# Wealth In Action

*Wealth in Action is a newsletter for subscribers passionate about building wealth. As many of you know, I am passionate about the power of financial literacy and economic empowerment. With the right information, continuing education, and access to the intellectual capital of Morgan Stanley, you will have the tools you need to potentially build your wealth. If you would like to refer someone to join this distribution, reply to this email. If you'd like to stay further connected, you can find me on* ***LinkedIn****. If you'd like to see past publications, you can view them on the* ***Content Library*** *tab on my website.*

## Carolina's Corner

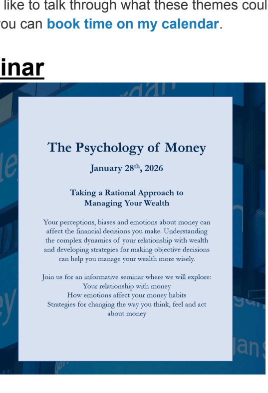
This month I want to highlight Morgan Stanley's quarterly publication, **Market Essentials**[1]. It highlights the most important market developments and explains what they may mean for long-term investors. From stock insights to bond insights, this will break down the key things to consider. You can **read** or **listen** to the latest publication.

Some of my key reflections from the **report**:

1. **Emotions & Market Volatility** - One of the clearest reminders from 2025 is how quickly the market's story can change. From January 1 to April 8 (the market bottom), the S&P 500 fell 15%. From April 8 to September 30, it rose 35.1%, and from September 30 to year-end it added another 2.7%. We cannot control the catalyst behind volatility, but we can control how we respond to it. I often come back to a simple question from client conversations last spring: Are we making a decision out of fear, or because it is best for the long-term plan? Staying intentional and disciplined matters, because emotional reactions can disrupt our ability to stay the course.
2. **The Magnificent 7 and S&P 500 concentration -** Another important takeaway is how much of the S&P 500's results came from a small group of companies. In 2025, the Magnificent 7 drove 43% of the index's total return and 51% of its earnings growth. This is a useful reminder that broad index returns can still be heavily influenced by a handful of names.
3. **Diversification** - It can be tempting to believe that an all-equity approach is the only route to strong long-term results, but the diversification case continues to show up in the data. In the report's long-term comparison (2000–2025), a diversified stock-and-bond portfolio finished ahead of a stocks-only alternative, even though there were plenty of periods along the way that were uncomfortable. Diversification is not about eliminating volatility. It is about building a steadier experience and improving the odds of staying invested through different market environments.

As always, I am one click away. If you would like to talk through what these themes could mean for your portfolio and long-term plan, you can **book time on my calendar**.

## Wealth Wednesday Webinar




Wealth Wednesday Webinar
February Topic: Plan for Your Future

Building wealth doesn't happen by accident. It requires clarity, coordination, and a long-term strategy.

Every month I host a Wealth Wednesday Webinar to share practical, high level insights on building generational wealth in a way that is accessible and actionable. This series will cover a variety of topics - **you can stay up to date on my website**.

This month we will discuss how to intentionally design your financial future.

Join this session to learn about:
- The importance and value of planning
- How thoughtful planning can help you achieve your goals
- How Morgan Stanley can help you

**Register to attend**

Feel free to share with anyone who values financial literacy and long term wealth.

## Ask Me Anything

*Each month, I'll answer one question I've received from readers—focused on practical, real-life wealth planning topics (e.g., retirement, navigating markets, saving, and planning ahead). My goal is to share helpful education in a simple, approachable way.*

***Have a question you'd like covered next?***
*Just* ***reply to this email*** *with your question. If your question is personal or situation-specific,* ***you can always book time on my calendar****.*

***This month's question:***
***How do I know if I have too much cash?***

***My answer:***
*This happens to be one of my favorite and most frequently asked questions.*

*Like many financial questions, the answer is not black and white. There are always tradeoffs to any financial decision you make.*

***You can start by defining the following:***
1. ***Your emergency savings number.***
2. ***Your "Comfort" number.***
3. ***Your financial goals with a timeline.***

