risk cont.



As your life stage changes, so do your goals – look across your investment portfolio to adapt your strategy to meet any changing demands. It's important to have open discussions around money with family members and partners who have access to your finances.

Tip: Find someone to help you understand the potential outcomes of investing your money, like a Financial Advisor.

Types of Investments

An asset class refers to a particular type or category of investment. The four most common categories that you hear about are:

1. **Cash & Cash Alternatives**
2. **Equities**
3. **Fixed Income**
4. **Alternative Investments**

1

Cash & Cash Alternatives

Generally, the money you hold in cash (like in a savings account) is the most easily available money in case you have a sudden need to pay for something. It may grow by earning interest, but the interest rate is often low. Cash is considered liquid.

Cash alternatives can offer higher interest rates than a checking account and tend to have a low level of risk. They include:

Certificates of Deposit (CD)

A document issued by the bank to an investor who agrees to deposit their money for a set period of time for an interest rate typically higher than their savings account

Money Market Funds

Mutual funds that invest in short-term debt securities and act like savings accounts, but provide higher yield

US Treasury Bills

Treasury bills are securities issued by the United States Department of Treasury. When issued to companies, such companies are essentially lending the government money

DEFINE IT:

Liquid Assets

Money you can access immediately (think: something that moves easily from place-to-place)

2

Equity

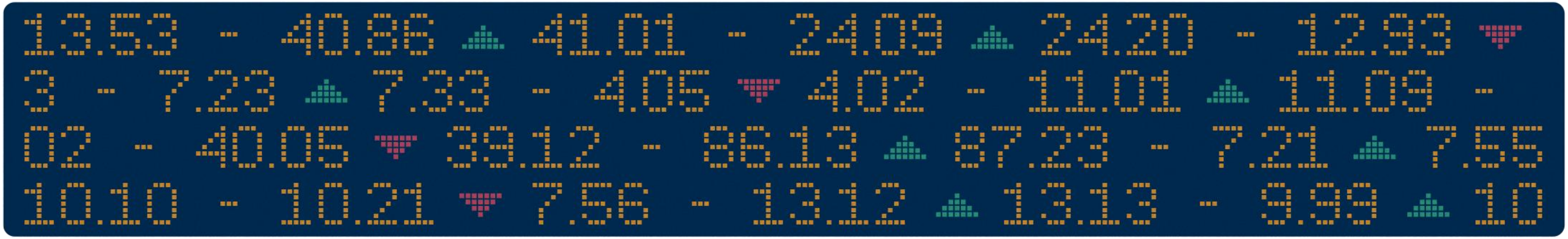
Stocks generally dominate the equity markets. When you buy a stock, you are buying a piece of a company (also known as a share).

The value of your share is determined by the value of the company. When the stock goes up, your share is worth more.

As a shareholder, your hope is that the company will grow or perform well so that your stock will increase in value. But there is also a risk that the company may not, which can cause your stock to decrease in value.

Did you know?

Some stocks will pay shareholders a portion of the company's profits, called a dividend, as a way to reward investors as part-owners of the company.



2

The Inequalities of Equity

All stocks are not created equally. Here are the main stock classifications:

Blue-Chip Stocks

Large, established companies, typically referred to as large-caps, that have a long history of growth, profit and dividend payout

Growth Stocks

Companies, typically small- or mid-caps, with earnings expected to outpace the industry average in sectors where technological advances/new products are anticipated to grow the company rapidly, i.e., emerging markets in countries/regions poised for fast-paced economic growth

Value Stocks

Value stocks tend to trade at a price that is lower than their intrinsic value, and lower than the broader market

Income Stocks

Income stocks pay regular, often higher than average, dividends and tend to have a lower level of volatility than the overall stock market

DEFINE IT:

Market Capitalization (Market Cap)

Market cap is the total value of a company's shares of stocks at its current price. Companies are typically designated as large-, mid- and small-cap based on their value. A company's market cap will typically correspond to their stage of development.

3

Fixed Income

Bonds are the most common securities in the fixed income market. A bond is essentially an IOU: it allows you to lend money to companies or governments for a certain amount of time. In return, those companies will pay you a fee (called interest payments) until they give back the full amount of money they borrowed from you.

EXAMPLE

You invest $1,000 in a bond, to be paid back in five years.

Until you get your $1000 back, the company pays you 5% interest (usually twice a year or semi-annually)

= an extra $25 twice a year or $50 a year

After five years, you will have earned $250 in interest payments AND then receive your original $1,000 investment back

= total return of $1,250

4

Alternative Investments [5]

Alternative investments fall outside the traditional markets, offering additional opportunities for diversification. Alternatives are generally considered high-risk, but there's also the potential for a high reward.

Examples include:

Real Estate

You can either invest directly in an investment property or choose to invest indirectly through a publicly traded Real Estate Investment Trust (REIT)15 or limited partnership (LP). The latter two options require you to pool your money with others to invest in a portfolio of properties (similar to a mutual fund)

Hedge Funds

These are funds that are actively managed by professionals. Generally, these are only accessible to institutional and accredited or qualified high net worth investors because you have to commit large sums of money for a relatively long period of time

Private Equity

This vehicle allows investors to invest in companies or startups that are not available in the public market, investing in private companies, or investment vehicles that aim to provide higher-than-market returns through a longer-term, illiquid investment strategy

Real Assets

These are tangible assets that derive their value from their own intrinsic and inherent qualities. Real assets may include commodities, real estate, equipment, natural resources or collectibles (i.e. art, airplanes)

[5] Alternative Investments: Portfolio Strategies | Morgan Stanley June 9,2025

Variety is Key

You've probably heard this saying before: Don't put all of your eggs in one basket. The same rule applies to investing. Whether you're a new investor or seasoned investor, asset allocation is the cornerstone of your investment strategy. That's because putting all of your money in one type of investment is risky. If that one basket in your portfolio underperforms, you could lose everything.

