

Realize Wealth Management Group at Morgan Stanley

Spring 2025

ARON D HUDDLESTON, CFA®
MANAGING DIRECTOR
FINANCIAL ADVISOR
SENIOR PORTFOLIO MANAGEMENT
DIRECTOR
FAMILY WEALTH DIRECTOR
ALTERNATIVE INVESTMENTS DIRECTOR
PH: 402-399-6190
NMLS# 1514388
ARON.HUDDLESTON@MORGANSTANLEY.COM

ANDREW JACOBITZ, CFA®
SENIOR VICE PRESIDENT
FINANCIAL ADVISOR
SENIOR PORTFOLIO MANAGEMENT
DIRECTOR
PH: 402-399-6196
NMLS# 1848713
ANDREW.JACOBITZ@MORGANSTANLEY.COM

**NICK NALBACH, CFP®, CIMA®,
CPWA®**
ASSOCIATE VICE PRESIDENT
FINANCIAL ADVISOR
SENIOR PORTFOLIO MANAGER
FINANCIAL PLANNING SPECIALIST
PH: 402-399-6195
NMLS# 1789391
NICK.NALBACH@MORGANSTANLEY.COM

ROBERT FORREST, CFP®, CAP®
FINANCIAL ADVISOR
PORTFOLIO MANAGER
PH: 402-399-6197
NMLS# 177955
ROBERT.FORREST@MORGANSTANLEY.COM

CHRISTINA LARGE
VICE PRESIDENT
GROUP DIRECTOR
PH: 402-399-6192
CHRISTINA.LARGE@MORGANSTANLEY.COM

CATHLEEN MORRISON
PORTFOLIO ASSOCIATE
PH: 402-399-6194
CAT.MORRISON@MORGANSTANLEY.COM

JACKIE MOCKELSTROM
CLIENT SERVICE ASSOCIATE
PH: 402-399-6198
JACKIE.MOCKELSTROM@MORGANSTANLEY.COM

ANDREW WEGNER, CFA®*
WEALTH MANAGEMENT ANALYST
PH: 402-399-6191
ANDREW.WEGNER@MORGANSTANLEY.COM
*This role cannot solicit or provide investment advice.

13625 CALIFORNIA ST
SUITE 400
OMAHA, NE 68154

DIRECT: (402) 399-6194
TOLL-FREE: (800) 228-3309

Market Insights: Navigating Volatility with Perspective

By: Aron Huddleston, CFA® & Andy Jacobitz, CFA®



Stock markets around the world have been experiencing significant declines, driven largely by uncertainty surrounding tariffs and fears of retaliatory measures. Markets are grappling with how tariffs may impact company profits, and there is growing concern that consumers could reduce spending. This combination could slow overall economic growth – or even tip the economy into a recession.

Given the surge in volatility following April 2nd's tariff announcements, we wanted to take a moment to share our perspective. Below, we offer some thoughts and provide a historical lens on market drawdowns to help put recent movements into context.