***How to define your emergency savings number:***
- *Start with looking at how much money you are spending on an after-tax basis. What does your monthly cash flow look like? What do you need to maintain your lifestyle? If you lost your income today, what would your monthly burn rate be to keep the lights on?*
- *Multiply that number by six. You now have six months' worth of emergency savings. Everyone has different circumstances. Only you can define what your emergency number should be. Some of my clients target 3 months, some 6 months, some 9 months, and some 12 months. It ultimately depends on your individual circumstances.*

***How to define your comfort number:***
- *This is not a personal finance textbook number like an emergency savings number. Comfort is personal. Everyone has a different risk tolerance and appetite.*
- *For some of my clients, they have a "cash is king" mentality. Fine. Have your cash. But at least be intentional with it. By defining your personal comfort number, you are essentially setting your own benchmark. This allows you to define a boundary of how much cash you always want to have on hand, despite any market volatility. This puts you in a position of power. Lost your job? Market is down? That's okay, you have your comfort cash set aside.*

***How to define your financial goals with a timeline:***
- *If you don't have financial goals defined, I invite you to do so with a timeline in mind.*
- *For example - want to be a homeowner one day? Great. Write that down. What kind of home? What's your budget? What's your timeline? How much do you need to save on a monthly basis to achieve that number and how long will it take for you to get there?*
- *By defining the timeline, you can see whether or not it is appropriate to continue your cash holding, increase, or reduce.*
- *A mistake I have seen many do is they know they want to buy a house in a few years, so they invest 100% of their down payment in the market. The problem with that is you're essentially gambling your own purchasing power. As I mentioned earlier, there are trade-offs to every financial decision you make. This is why it is imperative to have a game plan and know your pros and cons.*

*After all of that, you now have a definition of how much cash you should have. If you have enough cash for your emergency savings, peace of mind number, and near term financial goals, anything in excess should be considered excess cash.*

*What to do with that excess cash? That's a whole different strategy. If you'd like to learn more,* ***you know where to find me****.*

## Podcast Picks

**Top 10 Policy Actions to Watch in 2026** | As we enter 2026, policy continues to drive markets more than ever before. Anticipated policy actions this year span political, economic, and regulatory domains, highlighting the interconnectedness of policy and market dynamics. **Listen to the webcast** or **click here to read our report**.

**The Alts Report** | From the field to the portfolio. Michael Gaviser, Head of Morgan Stanley Wealth Management's Private Markets & Portfolio Solutions, sits down with Michael Arougheti, CEO of Ares Management, to explore how sports investing extends beyond team ownership, alongside opportunities in real estate and infrastructure – and how investors are gaining access.

**A New Playbook for Equity Investors** | Our Chief Cross-Asset Strategist Serena Tang and senior leaders from Investment Management Andrew Slimmon and Jitania Kandhari unpack new investment trends from supportive monetary and fiscal policy and shifting market leadership.

## Planning to Win

**Are You Prepared for Tax Day?** | The countdown to Tax Day has begun. Here are some strategies to consider as the deadline approaches.

**6 Tax-Smart Strategies for Your Retirement** | Smart tax planning can help you save more for retirement and keep more of what you've already saved. Consider these tax-efficient retirement planning strategies.

**Strategies to Finance Your Business** | Growth could be within your grasp—if you can get the right financing.

## Timeless Thoughts

**5 Strategies to Navigate Market Volatility** | Market volatility, while unsettling, is a normal part of investing. Here are five strategies to help you navigate through it.

**Uncover 6 Ways to Reduce Your Tax Bill** | Examining your tax return may reveal opportunities to save money hidden between its lines. You may be surprised by what you find.

**Why Have a Goal is Key to Investing** | With a clear goal in mind, investors can create a realistic plan to achieve their objectives within a certain time frame.

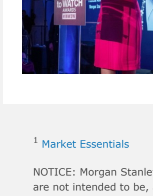
## The Classics

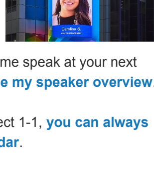
- **Investing 101**
- **Dollar-Cost Averaging vs. Lump-Sum Investing**
- **Understanding Social Security** & **When to Claim Social Security**
- **Equity Compensation**
- **Checklist: Countdown to Retirement**
- **401(k) Plans: Frequently Asked Questions**
- **10 Rules for Talking to Kids About Money**

## Working with Carolina

For those of you wondering what it looks like to work with me, I invite you to **take a look at my website** to learn more about the clients I love to represent.

