

## THE MORGAN STANLEY NATIONAL ADVISORY 529 PLAN

### *Investing in Education Within a Goals-Based Wealth Strategy*



As the first and only of its kind in the industry, the **Morgan Stanley National Advisory 529 Plan** is fully integrated into your comprehensive advisory relationship. That integration offers powerful advantages.

It allows you to benefit from fiduciary oversight of your education funding strategy within the context of your broader assets, portfolio and life goals for a single asset-based fee covering your entire advisory relationship<sup>1</sup>—all powered by the vast resources of Morgan Stanley.

#### WHY THE MORGAN STANLEY NATIONAL ADVISORY 529 PLAN?

##### **Morgan Stanley Global Investment Committee best ideas for investment portfolios:**

Offering goals-based asset allocation portfolios, to address your unique time frame, risk profile and investment goals, using over 20 different underlying institutional-caliber fund managers to include our idea of a “Best of Breed” line-up

##### **Integration into goals-based total wealth plan:**

Managing your education investments within a holistic advisory relationship allows you to take advantage of potential tax benefits and synergies across your entire advisory account relationship, while enabling you to track progress toward your goals

##### **Sophisticated advice from your trusted Financial Advisor:**

Your Financial Advisor or Private Wealth Advisor can offer comprehensive guidance to help you invest for future education expenses within the context of your overall wealth strategy, while navigating market volatility and other considerations

#### KEY FACTS

**Account Minimum:** \$1,000 minimum

**Maximum Contribution Limit:** \$500,000

**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

**Platform Availability:** Select UMA® Program

**Investment Options:**

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

## A SMARTER WAY TO PAY FOR SCHOOL

529 Plans are flexible investment accounts with benefits beyond helping pay for your loved one's education:



### Income Tax Advantages

Once you fund a 529 account, the potential growth of that money is generally tax-free. And it can generally be distributed tax-free if it's used to pay for qualified education expenses.<sup>2</sup>



### Flexibility

529 plans are notable for their flexibility – with no income, age, nor time limits, no minimum distributions, no state residency requirements, no limits on who can benefit or contribute,<sup>3</sup> high contribution limits, and a variety of qualifying expenses.



### Control and Versatility

Unlike other vehicles, as the account owner, you—not the beneficiary—retain control over the assets in a 529 plan, and can change the beneficiary, withdraw funds for any purpose or even close the account at any time.<sup>4</sup> Protection from bankruptcy and certain other creditors may also be available.



### Estate Planning

Because contributions to a 529 plan are generally excluded from a donor's gross taxable estate calculation,<sup>5</sup> they can generally be used to move money from the contributor's taxable estate to beneficiaries federal estate tax-free, without ever losing control.



### The Power of Compounding

The tax advantages, particularly when combined with special features like accelerated gifting, lead to faster growth and more robust family legacies.

## INVEST FOR THE FUTURE



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

The combination of tax-free growth and withdrawal potential,<sup>2</sup> flexible provisions, accelerated gifting advantages, estate tax benefits, attractive continuous control features, and versatility to address any circumstances as they arise make the Morgan Stanley National Advisory 529 Plan an education investment vehicle of choice.

**Speak with your Morgan Stanley Financial Advisor or Private Wealth Advisor for more information.**

## Asset Allocations Customized to Meet Your Goals

Asset allocations guided by the Morgan Stanley Global Investment Committee (GIC)

### U.S.-FOCUSED ASSET ALLOCATION MODELS

	WEALTH CONSERVATION	INCOME	BALANCED GROWTH	MARKET GROWTH	OPPORTUNISTIC GROWTH	EQUITY
<b>U.S. Equity</b>	<b>20%</b>	<b>28%</b>	<b>37%</b>	<b>45%</b>	<b>55%</b>	<b>70%</b>
Large Cap Equity Fund	15%	21%	27%	31%	40%	51%
Small-Mid Cap Equity Fund	5%	7%	10%	14%	15%	19%
<b>International Equity</b>	<b>9%</b>	<b>12%</b>	<b>16%</b>	<b>20%</b>	<b>23%</b>	<b>30%</b>
International Equity Fund	7%	8%	11%	15%	17%	22%
Emerging Markets Equity Fund	2%	4%	5%	5%	6%	8%
<b>Fixed Income</b>	<b>71%</b>	<b>60%</b>	<b>47%</b>	<b>35%</b>	<b>22%</b>	<b>0%</b>
Core Fixed Income Fund	41%	34%	28%	21%	12%	–
International Fixed Income Fund	6%	5%	4%	3%	2%	–
High Yield Fixed Income Fund	2%	2%	4%	4%	4%	–
Inflation-Linked Fixed Income Fund	1%	1%	1%	1%	1%	–
Ultra-Short Term Fixed Income Fund	21%	18%	10%	6%	3%	–
<b>Total Annual Investment Option Fee<sup>i</sup></b>	<b>0.73%</b>	<b>0.73%</b>	<b>0.73%</b>	<b>0.72%</b>	<b>0.72%</b>	<b>0.69%</b>

