MAY 2019

Morgan Stanley Wealth Management

U P D A T E

ALAN B. DICKSON, CRPS®
Corporate Retirement Director
Vice President, Financial Advisor
949-365-5362
alan.dickson@morganstanley.com
NMLS #1312631
CA Insurance Lic #0559741

28202 Cabot Road, Ste. 500
Laguna Niguel, CA 92677
800-965-2576 • 949-365-5398 Fax

DINA M. JONES
Senior Registered Associate
949-365-5316
dina.m.jones@morganstanley.com

Morgan Stanley

Retirement Planning Decade by Decade

Retirement planning is a lifelong process. Below are some of the key retirement-planning actions you need to be taking.

Your 20s

Start saving. The sooner you can start saving for retirement, the less you'll have to save overall. Other steps to take when you're young: Start budgeting, avoid debt, and save for other goals like buying a house. Even if you're not earning a lot right now, adopting healthy money habits today will pay big dividends later in life.

Your 30s

As you enter your 30s, your income is probably heading upward and your life is beginning to stabilize. As your income increases, consider increasing your retirement contributions by the amount of your annual raise, so you don't fall behind on saving. Reassess your savings rate and consider meeting with a financial advisor to make sure you're saving as much as you can — and investing it well.

Your 40s

You're at the halfway point to retirement. If you've been saving for the past 10 or 20 years, you should have a nice nest egg by now. If you're still not serious about saving, now is the time to start. You'll have to be fairly aggressive, but you still have some time to build a respectable financial cushion. You

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Managing Correlations

Most investments have a high correlation-to-market performance. In other words, when the overall market is rising, they're rising too, so there is less variability between their performance and the performance of the market as a whole. But some investment classes have a low correlation-to-market performance. Investments in this category typically include currencies, commodities, and most hedge funds. While these typically carry more risk than investments with a high correlation, they can be good alternatives during periods of uncertainty or bear markets (when the overall market is faring poorly). Then there are investments with a negative correlation to the market — they rise when the market falls, and vice versa. These are some of the most challenging investments to manage.

While each of these investment classes carries its own risk, combined they can lower your portfolio's overall risk. When investors combine assets whose returns show low (or even negative) correlation with each other, they can minimize risk while maximizing return (because the investments are not as likely to fall at the same time).

Diversifying across different industries or international markets is not protection enough for big down days, when almost every stock — domestic or international — gets hit. During these times, stock investors do not have anywhere to turn unless they've already hedged their stock portfolios with other asset classes.

Please call if you are interested in investigating the best asset classes for your goals. ✔✔✔

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Retirement

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may also want to consider meeting with a financial advisor to help ensure you're saving enough to meet your goals.

A special note: People in their late 40s and early 50s are also often looking at steep college tuition bills for their children. Don't make the mistake of sacrificing your retirement goals to pay for your children's college educations.

Your 50s

Once you turn 50, you have the option to make catch-up contributions to retirement savings accounts like 401(k)s and IRAs. You can save an additional $6,000 a year in your 401(k) plan and $1,000 more a year in your IRA in 2019.

Your fifth decade is also the time to start thinking seriously about what's going to happen when you retire — when exactly you're going to stop working, where you want to live, whether you plan to work in retirement, and other lifestyle issues. It's also the time to take stock of your overall financial situation. You'll still want to keep saving as much as you can, but you may also want to make an extra effort to be debt-free at retirement.

Your 60s

Retirement is just a few years away. If you haven't already, you'll want to dial down the risk in your portfolio, so you don't take a large loss on the eve of your retirement. You'll also want to start thinking about a firm retirement date and estimating your expected expenses and income in retirement. If your calculations show that you're falling short, it's better to know before you stop working. You can make up a shortfall in a number of ways — reducing living expenses, working a bit longer, and even delaying Social Security payments so you'll get a larger check.

Whatever your age, the key to retirement is having a plan and consistently executing that plan. Not sure how to get started? Please call so we can discuss this in more detail. ✔✔✔

7 Ways to Pay Less for College

With the cost of college steadily rising, students and their parents are looking for ways to ease the financial burden. Fortunately, there are ways to reduce college expenses for your child, even if a free-ride scholarship isn't a possibility.

1. Take college-credit courses in high school. Pack your child's high school schedule with advanced placement classes so he/she can start earning college credits now. Students who do well on AP exams may be able to skip general education requirements. Some high schools also offer dual-credit courses.

2. Apply for aid. Always apply for financial aid even if you think you might not qualify. Your child may still be granted some assistance depending on your family circumstances.

