

Investing for Education

529 Plans at Morgan Stanley

Morgan Stanley



Education Funding: An Important Part of Your Plan

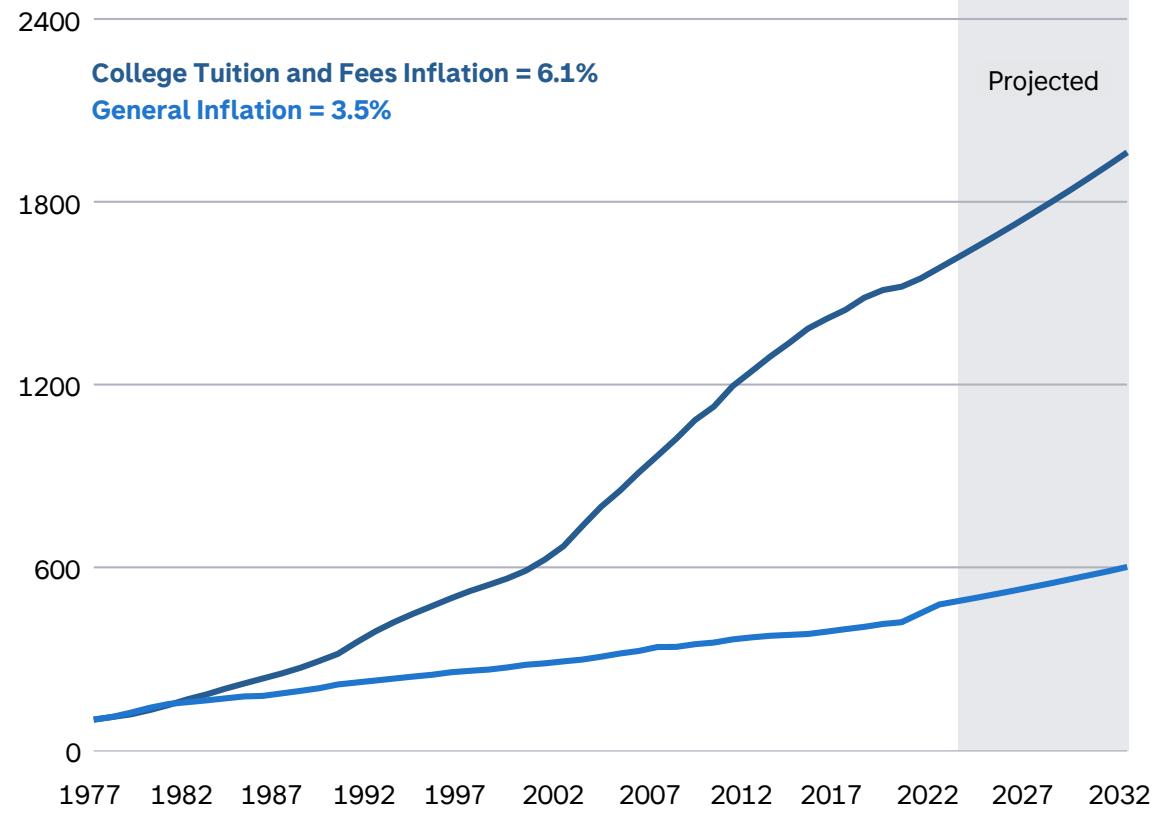
Education Opens Career Doors, Improves Living Standards and Plays a Critical Role in Helping Children Reach their Full Potential, but Education has Become Expensive.

THE POWER OF KNOWLEDGE

- Education is a critical factor in determining standard of living, as wages for highly educated workers continue to increase at a much faster pace than for those without college degrees
- Between 1977 and 2024, college tuition grew at 6.1% per year, nearly doubling the pace of general inflation ¹
- Investing in advance for college can mean significantly less in out-of-pocket funds than borrowing and paying back a college loan
- Tax-advantaged investment accounts such as “529 plans” provide significant benefits for investments that will ultimately be spent on education expenses
- Results show that 529 plans can be significantly beneficial relative to saving in standard brokerage accounts, especially when an investor starts early, taking full advantage of the long-time horizon between birth and college level education.

EDUCATION COSTS ARE RISING FASTER

Consumer Price Index



Source: Bureau of Labor Statistics, Morgan Stanley Wealth Management Global Investment Committee as of January 2025

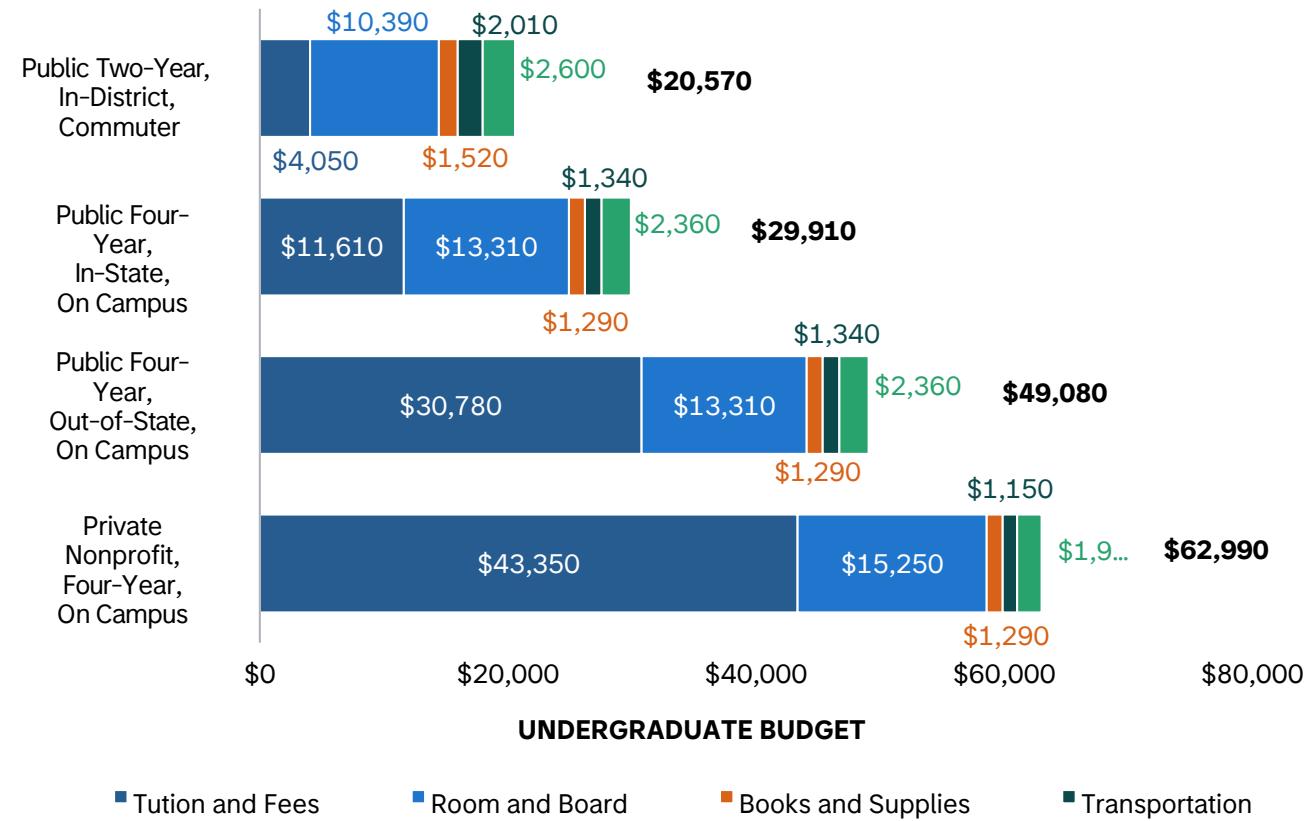
1. Assumptions: Long-term inflation rates are average rates from 1977 to 2024. Projections are based on past 10-year average inflation.

Education is a Major Expense for Most Americans

Paying for College is a Top-tier Life Expense that can Benefit from Smart Multi-generational Planning.

AVERAGE ESTIMATED COSTS FOR FULL-TIME UNDERGRADUATES¹

Estimates for the 2024–2025 School Year



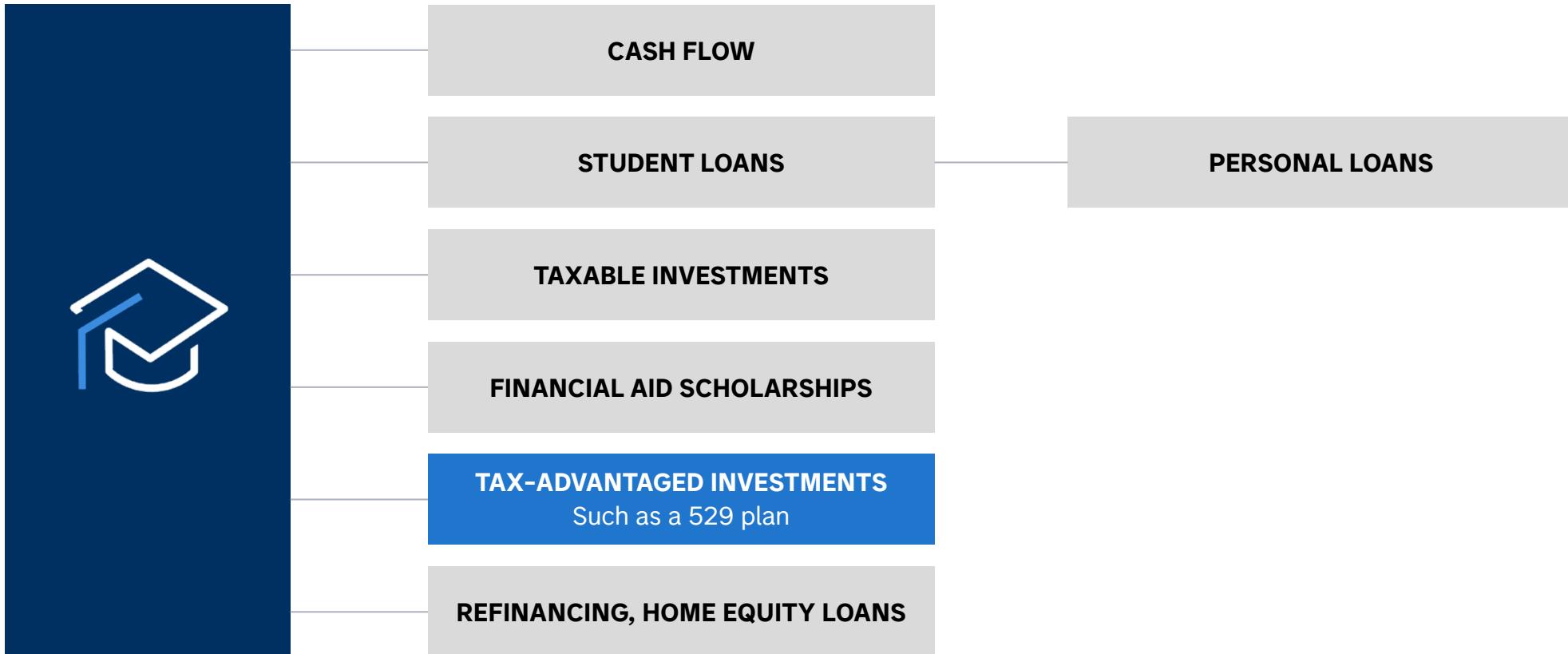
- For 2024–2025, costs for a four-year private college averaged \$62,990 per year
- Assuming a college-cost inflation rate of 6%, a parent may need \$425,500 come college time in 2032 to pay expenses for today's 9-year-old child ²
- And that's for just one child
- Furthermore, in the 2024–2025 academic year, students pursuing a Doctorate or Master's degree at a private college faced costs exceeding \$100,000.¹

Source: College Board, Annual Survey of Colleges: NCES, IPEDS Fall 2024 Enrollment data.