If we have never met before, you can learn more about **what it looks like to work with me**.





If you would like to have me speak at your next event, **you can reference my speaker overview**.

If you would like to connect 1-1, **you can always book time on my calendar**.

[1] Market Essentials

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following: https://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By communicating with Morgan Stanley you acknowledge that you have read, understand and consent, (where applicable), to the foregoing and the Morgan Stanley General Disclaimers.

Please see our **Privacy Pledge** for details about how Morgan Stanley handles personal information.

If you would like to update your email preferences or unsubscribe from marketing emails from Morgan Stanley Wealth Management, you may do so **here**. Please note, you will still receive service emails from Morgan Stanley Wealth Management.

Not all products and services may be available to persons living outside of the United States.

This material has been prepared for informational purposes only. It does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Morgan Stanley Smith Barney LLC ("Morgan Stanley") recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Morgan Stanley Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

Morgan Stanley Smith Barney LLC offers a wide array of brokerage and advisory services to its clients, each of which may create a different type of relationship with different obligations to you. Please visit us at http://www.morganstanleyindividual.com or consult with your Financial Advisor to understand these differences.

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 should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trusts, estate planning, charitable giving, philanthropic planning or other legal matters.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

When Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, "Morgan Stanley") provide "investment advice" regarding a retirement or welfare benefit plan account, an individual retirement account or a Coverdell education savings account ("Retirement Account"), Morgan Stanley is a "fiduciary" as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the Internal Revenue Code of 1986 (the "Code"), as applicable. When Morgan Stanley provides investment education, takes orders on an unsolicited basis or otherwise does not provide "investment advice", Morgan Stanley will not be considered a "fiduciary" under ERISA and/or the Code. For more information regarding Morgan Stanley's role with respect to a Retirement Account, please visit www.morganstanley.com/disclosures/dol. Tax laws are complex and subject to change. Morgan Stanley does not provide tax or legal advice. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a Retirement Account, and (b) regarding any potential tax, ERISA and related consequences of any investments or other transactions made with respect to a Retirement Account.

The 529 Plan Program Disclosure contains more information on investment options, risk factors, fees and expenses, and potential tax consequences. Investors can obtain a 529 Plan Program Disclosure from their Financial Advisor and should read it carefully before investing. Investors should also consider whether tax or other benefits are only available for investments in your home state 529-college savings plan. 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. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for legal matters.

Private Bankers are employees of Morgan Stanley Private Bank, National Association, Member FDIC.

Asset Allocation does not assure a profit or protect against loss in declining financial markets. This event has been prepared for informational purposes only. It does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Morgan Stanley Smith Barney LLC ("Morgan Stanley") recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Morgan Stanley Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Past performance is no guarantee of future results.

Attendance at this Video Conferencing meeting is through direct invitation by Morgan Stanley Smith Barney LLC (Morgan Stanley).

All attendees should identify if anyone else is present with them at the start of the session so that the meeting organizer is aware of everyone in attendance. Attendees who are joining via a forwarded invitation from someone outside of Morgan Stanley should provide their full name and email address when attending the meeting or excuse themselves from this meeting.

All information, content, products and services discussed during the meeting are intended only for individuals accepted into the meeting and residing in states where the meeting organizer is registered. You may not record, reproduce, publish, or distribute any of the content or materials discussed and/or presented during the meeting without the express written consent of Morgan Stanley.

Any information or content shared by an attendee as a meeting participant (including but not limited to documents or applications) will be visible to all other attendees. Do not share information or content if you do not want it visible to other attendees.