3. Start at a community college. Tuition at two-year community colleges is more affordable than at four-year private and public universities. Many students can save money by beginning their college education at these schools and transferring to a four-year university to complete their degree. However, if your child is considering this option, make sure you understand how and if credits will transfer.

4. Stay close to home. If your child stays closer to home for school, he/she will spend less on travel and may even be able to live with you, cutting costs even further. Plus, in-state public universities and community colleges are typically cheaper than their out-of-state counterparts.

5. Get a job. College is hard work, but many students benefit from working at least a few hours a week while in school. Consider having your child rely on a part-time job rather than you for spending money.

6. Look for scholarships. Scholarships aren't just for top athletes and those with perfect SAT scores. There's money out there for all kinds of students. Check with local groups, organizations your child participates in, and even your own employer to see if there are any scholarships offered.

7. Choose a school that charges no or minimal tuition. Yes, there are colleges that charge students nothing, or virtually nothing, to attend. While admission to these schools is competitive and won't be an option for all students, they are worth exploring, especially if you feel college is financially out of reach. The U.S. federal service academies, including West Point and the U.S. Air Force Academy, charge no tuition in exchange for a service commitment after graduation. A number of work colleges allow students to attend free or at a nominal cost in exchange for working on campus. However, keep in mind that students may still be responsible for room, board, and other fees. ✔✔✔

Estate-Planning Checklist

Contrary to popular belief, estate planning isn't just about money or family heirlooms; there is far more at stake, including the welfare of your loved ones. As unimaginable as your sudden demise may seem, *you need a strategy in place*. With appropriate planning, your family can grieve properly without worrying about complicated financial matters, living arrangements, unexpected taxes, or even funeral costs and preparations. Here are the most important steps you should take now:

Prepare a last will: The first and most imperative step is to have a last will and testament prepared, specifying the following: 1) Your heirs; 2) The executor who will implement your instructions; 3) The designated guardian who will act as caregiver of your minor children; and 4) The guardian who will manage assets left to your minor children. Consider working with an estate-planning attorney to assure this essential document is correct, as even the most seemingly insignificant errors can alter the will's intent.

Name a durable power of attorney: Don't confuse this with the executor of your last will, although you can certainly designate the same person to serve as both. A durable power of attorney is the person you choose to oversee your finances should you become temporarily or permanently incapacitated; he/she will manage your bills, bank deposits, medical benefits, and insurance when you are unable.

Establish a living will/health care directive: Just as you must consider your inevitable death and its financial implications, there is an unfortunate chance of becoming either temporarily or permanently unable to make your own medical decisions. A living will defines your medical preferences, such as whether you wish to remain on life support. You should also designate a healthcare proxy (also referred to as a medical surrogate), who advocates on your behalf to ensure your medical instructions are carried out.

Choose your beneficiaries: Be sure to set up or revise the beneficiaries on your savings and checking accounts, life insurance policies, retirement plans, and even stocks, bonds, and brokerage accounts, particularly so they align with your will. Understand that because a named beneficiary on an account will override your will, people can unknowingly disinherit a loved one. You can prevent these unintended mishaps by reviewing your beneficiaries in accordance with your will.

Familiarize yourself with estate tax laws: The last thing you want for your heirs are the unexpected costs associated with federal and state estate and inheritance taxes. While your heirs are not required to pay income tax on their inheritance, estate taxes levied against your total wealth — which occurs prior to any distributions — could dramatically impact what your beneficiaries or chosen charities receive. Careful review of your assets along with strategic planning can protect your legacy.

Consider life insurance: If you're married, have minor children, or even a disabled adult child, life insurance is a great way to assure these loved ones will continue to receive financial support. Properly structured, beneficiaries can receive the life insurance proceeds with no income- or estate-tax ramifications. You can also consider life insurance as a supplemental source to help offset any levied estate taxes.

Think about final arrangements: Do you plan on donating organs? What type of funeral service do you envision? Why burden family with such difficult decisions when you can plan ahead by specifying instructions for the disposition of your body and funeral service preferences?

Protect your business: Owning a business can significantly complicate your estate, as any accrued assets won't necessarily transfer to spouses or beneficiaries without proper directives. Likewise, if you share a business, make sure you have an arranged buyout agreement, which, among several other scenarios, plans for the event of your death.

Set up a trust: The larger the value of your estate, the more you should consider setting up a trust. Similar to a last will, a trust allows you to designate financial beneficiaries and even a guardian for your minor children, with three important advantages over wills: 1) Assets retained through a trust are not subject to probate, therefore, allowing for faster distributions to loved ones or cherished organizations; 2) Unlike wills, trusts are not considered public documents, providing the added benefit of privacy; and 3) You can place special conditions on your legacy, such as when it should be dispersed and how it can be spent, which may be more beneficial for young-adult recipients or irresponsible heirs.