1. The costs in 2031 include 6% annual tuition inflation rate: <https://bigfuture.collegeboard.org/pay-for-college/college-costs/college-costs-calculator>

Paying for Education: What are the Options?

With both the benefits and costs of a good education growing sharply, the biggest distinction is between those who plan ahead for future education expenses and those who do not. There is a significant cost to not planning.



What is a 529 Plan?

Named for Section 529 of the Internal Revenue Code, a 529 Plan is a State- Sponsored, Tax-advantaged Investment Vehicle for Qualified Education Expenses.

A combination of tax-free growth and withdrawal potential, flexible provisions, accelerated gifting advantages, estate tax benefits, continuous control features, and versatility to address changing circumstances make 529 plans an attractive investment vehicle:



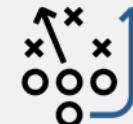
TAX BENEFITS

- Income tax
- Estate tax
- Gift tax
- State tax (state dependent)



FLEXIBILITY

- Anyone can participate
- High contribution limits
- Can be used for qualified education expenses (e.g., curriculum materials / tools, tutoring, test prep, fees)¹
- Choice of many different plans



CONTROL

- You retain control
- You can change the beneficiary
- You can withdraw money or liquidate the account²

1. Assets in a 529 plan potentially grow on a tax deferred basis and can generally be withdrawn federal income tax-free only if they are used to pay for qualified education expenses. Qualified expenses include tuition, fees, room and board, books and supplies at virtually any accredited post-secondary school. Effective for distributions made on or after January 1, 2018, the definition of qualified education expenses for federal income tax purposes expanded to include tuition for K-12 schools, as a result of the 2017 Tax Cuts and Jobs Act. The tax law limits qualified 529 withdrawals for eligible K-12 tuition to \$10,000 per beneficiary per year. Effective for distributions made on or after January 1, 2019, the definition of qualified higher education expenses for federal income tax purposes was expanded to include certain costs associated with qualifying apprenticeship programs and up to \$10,000 (lifetime limit per individual) in amounts paid towards qualified student loans of the 529 plan designated beneficiary (or such beneficiary's sibling). Note, however, using 529 plan distributions to repay qualified student loans may impact the deductibility of student loan interest. The state tax treatment of 529 plans (including the state tax treatment of distributions) may be different from the federal tax treatment and may vary based on the particular 529 plan in which you participate and your state of residence. If the applicable state tax law does not conform with the federal tax law, 529 plan distributions used to pay certain expenses, such as K-12 tuition expenses, principal and interest on qualified student loans and/or qualifying apprenticeship costs, may not be considered qualified expenses for state tax purposes and may result in adverse state tax consequences to the account owner or designated beneficiary. Non-qualified distributions of earnings will be subject to ordinary income tax and may be subject to a 10% federal income tax penalty. Many states allow a partial or full state income tax deduction or credit for 529 plan contributions to a 529 plan but may limit the availability of such credit or deduction to only those contributions made to that state's sponsored 529 plan. As a result of the One Big Beautiful Bill Act (OBBA) K-12 qualified expenses have expanded to include curriculum materials, books, online educational materials, and supplemental learning tools, tutoring and test prep, standardized test fees, dual enrollment fees, educational therapies and services for students with disabilities. In addition, career credentialing and job training programs are also now qualified expenses, with ongoing costs for maintaining professional credentials eligible.
2. Nonqualified withdrawals are subject to ordinary income tax and a 10% penalty tax.

Tax and Estate Planning Advantages of 529 Plans

The appeal of 529 plans is largely their tax benefits. Once you open a 529 account and contribute funds, any growth of those funds is generally federal and state income tax-free. If used for qualified education expenses, your withdrawals are generally federal and state income tax-free, as well.

529 PLANS OFFER A VARIETY OF FEDERAL AND STATE TAX ADVANTAGES



FEDERAL INCOME TAX

- Accounts grow free of annual taxation.
- Qualified¹ withdrawals including earnings on investments, are free from federal income tax.



STATE TAX

- Accounts grow free of annual taxation.
- Qualified withdrawals¹ may also be free from state income tax.
- Many states offer tax benefits to account owners who contribute to their home state 529 plan. Some states offer tax benefits regardless of which plan is chosen.



FEDERAL GIFT TAX²

- Contributions are treated as gifts and qualify for the annual per-beneficiary gift tax exclusion (up to \$19,000, or \$38,000 for married couples).
- Investors can contribute up to **five times the annual gift amount** in a single year (up to \$95,000, or \$190,000 for married couples) without incurring federal gift taxes. This **“accelerated gift”** is generally excluded from the donor’s estate.
- Beyond the annual gift tax exclusion, any part of the Unified Lifetime Gift Tax Exemption, currently at \$13.99 million per individual, can be used toward funding a 529 plan.



ESTATE TAX

- Since contributions are deemed to be a gift to the beneficiary, they are generally removed from the account owner’s taxable estate, yet the account owner always retains complete control.³ For this reason, many use this feature to achieve the goal of **wealth transfer**, particularly in light of recent and anticipated tax law changes.

- Assets in a 529 plan potentially grow on a tax deferred basis and can generally be withdrawn federal income tax-free only if they are used to pay for qualified education expenses. Qualified expenses include tuition, fees, room and board, books and supplies at virtually any accredited post-secondary school. Effective for distributions made on or after January 1, 2018, the definition of qualified education expenses for federal income tax purposes expanded to include tuition for K-12 schools, as a result of the 2017 Tax Cuts and Jobs Act. The tax law limits qualified 529 withdrawals for eligible K-12 tuition to \$10,000 per beneficiary per year. Effective for distributions made on or after January 1, 2019, the definition of qualified higher education expenses for federal income tax purposes was expanded to include certain costs associated with qualifying apprenticeship programs and up to \$10,000 (lifetime limit per individual) in amounts paid towards qualified student loans of the 529 plan designated beneficiary (or such beneficiary’s sibling). Note, however, using 529 plan distributions to repay qualified student loans may impact the deductibility of student loan interest. The state tax treatment of 529 plans (including the state tax treatment of distributions) may be different from the federal tax treatment and may vary based on the particular 529 plan in which you participate and your state of residence. If the applicable state tax law does not conform with the federal tax law, 529 plan distributions used to pay certain expenses, such as K-12 tuition expenses, principal and interest on qualified student loans and/or qualifying apprenticeship costs, may not be considered qualified expenses for state tax purposes and may result in adverse state tax consequences to the account owner or designated beneficiary. Non-qualified distributions of earnings will be subject to ordinary income tax and may be subject to a 10% federal income tax penalty. Many states allow a partial or full state income tax deduction or credit for 529 plan contributions to a 529 plan but may limit the availability of such credit or deduction to only those contributions made to that state’s sponsored 529 plan. As a result of the One Big Beautiful Bill Act (OBBA) K-12 qualified expenses have expanded to include curriculum materials, books, online educational materials, and supplemental learning tools, tutoring and test prep, standardized test fees, dual enrollment fees, educational therapies and services for students with disabilities. In addition, career credentialing and job training programs are also now qualified expenses, with ongoing costs for maintaining professional credentials eligible.
- No further annual exclusion gifts and/or generation-skipping transfers to the same beneficiary may be made over the same five-year period, and an election to do so must be made on a gift tax return for the year of the gift. If the donor dies within the five-year period, a portion of the transferred amount will be included in the donor’s estate for estate tax purposes.
- Contributions to a 529 plan are generally excluded from a donor’s gross estate calculation, unless you name yourself as beneficiary.

Accelerated Gifting Fuels Compound Growth

529 Plans offer significant tax advantages that can fuel compound growth and help build robust family legacies. By utilizing features like accelerated gifting, individuals can maximize the potential of their investments. The absence of taxes on growth within a 529 Plan leads to more funds being available to address education costs and other goals.

CASE STUDY: THE VALUE OF ACCELERATED GIFTING

- Through five-year gift tax averaging, 529 plans allow investments up to \$95,000 for individuals (or \$190,000 for married couples) per beneficiary to be front-loaded during a single year gift tax-free¹
- This increases the amount of time assets can grow tax-free in the 529 account
- Which in turn helps compound returns



Source: Morgan Stanley Wealth Management Global Investment Committee as of January 2025

Assumptions: Accelerated gift scenario invests a lump sum \$190,000 at the beginning. Annual gifts scenario contributes \$38,000 annually for five years. Both scenarios assume annualized portfolio return of GIC model 3, with an annual growth rate of 5.79% in first 7 years and 5.90% from year 8 onwards.

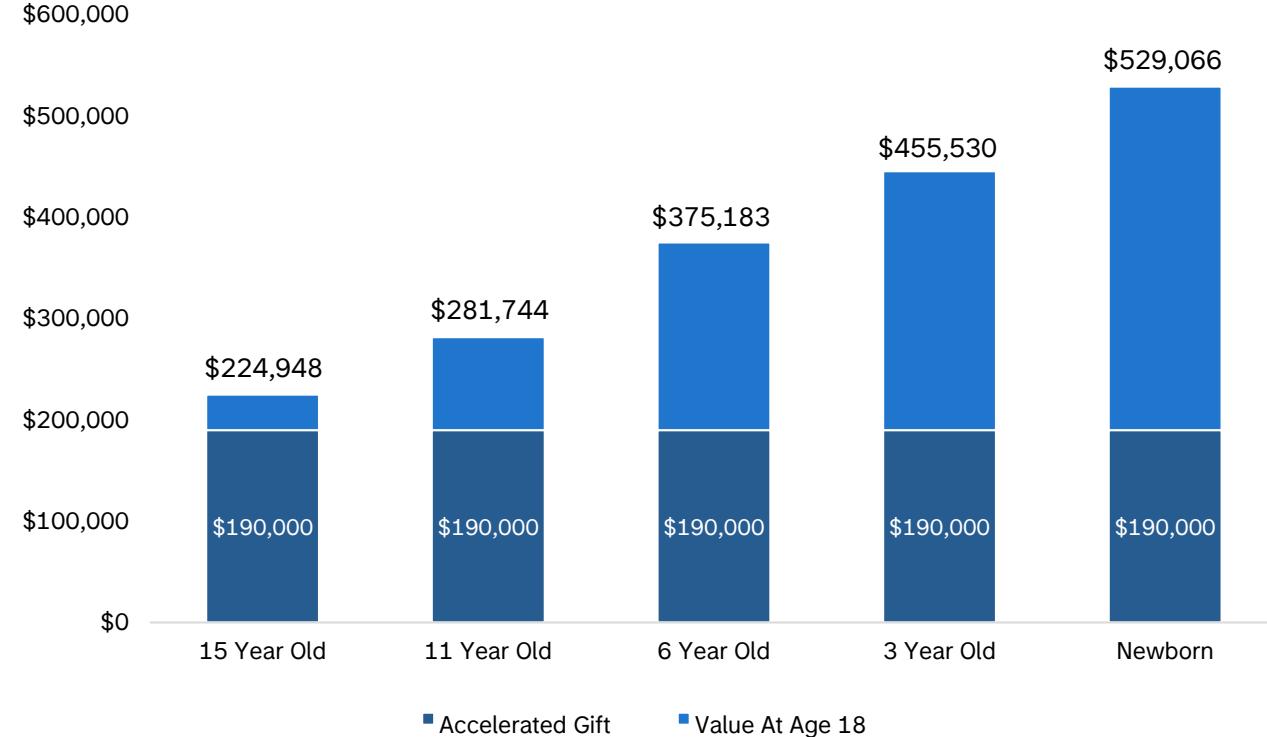
1. As of 2025, the annual gift tax exclusion is \$19,000 for individuals, and double for married couples at \$38,000 annually. Generally, individuals may be able to make a front-loaded 529 contribution in one year of up to five times the annual gift tax exclusion – as much as \$95,000 per beneficiary (\$190,000 for married couples) for 2025. An election to do so must be made on a gift tax return for the year of the gift. This assumes there are no front-loaded 529 contributions made by the gift giver for the benefit of the same individual during the prior four years. Any front-loaded 529 contributions made for the benefit of the same individual during the four years prior to the year of the front-loaded contribution may result in a taxable gift. Additionally, any gifts to the same individual during the year of the front-loaded 529 contribution or the four years after the front-loaded 529 contribution is made may result in a taxable gift. If the donor dies within five years of making the front-loaded 529 contribution, the estate will generally recapture a portion of the assets for federal estate tax purposes.