Short-Term Swings, Long-Term Perspective

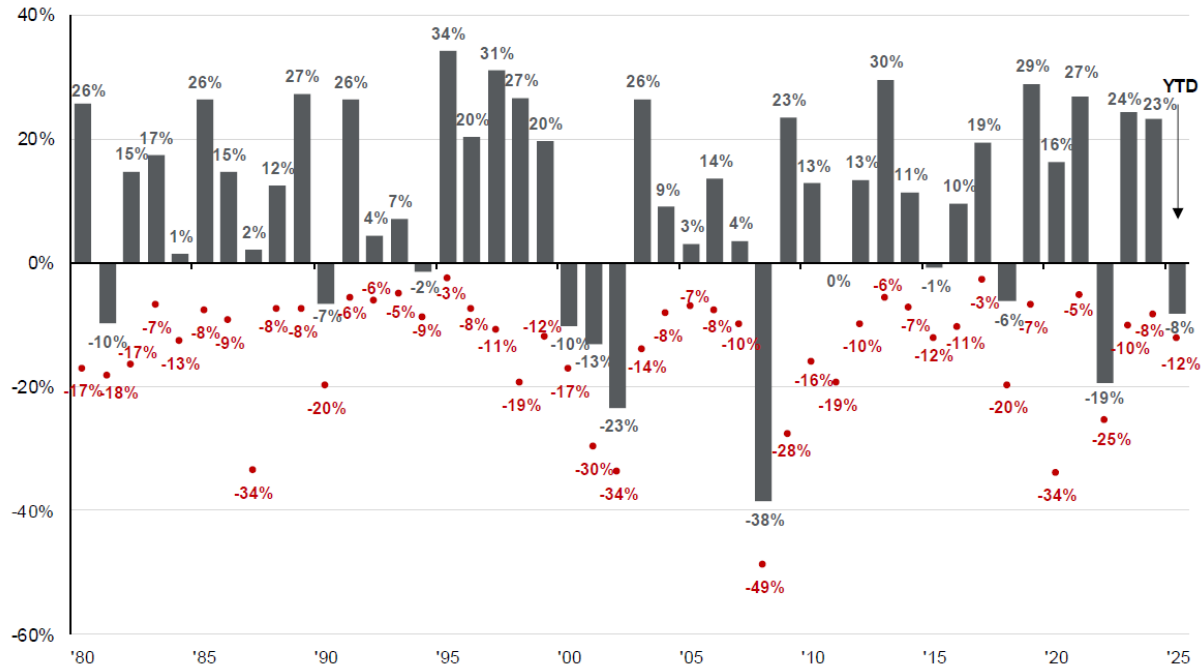
While recent market swings can feel unsettling, it's important to take a step back and view them in a historical context. Since 1980, the S&P 500 index has declined by an average of 14.1%⁽¹⁾ from its high to its low each year, as illustrated in the chart from JPMorgan on the following page. (The bars reflect the market's total annual returns, and the red dots mark the year's largest drop.) As of the close on Tuesday, April 8th, the index was down 18.9% from its February 19th high – slightly more than the historical average.

Drawdowns like this are far from unusual and serve as a poor indicator of an entire year's stock market performance, as 34 of the 45 years shown in the chart below still finished in positive territory – even after experiencing intra-year drops. The reason for the selloff is always different, but the catalysts often get resolved, and strong companies tend to adapt, survive, and even thrive. This is a great reminder that short-term volatility is the “cost” we pay for the potential higher long-term returns that stocks have historically delivered.

Continued on next page...

S&P intra-year declines vs. calendar year returns

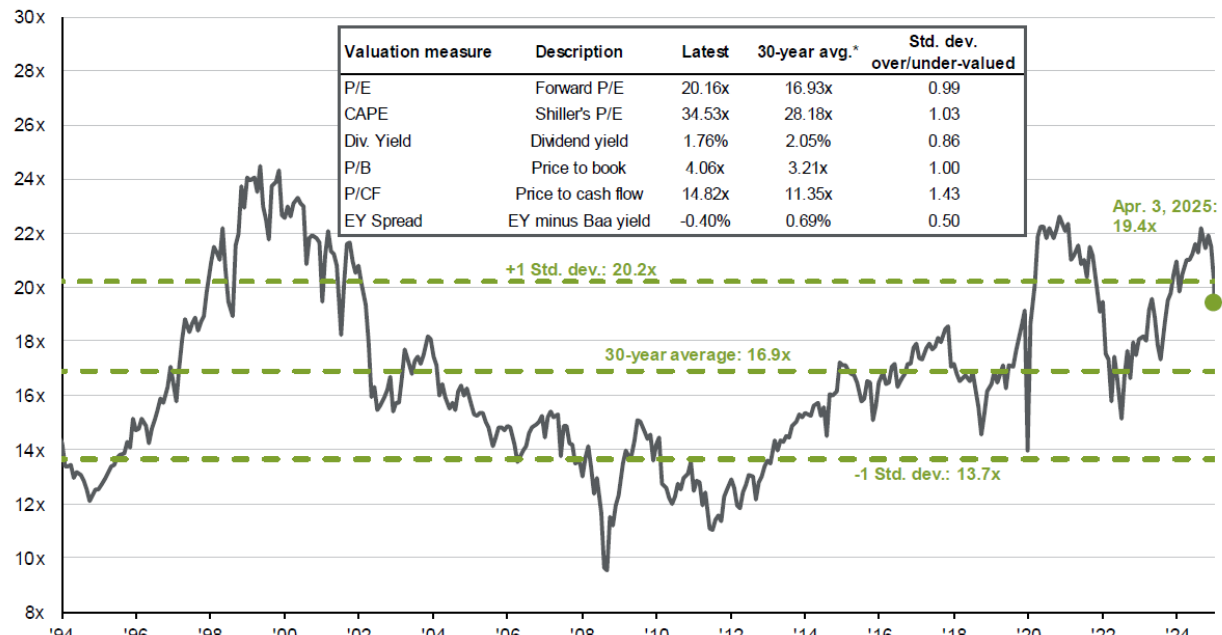
Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which the average annual return was 10.6%. Guide to the Markets - U.S. Data are as of April 3, 2025.