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

**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**

Residential mortgage loans/home equity lines of credit are offered by Morgan Stanley Private Bank, National Association, an affiliate of Morgan Stanley Smith Barney LLC. With the exception of the pledged-asset feature, an investment relationship with Morgan Stanley Smith Barney LLC does not have to be established or maintained to obtain the residential mortgage products offered by Morgan Stanley Private Bank, National Association. All residential mortgage loans/home equity lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association. Rates, terms, and programs are subject to change without notice. Residential mortgage loans/home equity lines of credit may not be available in all states; not available in Guam, Puerto Rico and the U.S. Virgin Islands. Other restrictions may apply. The information contained herein should not be construed as a commitment to lend. Morgan Stanley Private Bank, National Association is an Equal Housing Lender and Member FDIC that is primarily regulated by the Office of the Comptroller of the Currency. 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 in a Morgan Stanley Smith Barney LLC or other brokerage account.**

This material contains forward looking statements and there can be no guarantees they will come to pass. The information and statistical data contained herein have been obtained from sources believed to be reliable but in no way are guaranteed by Morgan Stanley as to accuracy or completeness. There is no guarantee that any investments mentioned will be in each client's portfolio.

Alternative investments are often speculative and include a high degree of risk. Investors can lose all or a substantial amount of their investment. They may be highly illiquid, can engage in leverage, short-selling and other speculative practices that may increase volatility and the risk of loss, and may be subject to large investment minimums and initial lock-ups. They may involve complex tax structures, tax inefficient investing and delays in distributing important tax information. They may have higher fees and expenses than traditional investments, and such fees and expenses can lower the returns achieved by investors. Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Morgan Stanley Private Bank, National Association, and Morgan Stanley Bank, N.A. are affiliates of Morgan Stanley Smith Barney LLC, and are each a Member FDIC that is primarily regulated by the Office of the Comptroller of the Currency.

Consolidating accounts into a single IRA may not be right for everyone. There may be a number of options available to you. Each option offers advantages and disadvantages, depending on your particular facts and circumstances (including your financial needs and particular goals and objectives). The decision of what option to select is a complicated one and must take into consideration your total financial picture. To reach an informed decision, you should carefully consider the alternatives, the related tax and legal implications, fees and expenses, and the differences in services, and discuss the matter with your own independent legal and tax advisors. Tax laws are complex and subject to change. Morgan Stanley and its Financial Advisors do not provide tax or legal advice. Individuals should seek advice based on their particular circumstances from an independent tax advisor.

This communication contains links to third party websites that are not affiliated with Morgan Stanley. These links are provided only as a convenience. The inclusion of any link is not and does not imply an affiliation, sponsorship, endorsement, approval, investigation, verification or monitoring by Morgan Stanley of any information contained in any third party website. In no event shall Morgan Stanley be responsible for the information contained on that site or your use of or inability to use such site. Furthermore, no information contained in the site constitutes a recommendation by Morgan Stanley to buy, sell, or hold any security, financial product, particular account or instrument discussed therein. You should also be aware that the terms and conditions of such site and the site's privacy policy may be different from those applicable to your use of any Morgan Stanley website.

The guest speaker is neither an employee nor affiliated with Morgan Stanley Wealth Management. Opinions expressed by the guest speaker are solely their own and do not necessarily reflect those of Morgan Stanley. All opinions are subject to change without notice.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Diversification does not guarantee a profit or protect against loss in a declining financial market.

This material contains forward looking statements and there can be no guarantees they will come to pass. The information and statistical data contained herein have been obtained from sources believed to be reliable but in no way are guaranteed by Morgan Stanley as to accuracy or completeness. There is no guarantee that any investments mentioned will be in each client's portfolio.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

Morgan Stanley Smith Barney LLC ("Morgan Stanley") provides certain technology tools and services supported by artificial intelligence via an arrangement with OpenAI LLC ("OpenAI"), an unaffiliated third party. Morgan Stanley employees using such technology tools and services are bound by all applicable Morgan Stanley policies and procedures. Neither Morgan Stanley nor its affiliates are responsible any products or services offered by OpenAI on a basis separate from its arrangement with Morgan Stanley and any references to such in this material do not imply endorsement, sponsorship, or verification by Morgan Stanley.

Artificial intelligence (AI) is subject to limitations, and you should be aware that any output from an IA-supported tool or service made available by the Firm for your use is subject to such limitations, including but not limited to inaccuracy, incompleteness, or embedded bias. You should always verify the results of any AI-generated output.

The companies identified within are shown for illustrative purposes only and should not be deemed a recommendation to purchase or sell the companies mentioned.