529 Plans as Smart Estate Planning

With high contribution limits, the ability to fund an account by leveraging five-year gift tax averaging, and the option to apply a portion of one's current \$13.99 million Unified Lifetime Gift Tax Exemption, 529 plans offer the account owner an opportunity to gift significant amounts out of their taxable estate while retaining control of the assets.

CASE STUDY: REMOVE ASSETS FROM TAXABLE ESTATE WITH ACCELERATED GIFTING AND RETENTION OF CONTROL

- A married couple wants to fund the education of their five grandchildren
- By leveraging five-year gift tax averaging,¹ they may be able to **make up to five years of contributions in one gift**; they transfer \$190,000 into a 529 account for each of the 5 grandchildren
- For gift-tax purposes, the assets are considered completed gifts; **they incur no gift taxes**, and the contributions do not count toward their Lifetime Gift Tax Exemption
- The grandparents successfully **remove over \$1.8MM from their taxable estate**, representing \$950,000 of their original funding plus all investment gains over time, while retaining control of the assets and any withdrawals, as the account owners



Source: Morgan Stanley Wealth Management Global Investment Committee as of January 2025

Assumptions: This illustration assumes \$190,000 initial contribution and annualized portfolio return of GIC Model 3, with an annual growth rate of 5.79% in first 7 years and 5.90% from year 8 onwards. This is a hypothetical illustration; actual results may vary.

1. Some plans may have age, residency or other restrictions and may charge a fee for beneficiary changes, and beneficiary changes may result in an immediate tax liability if the new beneficiary is not a member of the previous beneficiary's family.
2. Contributions to a 529 plan are generally excluded from a donor's gross estate calculation, unless you name yourself as beneficiary.

Tax-free Transfer Unused 529 Assets Into a Roth IRA

With the passage of the SECURE 2.0 act, 529 account owners may be able to transfer their leftover assets into a roth IRA—for a designated beneficiary—making 529 plans an even more robust solution for long-term financial planning.¹

ANOTHER ANSWER FOR “OVERFUNDED” ACCOUNTS

Two common questions about 529 plans are

- “What if my child doesn’t go to college?”
- “What if my account has more than I need?”

With the passage of the SECURE 2.0 Act, 529 account owners now have **four** potential options for leftover funds in each of their accounts:

1. Change the designated beneficiary to another family member
2. Take a non-qualified withdrawal
3. Remain invested, given that 529 plans do not have required minimum distributions
4. Effective January 2024, transfer up to \$35,000 of unused 529 funds into a Roth IRA free of any federal income or penalty taxes, subject to certain requirements under SECURE 2.0

REQUIREMENTS FOR TRANSFERRING LEFTOVER 529 PLAN FUNDS INTO A ROTH IRA

- Prior to the transfer, the 529 plan account of a designated beneficiary has been maintained for at least 15 years
- The amount transferred does not exceed the total amount contributed to the 529 plan account (plus earnings on those contributions) before the 5-year period ending on the date of the rollover
- The funds are paid to a Roth IRA established and maintained for the designated beneficiary of the 529 plan account in a direct trustee-to-trustee transfer
- The aggregate amount rolled over for the tax year does not exceed the annual Roth IRA contribution limit for that year (determined without regard to the modified adjusted gross income limit for Roth IRA contributions), reduced by the aggregate amount of other contributions made to traditional and Roth IRAs owned by the designated beneficiary of the 529 plan account for that year
- The aggregate amount of such amounts transferred with respect to the designated beneficiary for all tax years does not exceed \$35,000²
- Such transfer is not subject to federal income tax or the 10% federal penalty tax but, unlike rollovers to the IRA, such transferred amount counts toward the annual contribution limit for Roth IRAs

More about SECURE 2.0

The SECURE 2.0 Act contains dozens of provisions that aim to strengthen the retirement system, including raising the age at which many individuals must begin taking required minimum distributions (RMDs), higher catch-up contributions and other improved opportunities to save for retirement. Recognizing the importance of 529 plans in planning for the future, the Act also helps 529 plan account owners, regardless of their income, by permitting tax-free and penalty tax-free transfers of qualifying unused 529 funds into a Roth IRA.

1. This change to 529 plan rules was effective January 2024.

2. This material does not address the impact of state and local income taxes. The state and local income tax treatment of a 529 plan may differ from the federal tax treatment.

You should consult with and rely on your own independent tax advisor.

Trusts May Benefit From Investing in 529 Plans

Trusts That Are Established Primarily, or in Part, to Pay Educational Expenses May Want to Consider investing in a 529 Plan for Potential Income Tax-advantages, and Funding Opportunities

INCOME TAX BENEFITS

- While trusts play a critical role in wealth transfer and the management of wealth for future generations, irrevocable (non-grantor) trusts are subject to onerous income tax rates.
- In 2025, an irrevocable (non-grantor) trust only needs to generate more than \$15,650 in federal taxable income to be subject to the maximum 37% Federal tax bracket, as well as the 3.8% Net Investment Income Tax. State income taxes apply as well.
- Some trusts are established primarily to fund future education expenses while many allow for the trust to pay out whenever for the “future benefit, welfare or education” of the trust beneficiaries.
- Irrevocable (non-grantor) trusts may want to consider investing in 529 plans to help avoid such onerous tax rates, enjoy the benefit of tax-deferred growth potential and the opportunity for tax-free withdrawals for the qualified educational expenses of such trust beneficiaries, starting as early as kindergarten and continuing through graduate school.¹ Advisory 529 Plans offering a fiduciary role are available.
- The trustee, as 529 account owner, is empowered under federal tax law to change 529 account designated beneficiaries to certain other family members of the 529 plan designated beneficiary as often as desired in order to carry out the legacy directives of the trust.¹

FUNDING OPPORTUNITIES

- Revocable (living) and irrevocable trusts are permitted to contribute to and own a 529 account.
- Funding an irrevocable trust involves utilizing the individual(s) gift tax credits, similar to funding their 529 account(s).
- However, only 529 account funding can utilize the 5 year forward use of the contributor's annual exclusion (currently \$19,000).
- The strategy would be for the individual contributor to fund one or more 529 accounts then transfer ownership to the irrevocable trust.²
- Additionally, existing trusts can invest in and own 529 accounts.
- While a transfer of funds or other property by an individual to an irrevocable trust is generally subject to the federal gift tax rules, a contribution to a 529 plan by an irrevocable trust is not subject to the federal gift tax rules and thus an irrevocable trust can generally invest in each 529 account up to the maximum contribution limit, often > \$500,000, without federal gift tax consequences.

1. State tax laws vary as to conforming to IRC 529. 1 – Family members for 529 purposes include younger generations not required to be living when the accounts are established. Consult your tax advisors whether a trust changing the 529 account designated beneficiary creates any tax issues.

2. Before engaging in an ownership change, you should consult with your tax advisor to determine whether or not such a change in ownership will result in any adverse tax consequences.

Significant tax advantages

The headline appeal of 529 plans is their income and estate tax benefits for the account owner. 529 plans offer compounding free of federal and state income tax, with accumulation generally outside of the contributor's taxable estate.

A VARIETY OF TAX ADVANTAGES

Federal Income Tax

- Accounts grow free of annual federal and state income tax and qualified¹ withdrawals are free from federal income tax.

Estate Tax

- Assets in a 529 plan are generally treated as outside of the account owner's estate for federal estate tax purposes, despite the account owner maintaining control.

Gift Tax²

- Contributions are treated as completed gifts and qualify for the annual per-beneficiary gift tax exclusion, with an "accelerated gift" option.

FUNDING OPPORTUNITIES

Tax-free growth potential

- Generous funding opportunities – fund each account >\$500K at once, or over time
- 529 accounts grow free of annual federal and state income tax
- No required distributions at any time, even once the beneficiary or account holder attains a specified age
- Available for multiple generations with years of tax-free compounding
- Some states offer income tax deduction or credit for contributions (subject to limitations)

Versatile distribution

- Option to apply funds free of federal and most state taxes beginning with kindergarten tuition (up to \$10k per year)
- Option to apply funds free of federal and state taxes for most post-secondary school expenses
- Option to apply funds to educational expenses of certain members of the designated beneficiary's family, given account owners' flexibility to change the designated beneficiary

Nonqualifying distributions

- Distributions of earnings that are not used for qualifying education expenses or transfers are subject to ordinary income taxes at recipient's applicable tax rate and may be subject to a 10% penalty tax.³
- The 10% penalty tax does not apply to certain distributions, including (but not limited to) distributions made on account of the death or qualifying disability of the designated beneficiary, or to the extent the distribution does not exceed the amount the designated beneficiary receives as a qualifying scholarship

1. Assets can accumulate and be withdrawn federally tax-free only if they are used to pay for qualified expenses. Earnings on nonqualified distributions will be subject to income tax and a 10% federal income tax penalty. Account owners should consult with a qualified tax advisor prior to making such withdrawals as they may be subject to adverse tax consequences. Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Individuals are urged to consult their personal tax or legal advisors to understand the tax and legal consequences of any actions, including any implementation of any strategies or investments described herein.

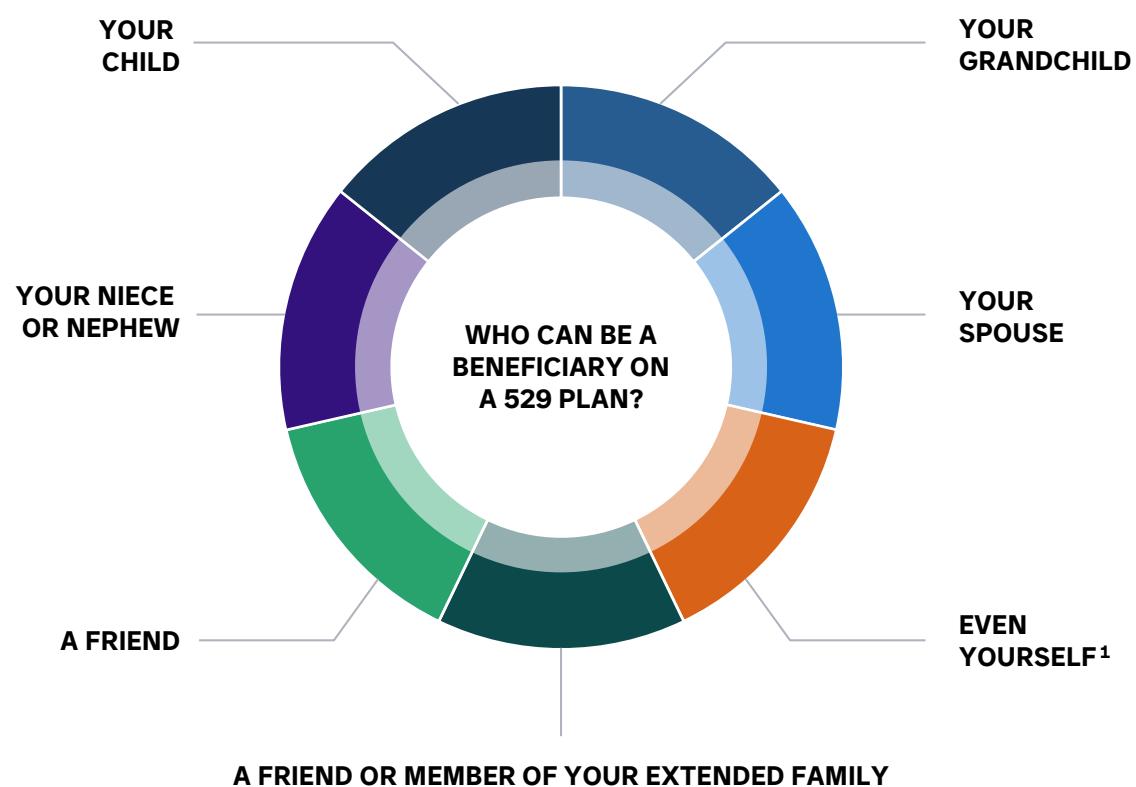
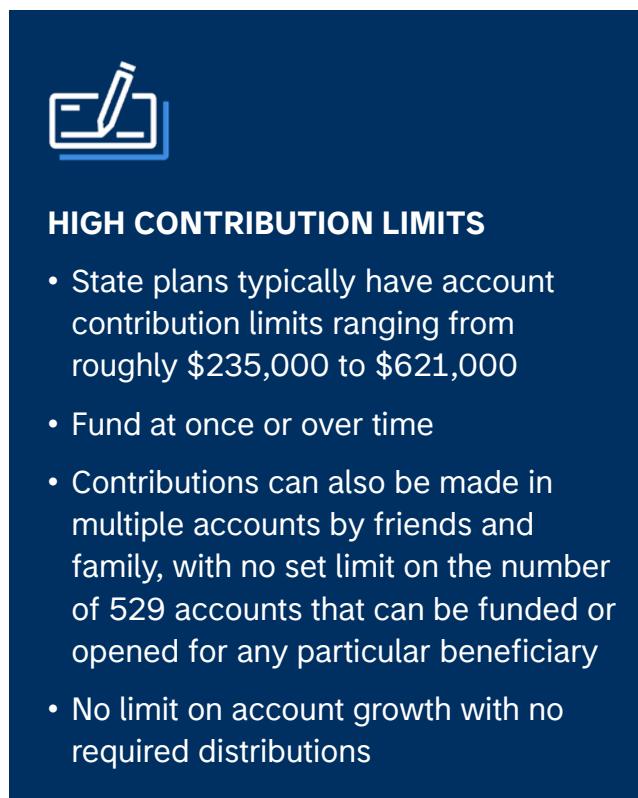
2. No further annual exclusion gifts and/or generation-skipping transfers to the same beneficiary may be made over the same five-year period, and an election to do so must be made on a gift tax return for the year of the gift. If the donor dies within the five-year period, a portion of the transferred amount will be included in the donor's estate for estate tax purposes.