### GIC TACTICAL ASSET ALLOCATION MODELS

	WEALTH CONSERVATION	INCOME	BALANCED GROWTH	MARKET GROWTH	OPPORTUNISTIC GROWTH	EQUITY
<b>U.S. Equity</b>	<b>14%</b>	<b>21%</b>	<b>29%</b>	<b>38%</b>	<b>43%</b>	<b>54%</b>
Large Cap Equity Fund	10%	17%	22%	28%	33%	43%
Small-Mid Cap Equity Fund	4%	4%	7%	10%	10%	11%
<b>International Equity</b>	<b>11%</b>	<b>18%</b>	<b>24%</b>	<b>30%</b>	<b>37%</b>	<b>46%</b>
International Equity Fund	8%	12%	17%	21%	26%	32%
Emerging Markets Equity Fund	3%	6%	7%	9%	11%	14%
<b>Fixed Income</b>	<b>75%</b>	<b>61%</b>	<b>47%</b>	<b>32%</b>	<b>20%</b>	<b>0%</b>
Core Fixed Income Fund	37%	32%	26%	20%	15%	–
International Fixed Income Fund	6%	5%	4%	2%	2%	–
High Yield Fixed Income Fund	4%	4%	4%	4%	3%	–
Inflation-Linked Fixed Income Fund	1%	1%	1%	1%	–	–
Ultra-Short Term Fixed Income Fund	27%	19%	12%	5%	–	–
<b>Total Annual Investment Option Fee<sup>i</sup></b>	<b>0.75%</b>	<b>0.75%</b>	<b>0.74%</b>	<b>0.74%</b>	<b>0.73%</b>	<b>0.72%</b>

### CONSERVATIVE FIXED INCOME

<b>Fixed Income</b>	<b>100%</b>
Core Fixed Income Fund	30%
Ultra-Short Term Fixed Income Fund	70%
<b>Total Annual Investment Option Fee<sup>i</sup></b>	<b>0.72%</b>

U.S. Focused Allocations as of 4/9/21, Tactical Asset Allocation as of 6/4/21 and are subject to change at any time without notice. Pie charts represent respective asset allocations.

i. "Total Annual Investment Option Fee" means the weighted average of expenses associated with the Investment Option's underlying funds, the Morgan Stanley 529 Funds.

## Institutional-Caliber Access Through Multi-Manager Funds

Asset Class	Fund	Style / Substyle	Current Target Weight <sup>i</sup>
<b>U.S. EQUITY</b>			
<b>Large Cap Equity Fund</b> Six Sub-Advisers	Blackrock	Passive Index <sup>ii</sup>	55%
	Lazard	Large Core, Value Oriented	9%
	ClearBridge	Large Growth, Traditional	10%
	Columbia	Large Growth, Aggressive	8%
	Delaware	Large Value, Traditional	13%
	Lyrical	Large Value, Discount Value	5%
<b>Small-Mid Cap Equity Fund</b> Six Sub-Advisers	Blackrock	Passive Index <sup>ii</sup>	42%
	Aristotle	Small Mid Core, Value Oriented	15%
	DF Dent	Mid Growth, Traditional	10%
	Nuance	Mid Value, Traditional	12%
	Westfield	Small Growth, Traditional	10%
	Neuberger Berman	Small Value, Discount Value	11%
<b>WORLD EQUITY</b>			
<b>International Equity Fund</b> Six Sub-Advisers	Blackrock	Passive Index <sup>ii</sup>	25%
	Schroders	Growth Oriented (GARP) <sup>iii</sup>	18%
	Causeway	Value Oriented	28%
	BNY Walter Scott	Growth Oriented	19%
	Victory Trivalent	Small Cap Blend	10%
<b>Emerging Markets Equity Fund</b> Three Sub-Advisers	Blackrock	Passive Index <sup>ii</sup>	35%
	Van Eck	Growth Oriented	17.5%
	Lazard	Value Oriented	17.5%
	Martin Currie	Core	30%
<b>FIXED INCOME</b>			
<b>Core Fixed Income Fund</b> Three Sub-Advisers	Blackrock	Core Fixed	33%
	MetWest	Core Plus	33%
	Western	Core Plus	34%
<b>International Fixed Income Fund</b> One Sub-Adviser	PIMCO	International Core	100%
<b>High-Yield Fixed Income Fund</b> Two Sub-Advisers	PineBridge	High Yield	50%
	Western	High Yield	50%
<b>Inflation-Linked Fixed Income Fund</b> One Sub-Adviser	PIMCO	Inflation Linked Global	100%
<b>Ultra-short Term Fixed Income Fund</b> One Sub-Adviser	PIMCO	Ultra-short Fixed Income Plus	100%

i. The allocations shown are target allocations as of March 2021, and may not reflect the portfolio's current allocations.

ii. The passive index is the Russell 1000 Index for Large Cap Equity, and the Russell 2500 Index for Small-Mid Cap Equity.

iii. Growth at a Reasonable Price

## Footnotes

1. 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).
2. 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 new 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.
3. Beneficiaries must have a Social Security Number or Taxpayer Identification Number, and some plans may have certain limitations.
4. Nonqualified distributions of earnings are subject to ordinary income tax and may be subject to a 10% penalty tax. Unlike traditional 529 accounts, UGMA/UTMA 529 accounts belong to the custodian until the minor reaches the age of majority.
5. Contributions to a 529 plan are excluded from a donor's gross estate calculation, unless you name yourself as beneficiary.

## IMPORTANT DISCLOSURES

**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.

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.

Morgan Stanley Smith Barney LLC ("Morgan Stanley") is the manager of the 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 applicable Morgan Stanley ADV brochure at [www.ms.com/adv](http://www.ms.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.