J.P.Morgan
ASSET MANAGEMENT

S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1994 and by FactSet since January 2022. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Bloomberg US corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability. Guide to the Markets - U.S. Data are as of April 3, 2025.

J.P.Morgan
ASSET MANAGEMENT

Continued on next page...

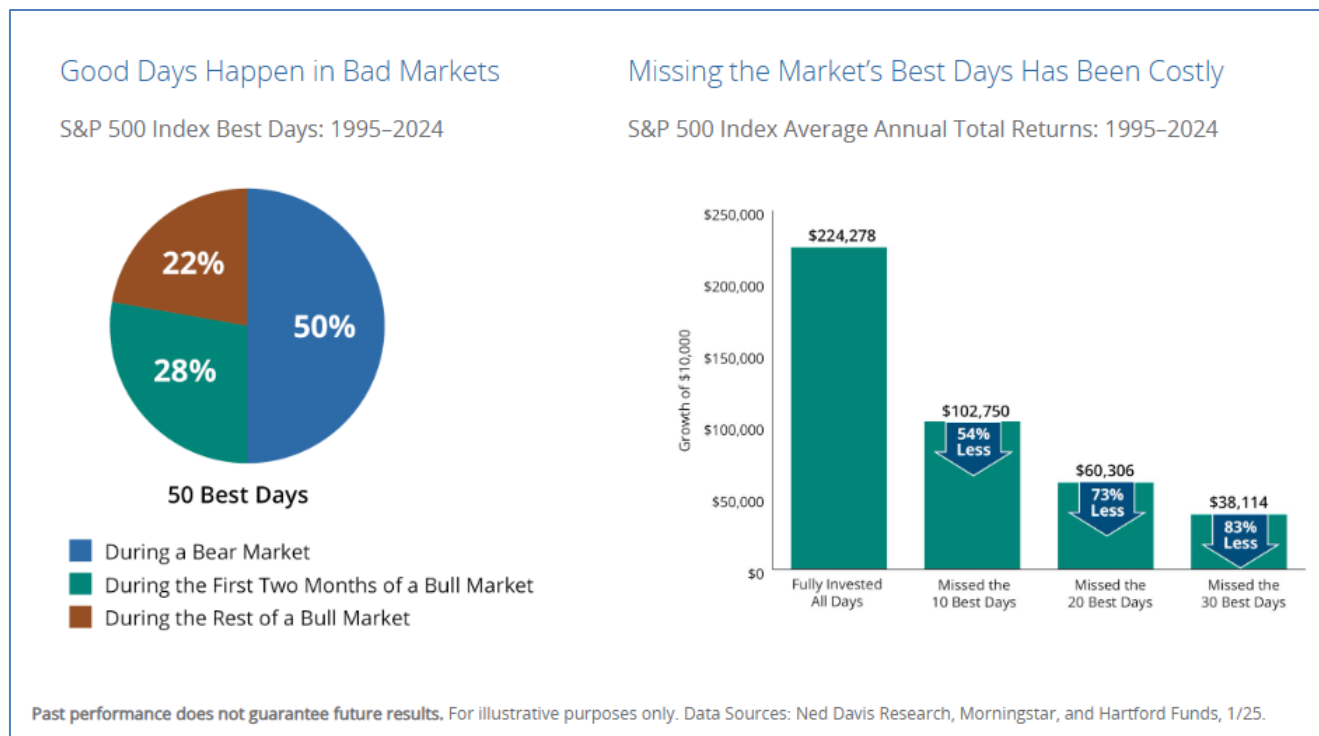
Earnings, Valuations, and Opportunity

As we anticipated, the “Magnificent 7” stocks have been hit the hardest - largely due to their elevated valuations and the blistering growth expectations priced into these mega-cap companies, particularly around perceived opportunities in Artificial Intelligence. In prior newsletters, we cautioned against chasing returns in these stocks, and it appears that some of our concerns have now been validated. These companies also tend to be more exposed to tariffs and foreign trade, with roughly half of their earnings come from abroad ⁽²⁾.