3. Each distribution from a 529 plan is treated as part earnings (taxable if not used for qualified education expenses) and part a return of after-tax contributions (nontaxable), until the after-tax contributions are fully recovered at which point all future distributions are treated as coming from earnings.

Great Flexibility: Few Limits

With high contribution limits, no income, age or time limits, no minimum distributions, no limits on who can open or contribute, and a long list of qualifying expenses, 529 plans are notable for their flexibility and versatility.

FLEXIBILITY THAT ENABLES A MULTIGENERATIONAL APPROACH TO EDUCATION PLANNING:



While almost anyone can be named as beneficiary, certain conditions, restrictions, or limitations may apply in some plans.

Beneficiaries must have a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN).

1. Selection of yourself as beneficiary will not remove the asset from your taxable estate.

Control and Versatility: Because Life is Unpredictable

As the Account Owner, You – Not the Designated Beneficiary – Retain Control at all Times over the Assets in your 529 Account and You, With Your Advisor, Can Determine How You Want Your Assets to be Invested.

Unlike UTMA/UGMA or Coverdell Education Savings accounts, 529 accounts never belong to the beneficiary. They always belong to the account owner, who can change the beneficiary at any time,¹ and withdraw some or all of the funds in the account at any time, for any reason²

Federal tax law provides ...



Accounts can be rolled over from one plan to another (limit once per every 12 months)



Assets already in an account can be reallocated twice per calendar year



Changing the beneficiary allows assets to be reallocated

1. May incur income tax consequences and other restrictions may apply.
2. For nonqualified withdrawals, gains are subject to ordinary income tax and a 10% federal income tax penalty.

How Are the Assets in a 529 Plan Invested?

Depending on the Specific Plan, You can Choose From a Range of Investment Strategies Suited to Your Specific Needs, Objectives and Time Frame.

SOME TYPICAL ALLOCATION STRATEGIES INCLUDE:

GOALS-BASED	AGE-BASED (Years-to-Enrollment)	SINGLE-FUND	GUARANTEED
Goals-based asset allocation portfolios align with your unique time frame, risk profile, and education funding goals.	Diversified portfolios, automatically rebalanced and reallocated to more conservative holdings as the beneficiary advances in age to college.	Creates own allocation strategy by selecting from among portfolios that invest in single underlying mutual funds/ETFs	The rate of return is guaranteed as to the resources of the guarantor.

Diversification and rebalancing do not protect against loss in declining financial markets.

Distributing Funds From a 529 Plan

THERE ARE THREE TYPES OF DISTRIBUTIONS:

1

QUALIFIED¹

Used for approved education expenses, free from federal income tax (and possibly state income tax depending on state rules)

Qualified expenses include:

- Career credentialing and job training programs, with ongoing costs for maintaining professional credentials
- Tuition, fees, room and board, books and supplies
- Up to \$10,000 lifetime limit per individual can be used to repay qualified student loans and certain costs for qualifying apprenticeship programs
- \$10,000 per beneficiary per year for elementary, middle, and high school tuition, books, tutoring, testing, therapies and more, increasing to \$20,000 effective January 2026

Distributions may be paid to the owner, the beneficiary, or the educational institution of the beneficiary

2

NON-QUALIFIED

Subject to income tax and 10% penalty tax on the gains portion of the distribution. To the extent you received a state income tax deduction or credit for your 529 plan contributions, you may also be subject to a state recapture tax of deductions taken for contributions but not used for qualifying expenses, in addition to state income tax (if applicable).

3

NON-QUALIFIED BUT PENALTY EXEMPT

Subject to income tax but not to penalty tax.

Three penalty exemptions:²

- Death of the beneficiary
- Disability of the beneficiary
- Scholarship Received by the beneficiary

1. Assets in a 529 plan potentially grow on a tax deferred basis and can generally be withdrawn federal income tax-free only if they are used to pay for qualified education expenses. Qualified expenses include tuition, fees, room and board, books and supplies at virtually any accredited post-secondary school. Effective for distributions made on or after January 1, 2018, the definition of qualified education expenses for federal income tax purposes expanded to include tuition for K-12 schools, as a result of the 2017 Tax Cuts and Jobs Act. The tax law limits qualified 529 withdrawals for eligible K-12 tuition to \$10,000 per beneficiary per year. Effective for distributions made on or after January 1, 2019, the definition of qualified higher education expenses for federal income tax purposes was expanded to include certain costs associated with qualifying apprenticeship programs and up to \$10,000 (lifetime limit per individual) in amounts paid towards qualified student loans of the 529 plan designated beneficiary (or such beneficiary's sibling). Note, however, using 529 plan distributions to repay qualified student loans may impact the deductibility of student loan interest. The state tax treatment of 529 plans (including the state tax treatment of distributions) may be different from the federal tax treatment and may vary based on the particular 529 plan in which you participate and your state of residence. If the applicable state tax law does not conform with the federal tax law, 529 plan distributions used to pay certain expenses, such as K-12 tuition expenses, principal and interest on qualified student loans and/or qualifying apprenticeship costs, may not be considered qualified expenses for state tax purposes and may result in adverse state tax consequences to the account owner or designated beneficiary. Non-qualified distributions of earnings will be subject to ordinary income tax and may be subject to a 10% federal income tax penalty. Many states allow a partial or full state income tax deduction or credit for 529 plan contributions to a 529 plan, but may limit the availability of such credit or deduction to only those contributions made to that state's sponsored 529 plan. As a result of the One Big Beautiful Bill Act (OBBA) K-12 qualified expenses have expanded to include curriculum materials, books, online educational materials, and supplemental learning tools, tutoring and test prep, standardized test fees, dual enrollment fees, educational therapies and services for students with disabilities. In addition, career credentialing and job training programs are also now qualified expenses, with ongoing costs for maintaining professional credentials eligible.

2. Penalty-free withdrawals subject to ordinary Income Tax.

All distributions result in the issuance of a Form 1099-Q, issued to the distributee (either the owner or beneficiary – even if paid to educational institution)

Does Having a 529 Plan Affect Eligibility for Financial Aid?

529 Plans Minimize the Financial Aid Repercussions.

Funds in a 529 account are counted as the account owners' assets—they are not counted as the child's assets¹. A smaller percentage of the family contribution is expected from the parents than from the child to cover the costs of college—5.64% of parental assets versus 20% of student assets, or 0% of grandparents' assets.²

Student Aid Index (SAI) Federal student aid formula used nationwide,

PARENTAL INCOME	STUDENT INCOME	STUDENT ASSETS (e.g., UGMA)	PARENTAL ASSETS (e.g., 529 Account)
Up to 47% (after certain allowances)	50% (after certain allowances)	20% (of all assets)	5.64% (maximum assessment of nonretirement assets) ³

1. Source: Does a 529 Plan Affect Financial Aid?, December 7, 2023, www.savingforcollege.com

2. Based on federal methodology for 2024-25 school year. Federal financial aid rules are subject to change. Please consult your financial professional for more information. To learn more about how SAI is calculated, see <https://fsapartners.ed.gov/sites/default/files/2022-11/202425DraftStudentAidIndexSAIandPellGrantEligibilityGuide.pdf.>

3. Protected amount for parental income is based on household size. Protected amount for parental assets is based on age and marital status and excludes primary residence and retirement accounts.

How do 529 Plans Compare to Other Vehicles?

	529 EDUCATION INVESTMENT PLAN	529 PREPAID TUITION PLAN	COVERDELL EDUCATION SAVINGS ACCOUNT	CUSTODIAL ACCOUNT (UGMA / UTMA)
TAX	State Tax Deductible	Yes, in most states	Yes, in many states	✗
	Tax-Deferred Growth Potential	✓	✓	✓
	Tax-Free Withdrawal On Qualified Expenses	✓	✓	✓
	Assets Removed from Donor's Estate ¹	✓	✓	✓
FLEXIBILITY	Participate Without Income Limit	✓	✓	✗
	Contribution Gift-Tax Free ²	✓	✓	✓
	No Age / Time Limit / Residency Requirement for Beneficiary ³	✓	✗	✗
	Distribution Applicable for K-12 Expenses	✓	✗	✓
	Ability to Change Beneficiary	✓	✓	✗
CONTROL	Investment Choices	Static or Age-based with limited rebalancing	Prepaid units	Self-directed
	Control of Account	Owner	Owner	Responsible individual until beneficiary reaches the age specified in the governing document
	Negative Impact on Financial Aid	Up to 5.64% of assets	Up to 5.64% of assets	Up to 5.64% of assets
	Allow Accelerated Gifting	✓	✓	20% of assets
			✗	✗

Source: U.S. Department of Education Federal Student Aid, Morgan Stanley Wealth Management Global Investment Committee.

1. The annual gift tax exclusion is available for transfers to UGMA/UTMA accounts, even though the child's enjoyment of the property is delayed. However, UGMA/UTMA transfers will be included in the donor's gross estate for estate tax purposes if the donor dies while serving as custodian.
2. The IRS permits the front-loading of up to five times the annual gift exclusion of \$19,000/\$38,000 (single/joint) per beneficiary. This process requires filing an IRS Form 709, and will exempt the gift from tax assuming no other gifts are made to that beneficiary during a five-calendar-year period.
3. The tax law limits qualified 529 withdrawals for eligible K-12 tuition to \$10,000 per beneficiary per year and state tax treatment will vary on a state-by-state basis. The state tax treatment of K-12 withdrawals is currently under review by many states.

Asset Growth by Investment Vehicle

Alternatives to 529 Plans Need a Much Higher Return to Place Client in Same After-Tax Position.