Store your documents: Make sure your power of attorney or executor has quick and convenient access to your important paperwork: wills and trusts, life insurance policies, bank and retirement account statements, certificates of other assets, mortgage paperwork and real estate deeds, and debts. The last thing you want is for your family to be unable to locate an important document.

To get started on a plan immediately or to review your current plan, please call. ✔✔✔

U P D A T E

Your Parents' Estate Plans

Estate planning can be a difficult subject to discuss with your parents. You don't want to seem concerned about how much money they may eventually leave you, while they may fear you are interfering with their finances. To help ensure their estate is settled quickly according to their wishes, family members should have some basic information. You don't need to know the specifics about who will receive what, but you should find out:

Where important estate-planning documents are located. Don't ask for specifics, just make sure documents are in place so their wishes will be carried out. Find out if they have a durable power of attorney and health-care proxy.

How to contact their advisors. Ask for a list of names, addresses, and phone numbers of lawyers, accountants, and financial advisors.

Their rationale for distributing their estate. When heirs understand why an estate is being distributed in a particular manner, it may prevent problems among those heirs.

Preferences for the future. Find out where your parents would like to live if they're not physically able to live in their current home. Do they want to move in with relatives or live in an assisted-living facility? Discuss in detail what procedures they want performed to prolong life in the event of a terminal illness. Determine their preferences for funeral arrangements. ✔✔✔

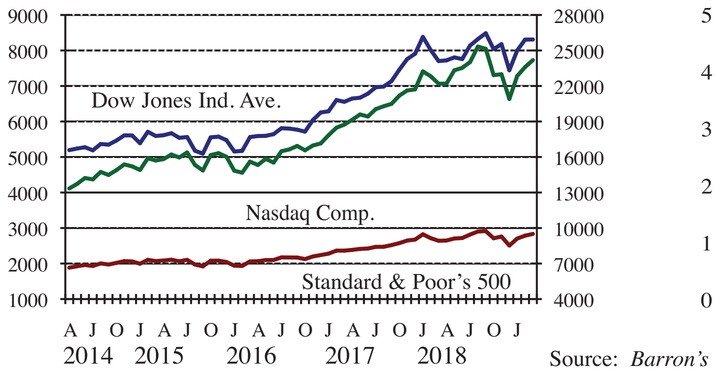
Market Data

	Month End			% Change	
Stocks:	**Mar 19**	**Feb 19**	**Jan 19**	**YTD**	**12-Mon.**
Dow Jones Ind.	25928.68	25916.00	24999.67	11.2%	7.6%
S&P 500	2834.40	2784.49	2704.10	13.1	7.3
Nasdaq Comp.	7729.32	7532.53	7281.74	16.5	9.4
Wilshire 5000	29193.90	28824.88	27905.54	13.5	6.6
Precious Metals:					
Gold	1295.15	1319.15	1323.25	1.1	-2.2
Silver	15.08	15.66	16.08	-2.8	-7.6
Interest Rates:	**Mar 19**	**Feb 19**	**Jan 19**	**Dec 18**	**Mar 18**
Prime rate	5.50	5.50	5.50	5.50	4.75
Money market rate	0.59	0.61	0.59	0.56	0.35
3-month T-bill rate	2.41	2.41	2.38	2.47	1.76
20-year T-bond rate	2.79	2.86	2.91	3.03	2.78
Dow Jones Corp.	3.74	4.08	4.16	4.40	3.70
Bond Buyer Muni	3.86	4.06	4.12	4.08	3.98

Sources: *Barron's, Wall Street Journal. An investor may not invest directly in an index.*

Stock Indices

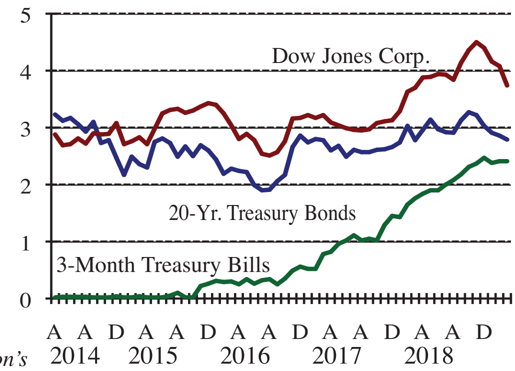
April 2014 to March 2019



Source: *Barron's*

Interest Rates

April 2014 to March 2019



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