As these 7 stocks have declined in value, valuations for the broader S&P have begun trending back toward levels more in line with historical norms. In the chart from JPMorgan on the previous page, you’ll see that the S&P 500 price-to-earnings (P/E) ratio has dropped to 19.4x, down from above 22x. As markets and valuations continue to come down, we believe reasonable buying opportunities can be found throughout markets. This is why our team pays close attention to valuations and emphasizes risk management when constructing portfolios.

Why Staying Invested Matters

The most important takeaway from recent market volatility is that timing the market is nearly impossible. In the midst of the worst of a market sell-off, we often see some of the best single-day stock market returns. When markets come under pressure, they can behave like a compressed coil – snapping back quickly when conditions shift. Dating back to 1995, half of the 50 best days for the S&P 500 occurred during bear markets ⁽³⁾, as shown in the chart below from Hartford Funds. Missing just the 10 best days in a year has reduced average annual returns of the S&P 500 by 54%.⁽³⁾ Time in the market almost always beats trying to time the market.



Remaining Grounded in Our Strategy

The key to weathering the storm in markets is maintaining a diversified portfolio – one that helps mitigate the risks associated with any one stock or sector. By holding a range of asset types, portfolios are better positioned to withstand volatility and capture opportunities as they arise. We have constructed your portfolios with this in mind and continue to monitor markets for risks and opportunities. We remain mindful of valuations and maintain a disciplined, defensive approach. As we continue to navigate the uncertainty ahead, we encourage you to stay focused on your financial goals and not lose sight of long-term picture amid the short-term noise.

We are here to answer any questions you may have and continue to be a resource during uncertain times. ■

You're Saying I Need How Much?

Three Approaches to Life Insurance Planning

By: Bob Forrest, CFP®, CAP®

How do you put a value on a human life? *You can't.*

Every human has within themselves, infinite value.

If you asked me how much money I would want my wife to receive if I were to pass away unexpectedly, I'd probably say, "All of it." But since that's not possible, we'll instead turn to some practical financial planning to ask the following question:

"In the event of your untimely passing, what would you want your life insurance to do for your family?"

In general, there are three common approaches we use to help answer that question. Each provides a helpful framework for estimating how much life insurance coverage may be appropriate based on your goals and circumstances.

Income Multiplier

Most people, when asked what they want their life insurance should cover, will say something to the effect of,

"Well, I at least want it to replace my income."

Simple. A general rule of thumb is to multiply your annual income by 25. Invested prudently, this assumes your family could withdraw about 4% each year to help maintain their standard of living.

For example, if you take home \$100,000 per year, you might consider \$2.5 million in coverage. It's a simple starting point that helps ensure your income continues, even if you're no longer here to earn it.

D.I.M.E.

The D.I.M.E. method offers a more detailed view by factoring in **Debt, Income, Mortgage, and Education** – the key areas of financial responsibility that life insurance is often designed to address.

The idea here is that you leave your spouse debt free with your income replaced and funding for college. Here's a high-level example of how it might break down for someone currently earning \$100,000*:

- **Debt** : **\$75,000** in credit cards, car loans, or other obligations (less the mortgage)
- **Income** + \$100,000 X 25 = **\$2,500,000**
- **Mortgage** + **\$250,000**
- **Education** + \$100,000 X 2 kids = **\$200,000**
(On average, it costs \$100K to send a child to four years at an in-state public college⁽⁴⁾.)
- **Estimated Total** = **\$3.025 Million**

The Financial Planning Corner



While more involved, this D.I.M.E. approach gives a well-rounded estimate based on your actual financial picture.