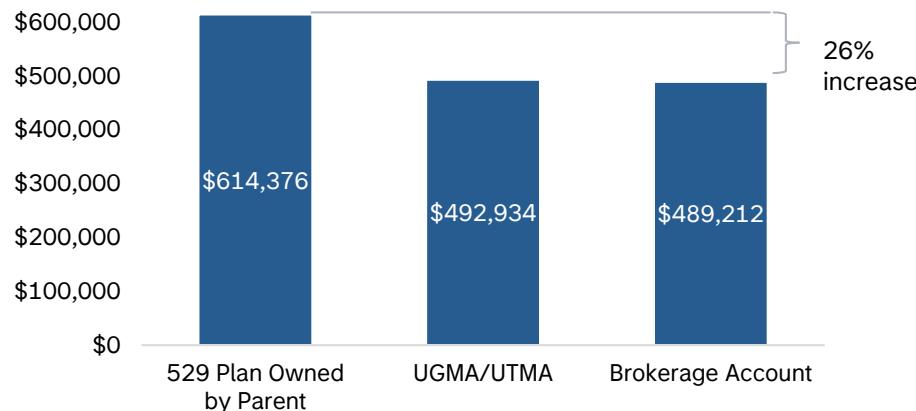
529 PLAN VS UGMA/UTMA AND BROKERAGE ACCOUNTS

- Highlights the value of the 529 plan's tax benefits and the importance of faster compound growth

Case Study: Investments for two beneficiaries, following an annual \$19,000 contribution into each account

- The 529 plan assets grew by 26% more than the other investment vehicles

ACCOUNT VALUE OF \$19,000 ANNUAL CONTRIBUTION AFTER 18 YEARS



Source: Morgan Stanley Wealth Management Global Investment Committee as of January 2025
 Assumptions: This illustration assumes an annual contribution of \$19,000 for 18 years. All accounts assume annualized portfolio return of GIC Model 3, with an annual growth rate of 5.79% in first 7 years and 5.90% from year 8 onwards. UGMA and UTMA are applied kiddie tax rate to capital gains: 10% below \$2,700, and parent's marginal tax rate of the amount over \$2,700. Brokerage account assumes an after-tax portfolio return with 38% investment tax rate. Actual results may vary.

TRUST-OWNED 529 PLAN VS OTHER INVESTMENTS IN THE TRUST

- While many trusts are established to help fund educational expenses, they are generally onerously taxed and can have drawbacks
- Trusts may own and invest in the Morgan Stanley National Advisory 529 Plan, thereby benefiting from both the advantages of a trust and the plan's significant tax savings, while maintaining the fiduciary role when in a 529 advisory account

CASE STUDY: GROWTH OF \$190,000 AFTER INVESTING FOR 15 YEARS



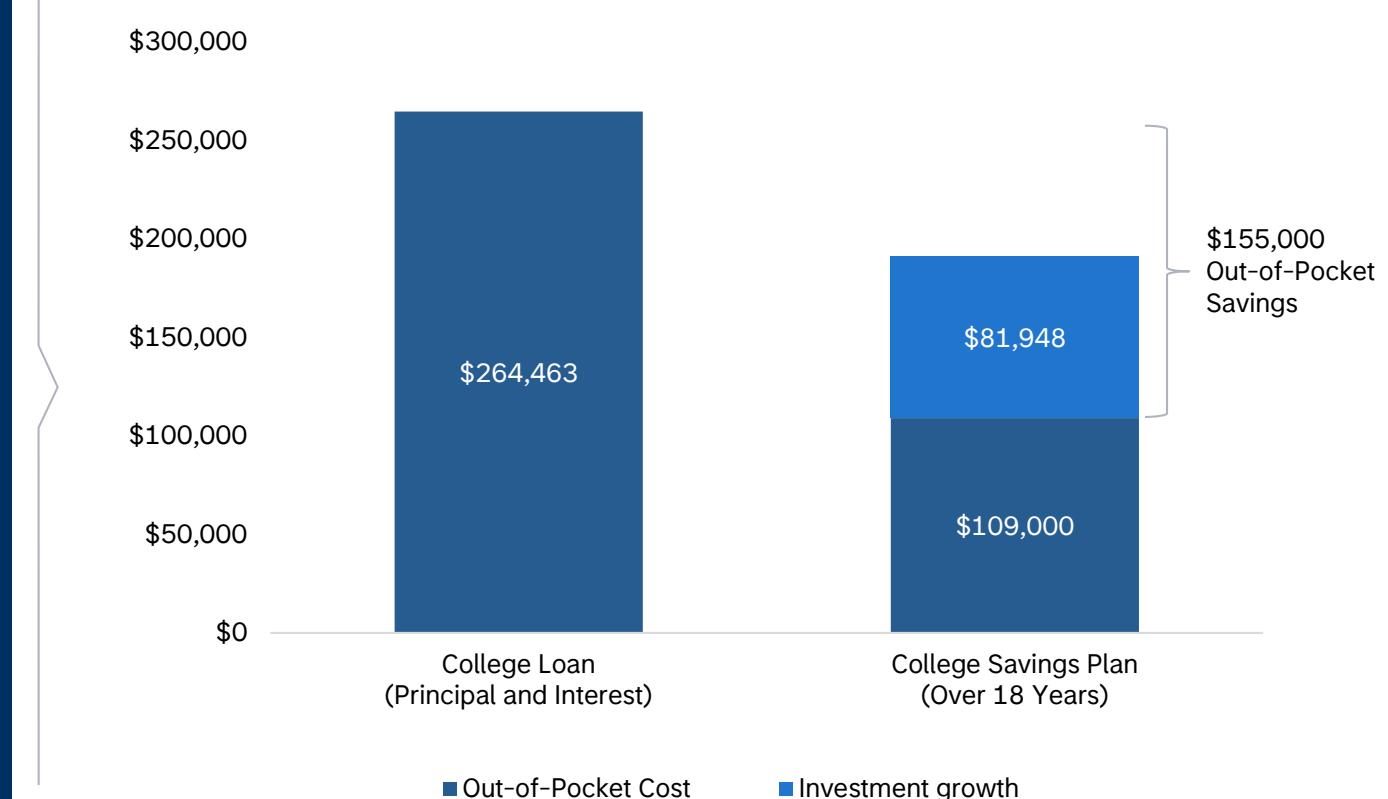
Source: Morgan Stanley Wealth Management Global Investment Committee as of January 2025
 Assumptions: This illustration assumes initial investment of \$190,000 and annualized before-tax portfolio return of GIC model 3, with an annual growth rate of 5.79% in first 7 years and 5.90% from year 8 onwards. 529 plan scenario transfers all assets to a 529 plan after initial four-year trust investment. Both scenarios assume a before-tax portfolio return of 5.90% (GIC model 3). Trust investment applies a 38% investment tax rate to portfolio growth. The entire investment horizon is 15 years.

Invest Now or Pay More Later

"Compound Interest is the 8th Wonder of the World. He Who Understands It, Earns It; He Who Doesn't, Pays It." — Attributed to Albert Einstein

CASE STUDY: INVEST NOW VS PAY LATER

- Investing in advance for college can mean significantly less in out-of-pocket costs than borrowing and paying back a college loan
- An initial investment of \$1,000 when your child is born and monthly contributions of \$500 over 18 years would add up to \$109,000
- Assuming a growth rate using GIC Model 3, those contributions grow to \$190,948 by college age
- With a 7% interest rate, borrowing the same amount would cost about \$264,463
- That makes the cost of borrowing to pay off an education after the fact \$155,000 more than the cost of investing for it in advance



Source: Morgan Stanley Wealth Management Global Investment Committee as of January 2025

Assumptions: The investing illustration assumes an initial lump-sum investment of \$1,000, and subsequent monthly investments of \$500 thereafter for 18 years. The annual portfolio assumes to follow GIC Model 3, with an annual growth rate of 5.79% in the first 7 years and 5.90% from year 8 onwards. The borrowing illustration assumes an interest rate of 7% and a payback period of 10 years. This is a hypothetical illustration; actual results may vary.

Advice Matters When Investing for Future Education Expenses

We can offer valuable expertise to help you incorporate an education savings and investment plan into your overall investment strategy:



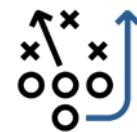
Project costs for private and public institutions, identify your education savings goals and explain your investment options



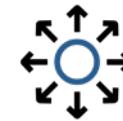
Select a plan, recommend an asset allocation and tailor a contribution schedule that may best meet your needs



Provide guidance on qualified versus non-qualified distributions, balancing your liquidity needs with potential tax implications



Take advantage of tax-smart gifting and estate planning opportunities



Navigate changing market and regulatory conditions to help maximize your education savings

Smarter Solutions for Your Education Funding Strategy

A RANGE OF 529 PLANS

A variety of investment options are available, including the **Morgan Stanley National Advisory 529 Plan** – a first-of-its-kind fiduciary 529 plan that leverages our intellectual capital

Additionally, we offer **over 25 other state-sponsored, advisor-guided 529 plans** from some of the nation's leading mutual fund companies, through brokerage accounts.



Whether you're investing to prepare for the future education expenses of a child, grandchild or someone else you love, we're here to provide guidance – while helping to minimize your tax liability and maintain your current lifestyle and long-term financial goals

Other considerations and benefits for the client

ADDITIONAL BENEFITS OF 529 PLANS

ASSET PROTECTION

529 plans may offer protection against certain creditors and judgements, as well as bankruptcy.

STATE TAX BENEFITS

State tax deductions or credits for various levels of contributions are available to residents of certain states.

TRUSTS

Trusts may own and invest in 529 accounts thereby helping to reduce the exposure to the onerous tax rates applicable to trusts.

FINANCIAL AID

529 accounts do not penalize the financial aid applicant as accounts owned by parents are treated similar to taxable investment accounts and grandparent accounts are not factored in at all.

UGMA/UTMA ELIGIBILITY

UGMAs and UTMAs are eligible to invest in 529 accounts.

SPECIAL NEEDS

529 accounts may be used with disabled family members and together with Special Needs Trusts (SNTs), with penalty-free Non-Qualified Withdrawals.

Morgan Stanley National Advisory 529 Plan

Morgan Stanley National Advisory 529 Plan

An Exclusive Offering for Morgan Stanley Clients.

As the first of its kind in the industry, the Morgan Stanley National Advisory 529 Plan is fully integrated into a comprehensive advisory relationship.

It allows you to benefit from fiduciary oversight of your education funding strategy within the context of your broader assets, portfolio and life goals



INDUSTRY-LEADING THOUGHT LEADERSHIP AND PORTFOLIO CONSTRUCTION

Goals-based asset allocation portfolios, guided by the Morgan Stanley Global Investment Committee, align with your unique time frame, risk profile and financial goals, and offer access to over 20 industry-leading investment managers



INTEGRATION INTO A GOALS-BASED TOTAL WEALTH PLAN

Manage your 529 account investments within a holistic advisory relationship and take advantage of integrated tax, risk management and estate planning benefits across your overall wealth strategy. Existing 529 Plan accounts can be transferred into the Morgan Stanley National Advisory 529 Plan¹



SOPHISTICATED ADVICE FROM YOUR TRUSTED MORGAN STANLEY TEAM

Work with your Financial Advisor or Private Wealth Advisor to invest for future education expenses within the context of your wealth plan, while navigating market conditions and other considerations

Neither the North Carolina State Education Assistance Authority or any other public entity guarantees the principal, earnings or value of any Plan account.

1. Rollovers are federally tax-free if reinvested into a new 529 plan within 60 days and clients are permitted one tax-free rollover per 12 months. Note, the state tax treatment may differ from the federal and if you've previously taken a state income tax deduction or credit for your 529 plan contributions, please review with your tax advisor whether your deduction or credit is subject to a recapture provision, which may require you to pay an additional state income tax based on the value of the state tax benefit you previously received from such deduction or credit.