DEFINE IT:

Diversification

The process of spreading your investments across multiple asset classes to manage risk.

Variety is Key cont.

The right asset allocation for you generally depends on these three factors[6]:

1

Time Horizon

Typically, the longer your time horizon, the more risk you may be able to take; this is because you won't need to access the money for a while, and you can afford to ride out the ups and downs of the stock market

2

Risk Tolerance

Investors with a high-risk tolerance may be comfortable making volatile investments that might fluctuate or lose value if there's a chance they'll be rewarded with a higher return; meanwhile, risk-averse investors may prefer low-risk investments

3

Financial Goals

The right asset allocation will also depend on your financial plan and big picture goals

Tip: Eventually, you may want to consider incorporating uncorrelated assets within your portfolio. These are assets with values that aren't correlated to fluctuations in the financial markets such as investments in real estate, emerging markets, commodities and collectibles.

[6] Goals-Based Planning: Stay on Track | Morgan Stanley 2025.

The Role of Asset Classes

One of the most important parts of investing is selecting appropriate asset classes for your goals. Each asset class has its role to play within a portfolio — the key is finding the right mix.

Get to know the usages for each asset class:

Asset Class	Description	Uses
Cash & Cash Alternatives	• Matures <1 year • Highly liquid securities	• Capital Preservation
Fixed Income	• Potential periodic income at regular intervals • Varied maturity	• Capital Preservation • Stable Income Stream
Equity	• Company Ownership	• Capital Preservation • Income
Alternatives	• Lower correlation to the market/other asset classes	• Capital Appreciation • Diversification

Mutual Funds & Exchange Traded Funds

Mutual Funds and Exchange Traded Funds (ETFs) are attractive for investors looking for a hands-off way to diversify their portfolios. That's because the job of choosing where and how to invest your money is handled for you in a variety of vehicles including stocks, bonds and other assets. Here's the breakdown:

1

Mutual Fund:

Typically actively managed by professional money managers who make security selection decisions that can lead to higher fees than ETFs. Mutual Funds enable investment across assets like stocks, bonds, money market instruments, etc. that might otherwise be out of reach

2

ETF:

ETFs are bundles of securities that can be bought and sold on an exchange like stocks and are typically passively managed. This investment vehicle enables you to gain market exposure at a lower cost, with more transparency

Tax Management Strategies

Earning profits may seem like the best part of investing, but tapping into your account may trigger an unwelcome surprise: ***taxes***.[7]

Investment accounts typically fall into three tax-related categories:

1

Taxable

Withdrawals are subject to capital gains tax, but only on the growth of the investment (not the principal balance), i.e., brokerage accounts

2

Tax-Deferred

Investments are typically made with pretax dollars, but full amount is subject to ordinary income tax upon withdrawal, i.e., traditional Individual Retirement Accounts (IRAs)

3

Tax-Exempt

All investment income, growth and withdrawals are tax-free upon withdrawal (qualifications may apply), i.e., Roth IRAs

[7] Tax-Smart Investing: Total Tax 365 | Morgan Stanley 2025

Tax Management Strategies cont.

Did you know?

Tax-savvy strategies can include:

1

Minimizing Capital Gains Taxes

Withdrawals from taxable accounts can result in capital-gains taxes on any securities that have increased in value since the purchase date. Evaluate the purchase date, price appreciation and current tax rate to determine the optimal time to sell.

2

Harvesting Tax Losses

Investment losses in taxable accounts can potentially become tax benefits through tax-loss harvesting. Applying this strategy of selling underperforming investments can help to offset capital gains with capital losses.

Investing with Impact

Making a return is not just about earning more money. There are other positive rewards you can get from investing your money. By aligning investments with personal values, you can grow your money while also making a difference. This is known as investing *with impact*.

Some examples of investments with impact:

- Companies that provide essential services to underprivileged communities
- Companies that are committed to diversity, advocating for minority groups and have people of color in leadership positions
- Bonds used to finance the development of environmental-friendly buildings
- Companies that donate a percentage of their money to causes and nonprofits that you are passionate about
- Companies focused on combating climate change by supporting the use of clean energy and limiting waste

Get Started!

Successful investing involves patience, fortitude and a long-term strategy. Here are some ways to get started[8]:

Brokerage Accounts

Offered by financial firms, this vehicle allows you to buy assets including stocks, bonds, mutual funds, ETFs, etc. through a linked saving or checking account. There is no limit to the amount of money you can invest, but there may be a minimum required deposit and earnings are subject to being taxed

Retirement Accounts

Tax-deferred accounts such as 401(k)s, 403(b)s and IRAs, that allow your retirement savings to grow faster since taxes can be deferred to a later date. Most of these accounts do not allow you to withdraw assets until age 59 ½ (unless you pay a penalty)

Educational Accounts

A savings and investment account that can help pay for college and other qualified education costs, i.e., tuition, fees, room and board, supplies, etc. These government-sponsored plans vary by state and offer flexibility and tax benefits

Not sure where to begin? Find someone who has experience creating and executing a plan, so that they can help you achieve your desired impact. Look for a Financial Advisor who makes an effort to get to know you and understand your goals.

8 Wealth Management | Morgan Stanley 2025

For more information visit the FDIC website at www.fdic.gov

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Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality. Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are appropriate only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

• REITs are subject to special risk considerations similar to those associated with the direct ownership of real estate. Real estate valuations may be subject to factors such as changing general and local economic, financial, competitive, and environmental conditions. REITs may not be appropriate for every investor. Dividend income from REITs will generally not be treated as qualified dividend income and therefore will not be eligible for reduced rates of taxation.

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