Indices are unmanaged. An investor cannot invest directly in an index. For index, indicator and survey definitions referenced in this report please visit the following: https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

Morgan Stanley does not assist with buying or selling art in any way and merely provides information to clients interested in learning more about the different types of art markets at a high level. Any client interested in buying or selling art should consult with their own independent art advisor.

This material has been prepared for informational purposes only. It does not provide investment advice or any advice regarding the purchase and/or sale of any artwork. The information contained herein is from multiple sources deemed to be reliable but is not guaranteed and do not necessarily reflect the views, opinions or advice of Morgan Stanley Smith Barney LLC ("Morgan Stanley") or its affiliates. Morgan Stanley is not responsible for the information or data contained in this material. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. It is not a recommendation to purchase or sell artwork nor is it to be used to value any artwork. Investors must independently evaluate particular artwork, artwork investments and strategies, and should seek the advice of an appropriate third-party advisor for assistance in that regard, as Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide advice on artwork.

Direct Indexing may adversely impact account performance. There is no guarantee that Direct indexing will produce the desired tax results. Morgan Stanley 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. Morgan Stanley's investment advisory programs may require a minimum asset level and, depending on a client's specific investment objectives and financial position, may not be appropriate for the client. Please see the applicable program disclosure document for more information, available at www.morganstanley.com/ADV or from your Financial Advisor.

Any type of continuous or periodic investment plan does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider their financial ability to continue their purchases through periods of low price levels.

Buying, selling, and transacting in Cryptocurrencies, and related funds and products, is highly speculative and may result in a loss of the entire investment.
Physical precious metals are non-regulated products. Precious metals are speculative investments, which may experience short-term and long term price volatility. The value of precious metals investments may fluctuate and may appreciate or decline, depending on market conditions. Unlike bonds and stocks, precious metals do not make interest or dividend payments. Therefore, precious metals may not be appropriate for investors who require current income. Precious metals are commodities that should be safely stored, which may impose additional costs on the investor.

Morgan Stanley Smith Barney LLC does not accept appointments nor will it act as a trustee but it will provide access to trust services through an appropriate third-party corporate trustee.
Morgan Stanley at Work services are provided by Morgan Stanley Smith Barney LLC, member SIPC, and/or its affiliates, all wholly owned subsidiaries of Morgan Stanley.

Tax-loss harvesting. IRS rules stipulate that if a security is sold by an investor at a tax loss, the tax loss will not be currently usable if the investor has acquired (or has entered into a contract or option on) the same or substantially identical securities 30 days before or after the sale that generated the loss. This so-called "wash sale" rule is applied with respect to all of the investor's transactions across all accounts.

Life insurance, disability income insurance, and long-term care insurance are offered through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

The conversation in the podcast is solely intended as a case study between a client/prospective client with a Financial Advisor and is not intended to serve as individualized investment or financial advice. No portion should be construed as a recommendation to employ any of the guidance contained within this podcast. Each investor has their own unique facts and circumstances and must determine what is appropriate for their own situation. Participants in this podcast are not compensated and are not affiliated with Morgan Stanley.

This event has been prepared for informational purposes only. It does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. Morgan Stanley Smith Barney LLC ("Morgan Stanley") recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Morgan Stanley Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Past performance is no guarantee of future results.

Attendance at this Video Conferencing meeting is through direct invitation by Morgan Stanley Smith Barney LLC (Morgan Stanley).

All attendees should identify if anyone else is present with them at the start of the session so that the meeting organizer is aware of everyone in attendance. Attendees who are joining via a forwarded invitation from someone outside of Morgan Stanley should provide their full name and email address when attending the meeting or excuse themselves from this meeting.

All information, content, products and services discussed during the meeting are intended only for individuals accepted into the meeting and residing in states where the meeting organizer is registered. You may not record, reproduce, publish, or distribute any of the content or materials discussed and/or presented during the meeting without the express written consent of Morgan Stanley.
Any information or content shared by an attendee as a meeting participant (including but not limited to documents or applications) will be visible to all other attendees. Do not share information or content if you do not want it visible to other attendees.

Morgan Stanley Wealth Management
2000 Westchester Avenue, Purchase, NY 10577-2530 USA

©2023 Morgan Stanley Smith Barney LLC. Member SIPC.