Investments in a 529 Plan are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so an individual may lose money. Investors should review a Program Disclosure Statement, which contains more information on investment options, risks factors, fees and expenses and possible tax consequences. Investors should read the Program Disclosure Statement carefully before investing.

If an account owner or the beneficiary resides in or pays income taxes to a state that offers its own 529 college savings or pre-paid tuition plan (an "In-State Plan"), that state may offer state or local tax benefits. These tax benefits may include deductible contributions, deferral of taxes on earnings and/or tax-free withdrawals. In addition, some states waive or discount fees or offer other benefits for state residents or taxpayers who participate in the In-State Plan. An account owner may be denied any or all state or local tax benefits or expense reductions by investing in another state's plan (an "Out-of-State Plan"). In addition, an account owner's state or locality may seek to recover the value of tax benefits (by assessing income or penalty taxes) should an account owner rollover or transfer assets from an In-State Plan to an Out-of-State Plan. While state and local tax consequences and plan expenses are not the only factors to consider when investing in a 529 Plan, they are important to an account owner's investment return and should be taken into account when selecting a 529 plan.

The North Carolina State Education Assistance Authority (the "Authority") is an instrumentality of the State of North Carolina sponsoring the Morgan Stanley National Advisory 529 Plan, and the 529 Plan is a component of the Parental Savings Trust Fund established by the General Assembly of North Carolina. Neither the Authority, the State of North Carolina nor any other affiliated public entity or any other public entity is guaranteeing the principal or earnings in any account. Contributions or accounts may lose value and nothing stated herein, the 529 Plan Description and Participation Agreement or any other account documentation shall be construed to create any obligation of the Authority, the North Carolina State Treasurer, the State of North Carolina, or any agency or instrumentality of the State of North Carolina to guarantee for the benefit of any parent, other interested party, or designated beneficiary the rate of return or other return for any contribution to the Parental Savings Trust Fund and the 529 Plan. The Morgan Stanley National Advisory 529 Plan is a proprietary offering available exclusively to Morgan Stanley advisory account clients. Morgan Stanley Smith Barney LLC ("Morgan Stanley") is the manager of the 529 Plan and is responsible for its administration, distribution and investment management. The Plan is not transferable to other financial intermediaries. For more information, please see the applicable Morgan Stanley ADV brochure: www.ms.com/adv.

Key Features of the Morgan Stanley National Advisory 529 Plan

The Morgan Stanley National Advisory 529 Plan features the combination of tax-free growth and withdrawal potential,¹ flexible provisions, accelerated gifting advantages, estate tax benefits, attractive continuous control features, and versatility to address circumstances as they arise.

PLAN FEATURES



ACCOUNT MINIMUM AND MAXIMUM CONTRIBUTIONS

\$1,000 account minimum;
\$550,000 maximum account contribution limit



PLATFORM AVAILABILITY

Select UMA® Program



SINGLE ASSET-BASED FEE²

Advisory fee leveraging relationship-based pricing across entire household



INVESTMENT SELECTION

You and your Financial Advisor select an appropriate investment portfolio to address your goals, with the ability to change as your investment goals change



INVESTMENT OPTIONS

- 6 U.S. Focused Portfolios
- 6 Tactical Portfolios
- 1 Conservative Fixed Income Portfolio



STATE SPONSORSHIP

Nationwide plan sponsored by the North Carolina State Education Assistance Authority

1. Assets in a 529 plan potentially grow on a tax deferred basis and can generally be withdrawn federal income tax-free only if they are used to pay for qualified education expenses. Qualified expenses include tuition, fees, room and board, books and supplies at virtually any accredited post-secondary school. Effective for distributions made on or after January 1, 2018, the definition of qualified education expenses for federal income tax purposes expanded to include tuition for K-12 schools, as a result of the 2017 Tax Cuts and Jobs Act. The tax law limits qualified 529 withdrawals for eligible K-12 tuition to \$10,000 per beneficiary per year, and \$20,000 effective January 1, 2026.. Effective for distributions made on or after January 1, 2019, the definition of qualified higher education expenses for federal income tax purposes was expanded to include certain costs associated with qualifying apprenticeship programs and up to \$10,000 (lifetime limit per individual) in amounts paid towards qualified student loans of the 529 plan designated beneficiary (or such beneficiary's sibling). Note, however, using 529 plan distributions to repay qualified student loans may impact the deductibility of student loan interest. The state tax treatment of 529 plans (including the state tax treatment of distributions) may be different from the federal tax treatment and may vary based on the particular 529 plan in which you participate and your state of residence. If the applicable state tax law does not conform with the federal tax law, 529 plan distributions used to pay certain expenses, such as K-12 tuition expenses, principal and interest on qualified student loans and/or qualifying apprenticeship costs, may not be considered qualified expenses for state tax purposes and may result in adverse state tax consequences to the account owner or designated beneficiary. Non-qualified distributions of earnings will be subject to ordinary income tax and may be subject to a 10% federal income tax penalty. Many states allow a partial or full state income tax deduction or credit for 529 plan contributions to a 529 plan, but may limit the availability of such credit or deduction to only those contributions made to that state's sponsored 529 plan. As a result of the One Big Beautiful Bill Act (OBBBA) K-12 qualified expenses have expanded to include curriculum materials, books, online educational materials, and supplemental learning tools, tutoring and test prep, standardized test fees, dual enrollment fees, educational therapies and services for students with disabilities. For more information on the Morgan Stanley National Advisory 529 Plan, please see the program description and the applicable ADV brochure available at www.morganstanley.com/ADV.

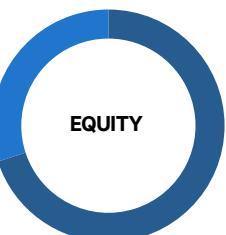
2. The annual fee, based on assets and billed monthly, covers a full range of investment services. The annual asset-based fee does not cover (1) the state administrative fee, (2) the cost of investment management fees and other expenses charged by Funds, or (3) any Morgan Stanley Wealth Management account establishment, maintenance or termination fees for Plans, which are set forth in the respective Plan account and fee documentation (which may change from time to time).

A Full Spectrum of Advice

Morgan Stanley National Advisory 529 Plan

Select from goals-based asset allocation portfolios to align with your unique time frame, risk profile, and education funding goals. Investment strategies are available in U.S. Focused or Tactical Portfolios.

- Fixed Income
- U.S. Equity
- International Equity



RISK LEVEL	CONSERVATIVE → AGGRESSIVE						
APPROPRIATE FOR INVESTORS WHO ...	Over 16	Over 16	13-15	11-12	9-10	6-8	0-5
COLLEGE SAVING AGE	Over 16	Over 16	13-15	11-12	9-10	6-8	0-5
	<ul style="list-style-type: none"> Seek liquidity to serve the needs of upcoming expenses. Short term time horizon. Aim for low volatility. 	<ul style="list-style-type: none"> Need to prioritize preservation of purchasing power over potential for higher returns. Do not rely on income or capital appreciation from their portfolio. Aim for low volatility. 	<ul style="list-style-type: none"> Seek to generate steady income. Do not seek high growth from their portfolio. Can absorb some volatility. 	<ul style="list-style-type: none"> Seek to generate some income and capital appreciation. Aim for moderate volatility. 	<ul style="list-style-type: none"> Seek to gain capital appreciation in line with market indices. Seek to generate income. Are able to tolerate moderate-to-high volatility. 	<ul style="list-style-type: none"> Seek to gain high capital appreciation and income. Are able to tolerate high volatility. 	<ul style="list-style-type: none"> Seek to gain high capital appreciation. Are able to tolerate high volatility.

Industry-Leading Thought Leadership and Portfolio Construction

Morgan Stanley National Advisory 529 Plan

With each of our 529 plan investment strategies, you have access to vast intellectual capital and layers of market intelligence from leading thinkers, including industry-leading investment managers and the firm's Global Investment Committee.

ASSET ALLOCATION

ACTIVE AND PASSIVE

MANAGER SELECTION

PORTFOLIO CONSTRUCTION & RISK MANAGEMENT

The blend of assets in your portfolio align with your goals while providing diversification across asset classes

We believe the right mix of active and passive managers can optimize fees and may beat single-style strategies

Our rigorous manager analysis and patented ranking process ensure managers meet our high quality standards

Complementary manager style mixes and weightings based on risk contributions helps improve the portfolios' risk-reward profile

Morgan Stanley National Advisory 529 Plan: Portfolio Options

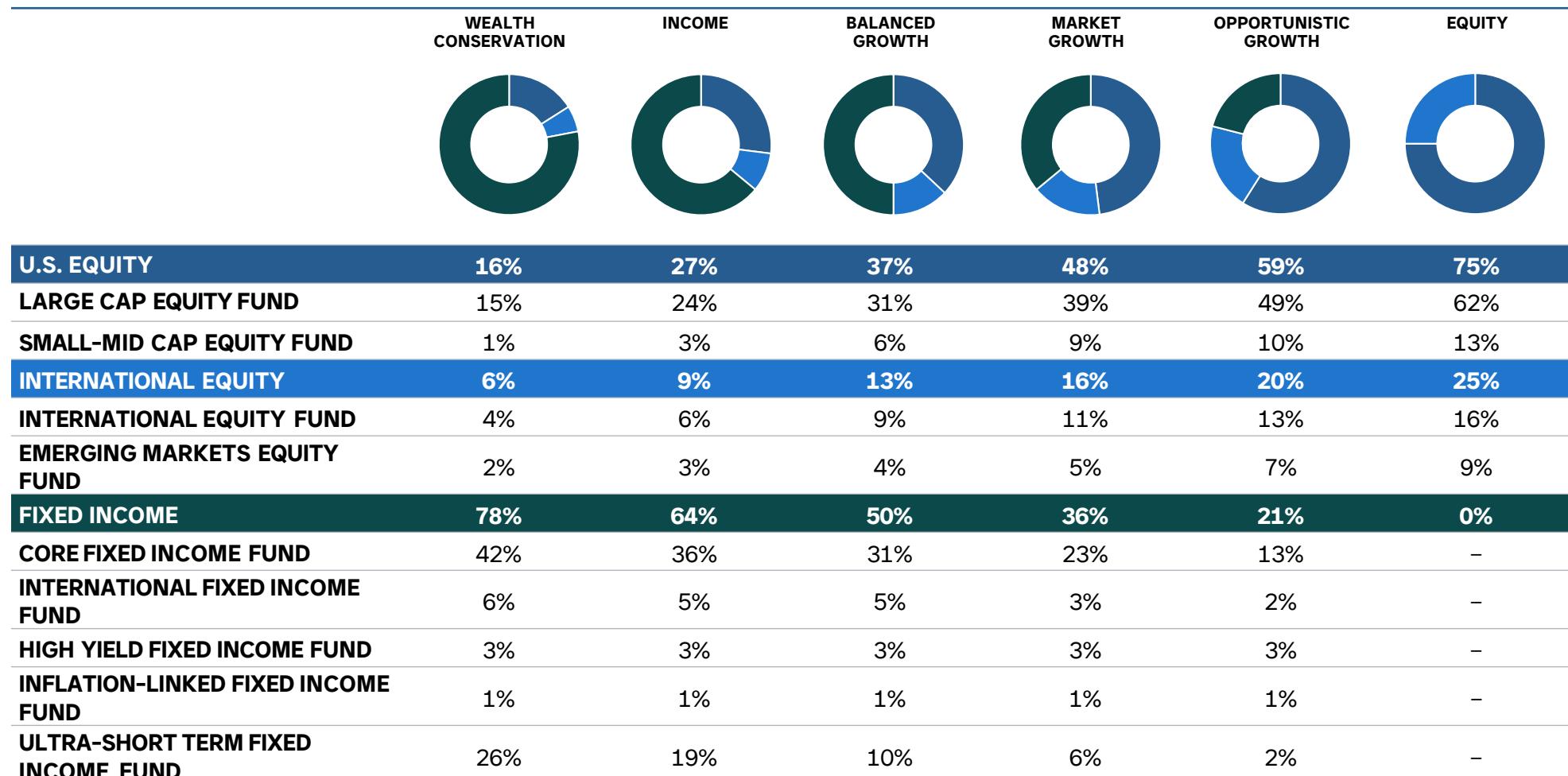
Choose from a Suite of Investment Strategies that Match Your Goals and Risk Tolerance

U.S. FOCUSED PORTFOLIOS	7-YEAR OUTLOOK based on current macro regime (business cycle, relative valuations, volatility and correlation trends)	ASSET CLASS REBALANCING 1X / YR	LONG-TERM TIME HORIZON	PORTFOLIO CONSTRUCTION FAVORS U.S. EQUITY OVER INTERNATIONAL EQUITY
TACTICAL PORTFOLIOS	1-YEAR OUTLOOK based on marginal changes in economic, geopolitical, fundamental, technical and near-term risk indicators	ASSET CLASS REBALANCING 3-4X / YR	SHORT-TERM TIME HORIZON	GLOBAL ASSET ALLOCATION
CONSERVATIVE FIXED INCOME	LIQUIDITY Is the primary objective of this portfolio to serve the needs of upcoming expenses	ASSET CLASS REBALANCING 1X / YR	SHORT-TERM TIME HORIZON	ALL FIXED INCOME

Asset Allocations Customized to Help Meet Your Goals

Morgan Stanley National Advisory 529 Plan

ASSET ALLOCATION FOR U.S.-FOCUSED PORTFOLIOS¹



1. Allocations are as of March 28, 2025, and are subject to change at any time without notice. Pie charts represent strategic allocations for all

Asset Allocations Customized to Help Meet Your Goals

Morgan Stanley National Advisory 529 Plan

ASSET ALLOCATION FOR GIC TACTICAL PORTFOLIOS¹

	WEALTH CONSERVATION	INCOME	BALANCED GROWTH	MARKET GROWTH	OPPORTUNISTIC GROWTH	EQUITY
U.S. EQUITY	15%	26%	35%	45%	54%	67%
LARGE CAP EQUITY FUND	13%	21%	29%	37%	45%	56%
SMALL-MID CAP EQUITY FUND	2%	5%	6%	8%	9%	11%
INTERNATIONAL EQUITY	6%	11%	16%	21%	26%	33%
INTERNATIONAL EQUITY FUND	4%	7%	10%	13%	16%	20%
EMERGING MARKETS EQUITY FUND	2%	4%	6%	8%	10%	13%
FIXED INCOME	79%	63%	49%	34%	20%	0%
CORE FIXED INCOME FUND	52%	43%	34%	24%	14%	–
INTERNATIONAL FIXED INCOME FUND	7%	5%	4%	3%	2%	–
HIGH YIELD FIXED INCOME FUND	2%	2%	2%	2%	1%	–
INFLATION-LINKED FIXED INCOME FUND	–	–	–	–	–	–
ULTRA-SHORT TERM FIXED INCOME FUND	18%	13%	9%	5%	3%	–

¹Allocations are as of April 16, 2025, and are subject to change at any time without notice. Pie charts represent tactical allocations for all portfolios

Asset Allocations Customized to Help Meet Your Goals

Morgan Stanley National Advisory 529 Plan

CONSERVATIVE FIXED INCOME¹



1. Allocations are as of March 31, 2025, and are subject to change at any time without notice. Pie charts represent tactical allocations for all portfolios

Institutional-Caliber Access Through Multi-Manager Funds

Morgan Stanley National Advisory 529 Plan

ASSET CLASS	FUND	STYLE / SUBSTYLE	CURRENT TARGET WEIGHT ¹
U.S. EQUITY			
	Blackrock	Passive Index ²	63%
LARGE CAP EQUITY FUND FOUR SUB-ADVISERS	ClearBridge	Large Growth, Traditional	8%
	Great Lakes	Large Value, Traditional	17%
	Principal	Large Growth, Traditional	12%
	Blackrock	Passive Index ²	40%
SMALL-MID CAP EQUITY FUND FOUR SUB-ADVISERS	AB	Small-Mid Value, Discount	20%
	Westfield	Small Growth, Traditional	23%
	Neuberger Berman	Small Value, Discount Value	17%
WORLD EQUITY			
INTERNATIONAL EQUITY FUND FIVE SUB-ADVISERS	Blackrock	Passive Index ²	25%
	Schroders	Growth Oriented (GARP) ³	18%
	Causeway	Value Oriented	28%
	BNY Walter Scott	Growth Oriented	19%
	Victory Trivalent	Small Cap Blend	10%
EMERGING MARKETS EQUITY FUND FOUR SUB-ADVISERS	Blackrock	Passive Index ²	35%
	Van Eck	Growth Oriented	17.5%
	Lazard	Value Oriented	17.5%
	Martin Currie	Core	30%
FIXED INCOME			
CORE FIXED INCOME FUND THREE SUB-ADVISERS	Allspring	Core Plus	40%
	Blackrock	Core Fixed	30%
	JP Morgan	Core Plus	30%
INTERNATIONAL FIXED INCOME FUND ONE SUB-ADVISER	PIMCO	International Core	100%
HIGH-YIELD FIXED INCOME FUND ONE SUB-ADVISER	PineBridge	High Yield	100%
INFLATION-LINKED FIXED INCOME FUND ONE SUB-ADVISER	PIMCO	Inflation Linked Global	100%
ULTRA-SHORT TERM FIXED INCOME FUND ONE SUB-ADVISER	PIMCO	Ultra-short Fixed Income Plus	100%

1. The allocations shown are target allocations as of March 31, 2025, and may not reflect the portfolio's current allocations

2. The passive index is the Russell 1000 Index for Large Cap Equity, and the Russell 2500 Index for Small-Mid Cap Equity. MSCI EAFE (net) for International Equity, and the MSCI Emerging Markets (net) for Emerging Markets Equity

3. Growth at a Reasonable Price

Disclosures

529 Plans - Investors should carefully read the Program Disclosure statement, which contains more information on investment options, risk factors, fees and expenses, and possible tax consequences before purchasing a 529 plan. You can obtain a copy of the Program Disclosure Statement from the 529 plan sponsor or your Financial Advisor. Assets can accumulate and be withdrawn federally tax-free only if they are used to pay for qualified expenses. Earnings on nonqualified distributions will be subject to income tax and a 10% federal income tax penalty. Contribution limits vary by state. Refer to the individual plan for specific contribution guidelines. Before investing, investors should consider whether tax or other benefits are only available for investments in the investor's home state 529 college savings plan. If an account owner or the beneficiary resides in or pays income taxes to a state that offers its own 529 college savings or pre-paid tuition plan (an "In-State Plan"), that state may offer state or local tax benefits. These tax benefits may include deductible contributions, deferral of taxes on earnings and/or tax-free withdrawals. In addition, some states waive or discount fees or offer other benefits for state residents or taxpayers who participate in the In -State Plan.

An account owner may be denied any or all state or local tax benefits or expense reductions by investing in another state's plan (an "Out-of-State Plan"). In addition, an account owner's state or locality may seek to recover the value of tax benefits (by assessing income or penalty taxes) should an account owner rollover or transfer assets from an In-State Plan to an Out-of-State Plan. While state and local tax consequences and plan expenses are not the only factors to consider when investing in a 529 Plan, they are important to an account owner's investment return and should be taken into account when selecting a 529 plan.

Morgan Stanley Smith Barney LLC ("Morgan Stanley") is the manager of the **Morgan Stanley National Advisory 529 Plan** and is responsible for its administration, distribution and investment management. Morgan Stanley does not provide tax and/or legal advice to investors in the 529 Plan. Investors should consult their personal tax advisor for tax-related matters and their attorney for legal matters. For more information please see the Morgan Stanley National Advisory 529 Plan Description and the applicable Morgan Stanley ADV brochure at www.morganstanley.com/adv.

The Morgan Stanley National Advisory 529 Plan is a proprietary offering available exclusively to Morgan Stanley advisory account clients. The Plan is not transferable to other intermediaries.

The Morgan Stanley National Advisory 529 Plan. The North Carolina State Education Assistance Authority (the "Authority") is an instrumentality of the State of North Carolina sponsoring the Morgan Stanley National Advisory 529 Plan, and the 529 Plan is a component of the Parental Savings Trust Fund established by the General Assembly of North Carolina. Neither the Authority, the State of North Carolina nor any other affiliated public entity or any other public entity is guaranteeing the principal or earnings in any account. Contributions or accounts may lose value and nothing stated herein, the 529 Plan Description and Participation Agreement or any other account documentation shall be construed to create any obligation of the Authority, the North Carolina State Treasurer, the State of North Carolina, or any agency or instrumentality of the State of North Carolina to guarantee for the benefit of any parent, other interested party, or designated beneficiary the rate of return or other return for any contribution to the Parental Savings Trust Fund and the 529 Plan.

The Morgan Stanley National Advisory 529 Plan Description contains more information on investment options, risk factors, fees and expenses, and potential tax consequences, which should be carefully considered before investing. Investors can obtain a 529 Plan Description from their Financial Advisor and should read it carefully before investing.

Investments in the 529 Plan are not FDIC-insured, nor are they deposits or guaranteed by a bank or any other entity, so an individual may lose money through such investments. Investors should consider many factors before deciding which 529 plan is appropriate. Some of these factors include: the plan's investment options and the historical investment performance of these options, the plan's flexibility and features, the reputation and expertise of the plan's investment manager, plan contribution limits and the federal and state tax benefits associated with an investment in the plan. Some states, for example, offer favorable tax treatment and other benefits to their residents only if they invest in the state's own qualified tuition program. Investors should determine their home state's tax treatment of 529 plans when considering whether to choose an in-state or out-of-state plan. Investors should consult with their tax or legal advisor before investing in any 529 plan or contact their state tax division for more information.

General Disclosures

Morgan Stanley Wealth Management ("MSWM", "Morgan Stanley" or "MSSB") is the trade name of Morgan Stanley Smith Barney LLC, a registered broker-dealer and investment adviser in the United States. This material is for educational purposes only and is not an offer or solicitation to buy, sell, or participate in any security or trading strategy. Past performance is not a guarantee of future results.

Morgan Stanley offers a range of brokerage and advisory services, which create different types of client relationships and obligations. Please consult with your Financial Advisor to understand these differences, or review our "[Understanding Your Brokerage and Investment Advisory Relationships](http://www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf)" brochure available at www.morganstanley.com/wealth-relationshipwithms/pdfs/understandingyourrelationship.pdf.

Asset allocation, diversification, rebalancing and dollar cost averaging do not guarantee a profit or protect against loss in declining markets. Past performance is no guarantee of future results and actual results may vary. Rebalancing strategies may also have tax consequences; investors should consult a qualified tax advisor before implementing such strategies.

Conflicts of Interest: As a diversified global financial services firm, Morgan Stanley engages in a broad range of activities, including financial advisory and investment management services; sponsoring and managing private investment funds; broker-dealer and principal securities transactions, commodities and foreign exchange transactions; and the publication of research, among other activities. In the ordinary course of its business, these activities may create situations where Morgan Stanley's interests may conflict with those of its clients, including the private investment funds it manages. Morgan Stanley can give no assurance that such conflicts of interest will be resolved in favor of its clients or any particular fund.

Indices are unmanaged and cannot be invested in directly. For index, indicator and survey definitions referenced in this report, please visit: www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

For more information, please refer to additional General Disclosures here: www.morganstanley.com/wealthbooks#general-disclosures.

Risks Associated With Investing

Investing in the markets entails the risk of market volatility. The value of all types of investments, including stocks, mutual funds, exchange-traded funds ("ETFs"), closed-end funds, and unit investment trusts, may increase or decrease over varying time periods. **Please carefully consider the investment objectives, risks, charges and expenses of investment fund(s) before investing. The fund prospectus contains this and other information about the fund(s). To obtain a prospectus, contact your financial advisor. Please read the prospectus carefully before investing.** There is no assurance that investment funds will achieve their investment objectives. Besides the general investment risk of holding securities that may decline in value and the possible loss of principal invested, closed-end funds may have additional risks related to declining market prices relative to net asset values (NAVs), active manager underperformance and potential leverage. To the extent the investments depicted herein represent **international securities**, you should be aware that there may be additional risks associated with international investing, including foreign economic, political, monetary and/or legal factors, changing currency exchange rates, foreign taxes, and differences in financial and accounting standards. These risks may be magnified in emerging markets and frontier markets. Some funds also invest in foreign securities, which may involve currency risk. **Equity securities** may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or cut payouts at any time. Small- and mid-capitalization companies may lack the financial resources, product diversification and competitive strengths of larger companies. In addition, the securities of **small- and mid-capitalization** companies may not trade as readily as, and be subject to higher volatility than, those of larger, more established companies. **Growth investing** does not guarantee a profit or eliminate risk. Growth stocks can trade at relatively high valuations which may increase risk compared with an investment in a company with more modest growth expectations. **Value investing** does not guarantee a profit or eliminate risk. Not all companies deemed value stocks are able to turn around their business or successfully execute corrective strategies, and their stock prices may not rise as initially expected.

The value of **fixed income securities** will fluctuate and, upon a sale, may be worth more or less than their original cost or value at maturity. Bonds are subject to interest rate risk, call risk, reinvestment risk, liquidity risk, and credit risk of the issuer. Yields may change with economic conditions and should be considered alongside other factors when making investment decisions. Credit ratings are subject to change. **High yield bonds** carry additional risks, including increased risk of default and greater volatility due to lower credit quality of the issues. In the case of **municipal bonds**, income is generally exempt from federal income taxes, though some income may be subject to state and local taxes and to the federal alternative minimum tax. Capital gains, if any, are subject to tax. **Treasury Inflation Protection Securities (TIPS)** adjust coupon payments and underlying principal to compensate for inflation in line with the consumer price index (CPI). While the real rate of return is guaranteed, TIPS typically offer lower returns and may significantly underperform conventional U.S. Treasuries during periods of low inflation. There is no guarantee that investors will receive par if TIPS are sold prior to maturity. The **Ultrashort-term fixed income** asset class consists of high-quality securities with very short maturities and is therefore still subject to the risks associated with debt securities such as credit and interest rate risk.

Money Market Funds: You could lose money in money market funds. Although government money market funds (defined as investing 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (defined as money market funds open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee doing so. The price of other money market funds will fluctuate, and when you sell shares they may be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, check writing or ATM debits. A money market fund investment is not insured or guaranteed by the Federal Deposit Insurance Corporation or other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund and investors should not expect that the sponsor will provide financial support to the Fund at any time.

Investing in **Commodities:** Commodity prices may be affected by factors such as supply and demand, government policies, domestic or international political and economic events (including war or terrorism), changes in interest and exchange rates, trading activity in commodities and related contracts, pestilence, technological developments, weather, price volatility, and liquidity constraints. Physical precious metals are speculative, non-regulated products that may experience short- and long-term price volatility. Precious metals do not make interest or dividend payments and therefore may not be appropriate for investors who require current income. Precious metals must be stored, which may impose additional costs on investors.

Master Limited Partnerships (MLPs): Investments in MLPs are subject to the risks generally applicable to companies in the energy and natural resources sectors, including commodity price fluctuations, supply

and demand imbalances, resource depletion and exploration risk. MLPs also carry interest rate risk and may underperform in rising interest rate environments. In addition, MLP funds accrue deferred income taxes on net operating gains and capital appreciation; as a result their after-tax performance could differ significantly from that of its underlying assets.

Exchange Funds are private placement vehicles that enable holders of concentrated single-stock positions to exchange those stocks for a diversified portfolio. Investors may benefit from greater diversification.

Alternative investments are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They are appropriate only for eligible, long-term investors willing to forgo liquidity and put capital at risk for an indefinite period. They are often illiquid, may employ leverage, short-selling, or other speculative practices that increase volatility and risk of loss, and may require large minimum investments and initial lock-ups. Alternative investments may also involve complex tax structures, tax-inefficient investing, and delays in distributing important tax documents. Clients should consult their own tax and legal advisors, as Morgan Stanley Wealth Management does not provide tax or legal advice. They also typically carry higher fees and expenses than traditional investments, which can reduce overall returns.

Sector investments, due to their narrow focus, tend to be more volatile than broadly diversified investments. **Non-diversified portfolios:** Portfolios that hold a concentrated number of securities may experience greater overall declines when those securities lose value compared with more diversified portfolios. Portfolios that invest heavily in one or a few industry sectors are more vulnerable to price fluctuations than those diversified across a wider range of sectors.

Environmental, Social and Governance (ESG) investments in a portfolio may experience performance that is lower or higher than a portfolio not employing such practices. Portfolios with ESG restrictions and strategies as well as ESG investments may not be able to take advantage of the same opportunities or market trends as portfolios where ESG criteria is not applied. There are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. Certain issuers of investments may have inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. ESG designations are as of the date of this material, and no assurance is provided that the underlying assets have maintained or will maintain any such designation or any stated ESG compliance. As a result, it is difficult to compare ESG investment products or to evaluate an ESG investment product in comparison to one that does not focus on ESG. Investors should also independently consider whether the ESG investment product meets their own ESG objectives or criteria. There is no assurance that an ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or a dependable measure of future results.

Buying, selling, and transacting in Bitcoin, Ethereum or other digital assets ("Digital Assets"), and related funds and products, is highly speculative and may result in a loss of the entire investment. Risks and considerations include but are not limited to: Digital Assets have only been in existence for a short period of time and historical trading prices for Digital Assets have been highly volatile. The price of Digital Assets could decline rapidly, and investors could lose their entire investment. Although any Digital Asset product and its service providers have in place significant safeguards against loss, theft, destruction and inaccessibility, there is nonetheless a risk that some or all of a product's Digital Asset could be permanently lost, stolen, destroyed or inaccessible by virtue of, among other things, the loss or theft of the "private keys" necessary to access a product's Digital Asset. Digital Assets may not have an established track record of credibility and trust. Further, any performance data relating to Digital Asset products may not be verifiable as pricing models are not uniform.

For more information, please refer to additional Risks Associated With Investing here: www.morganstanley.com/wealthbooks#risks-associated-with-investing.

Investment Advisory Programs

The sole purpose of this material is to inform, and it in no way is intended to be an offer or solicitation to purchase or sell any security, other investment or service, or to attract any funds or deposits. Investments mentioned may not be appropriate for all clients. MSWM offers investment program services through a variety of investment programs, which are opened pursuant to written client agreements. Each program offers investment managers, funds and features that are not available in other programs; conversely, some investment managers, funds or investment strategies may be available in more than one program. For more information, please see the Morgan Stanley Smith Barney LLC MSWM program disclosure brochure (the "Morgan Stanley ADV"). The Morgan Stanley ADV is available at www.morganstanley.com/ADV.

The Morgan Stanley Pathway Funds, Firm Discretionary UMA Model Portfolios, and other asset allocation or any other model portfolios that are discussed in this material are available only to investors participating in Morgan Stanley Consulting Group advisory programs. For additional information on the Morgan Stanley Consulting Group advisory programs, see the applicable ADV brochure, available at www.morganstanley.com/ADV or request from your Morgan Stanley Financial Advisor or Private Wealth Advisor. To learn more about the Morgan Stanley Pathway Funds, visit the Funds' website at www.morganstanley.com/wealth-investmentsolutions/cgcm.

Generally, investment advisory accounts are subject to an **annual asset-based fee** (the "Fee") which is payable monthly in advance (some account types may be billed differently). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor.

In addition, each account that is invested in a program that is eligible to purchase certain investment products, such as mutual funds, will also pay a **Platform Fee** (which is subject to a Platform Fee offset) as described in the Morgan Stanley ADV. Accounts invested in the Select UMA program may also pay a separate Sub-Manager fee, if applicable.

If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. **Fees and expenses are charged directly to the pool of assets** the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The advisory program you choose is described in the Morgan Stanley ADV.

Morgan Stanley or Executing Sub-Managers, as applicable, in some of Morgan Stanley's SMA programs may effect transactions through broker-dealers other than Morgan Stanley or our affiliates. In such instances, you may be assessed additional costs by the other firm in addition to the Morgan Stanley and Sub-Manager fees. Those costs will be included in the net price of the security, not separately reported

on trade confirmations or account statements. Certain Sub-Managers have historically directed most, if not all, of their trades to outside firms. Information provided by Sub-Managers concerning trade execution away from Morgan Stanley is summarized at: www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf. For more information on trading and costs, please refer to the **Morgan Stanley ADV** or contact your Financial Advisor / Private Wealth Advisor.

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MSWM, managers, MS & Co., and their affiliates receive compensation and fees in connection with these services. MSWM believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all these companies from an account.

Morgan Stanley charges each fund family we offer a **mutual fund support fee**, also called a "revenue-sharing payment," on client account holdings in fund families according to a tiered rate that increases along with the management fee of the fund so that lower management fee funds pay lower rates than those with higher management fees.

For more information, please refer to additional Investment Advisory Programs disclosures here: www.morganstanley.com/wealthbooks#investment-advisory-programs.

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Annuities and insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. Not all products and services discussed herein are available through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. Since life and long-term care insurance are medically underwritten, you should not cancel your current policy until your new policy is in force. A change to your current policy may incur charges, fees and costs. A new policy will require a medical exam. Surrender charges may be imposed and the period of time for which the surrender charges apply may increase with a new policy. You should consult with your own tax advisors regarding your potential tax liability on surrenders. Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY.

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Residential mortgage loans and home equity lines of credit are offered by MSPBNA, Member FDIC an Equal Housing Lender. Nationwide Mortgage Licensing System Unique Identifier #663185. **The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade, or carry eligible margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; or to make payments on any amounts owed under the note, loan agreement, or loan security agreement; and cannot be deposited into a MSSB or other brokerage account.** The pledged-asset feature allows eligible securities to be used as a substitute for a cash down payment. The pledged-asset feature allows eligible securities to be used as an alternative to a cash down payment. Clients must maintain collateral levels and may be subject to liquidation if requirements are not met. Interest-only and adjustable-rate mortgages (ARMs) carry specific risks, including payment increases and higher total interest costs. ARMs are based on the SOFR 30-Day Average. Relationship-based pricing is available based on eligible household assets held at the Firm.

Cards and Cash Management: Debit Cards offered through the Firm are issued by MSPBNA under license from Mastercard. American Express Cards offered through the Firm include the Platinum Card®, Blue Cash Preferred®, and the Morgan Stanley Credit Card. Eligibility requires an "Eligible Account" at the Firm. Cards are issued by American Express National Bank. Terms, conditions, and restrictions apply. The Greenlight App and Debit Card is provided by Greenlight Financial Technologies, not the Firm or any of its affiliates. The Morgan Stanley CashPlus is a brokerage account offered through MSSB. Conditions and restrictions apply. For more information, see the CashPlus Disclosure Statement.

Deposit Products and FDIC: Under the Bank Deposit Program, free credit balances held in an account(s) at Morgan Stanley Smith Barney LLC are automatically deposited into an interest-bearing deposit account(s) at FDIC-insured banks. Certain conditions must be met. For more information, view the Bank Deposit Program Disclosure Statement. The Savings and Preferred Savings Programs offer FDIC-insured deposit accounts at Morgan Stanley Private Bank, National Association, Member FDIC or Morgan Stanley Bank, N.A., Member FDIC. The Savings programs are not intended for clients who need to have frequent access to funds and those funds will not be automatically accessed to reduce a debit or margin loan in your brokerage account. Withdrawals are limited to 10 per calendar month, and excess withdrawals may incur fees. Promotional rates may be offered from time to time and are subject to change at any time.

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