Human Life "Value"

This method takes the most comprehensive approach and therefore the calculation is too complex to try and display here. Rather than relying on a quick formula, it looks at your full financial picture – including your earning potential, life expectancy, retirement goals, investment strategy, and family's long-term needs.

This is the framework we use when conducting a life insurance needs analysis as part of a broader financial plan. It's especially helpful when you want a personalized recommendation that reflects your unique circumstances, rather than just a rule of thumb.

How to Structure a Life Insurance Plan

Everyone's life insurance needs are different, and as your life evolves – career changes, kids grow up, debts get paid off – your coverage may need to evolve too. In general, it's common to carry multiple policies to meet different needs at different stages.

One thing to keep in mind: insurability isn't guaranteed. Whether you can qualify for life insurance – and how much coverage you're eligible for – depends on an underwriter's assessment of factors like your age, health, financial situation, and overall need.

Life insurance isn't about assigning a value to your life – it's about making sure your family can carry on financially if you're no longer here. Whether you're just starting or need to revisit an old policy, schedule a time with Bob or Nick to walk through these approaches. ■

Roth Conversions – What, Why, and When?

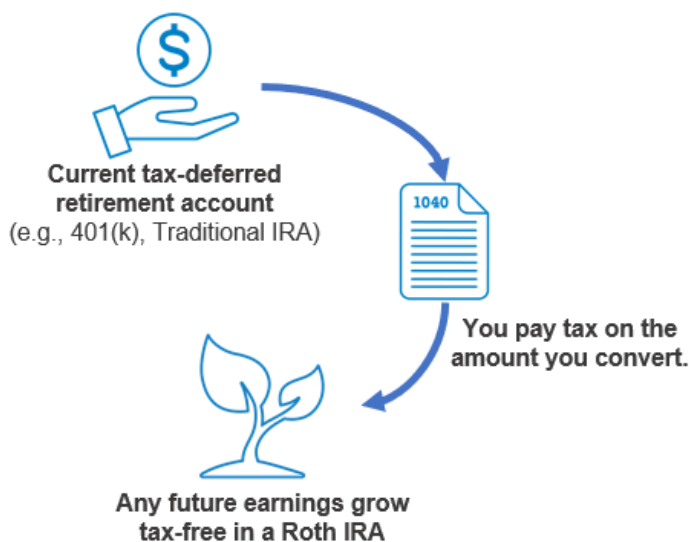
By: Nick Nalbach, CFP®, CIMA®, CPWA®



What is a Roth Conversion?

With a Roth IRA, contributions are made with money that has already been taxed—but withdrawals in retirement can be income tax-free. While income limits may prevent some investors from contributing to a Roth IRA, anyone can convert funds from a Traditional IRA to a Roth IRA.

What is a Traditional IRA? Generally speaking, money that goes in isn't taxed – but qualified withdrawals in retirement are taxed as ordinary income. When you convert all or a portion of your Traditional IRA to a Roth IRA, you pay income taxes on the taxable amount converted as ordinary income for that specific year, rather than when you withdraw the funds in retirement⁽⁵⁾. It's also important to remember that a conversion is permanent. Once you make the decision to complete the conversion, you can't revert the money back to a traditional IRA⁽⁵⁾. It's best to talk with your tax advisor before you make your decision.



Why Consider a Roth Conversion?

If you think tax rates will be higher in the future—or that you may be in a higher tax bracket—you may be better off paying taxes on some of your retirement savings now to benefit from tax-free income in retirement. A consideration within this is that Traditional IRAs have Required Minimum Distributions (RMDs), whereas Roth IRAs do not. If the projected RMDs on your Traditional IRA are higher than the amount you think you'll need in retirement, you may end up in a higher tax bracket than necessary⁽⁵⁾.

Roth conversions before reaching RMD age can be an effective strategy to lower the amount in your Traditional IRA, therefore lowering the amount of your RMD in the future. All that said, people who inherit your Roth IRA will have to take RMDs from the Inherited Roth IRA⁽⁵⁾.

Ultimately, doing a Roth conversion is a trade-off decision of paying more ordinary income taxes today in hopes that in the future you'll be in a better tax situation and that your assets inside a Roth IRA rather than a less tax-advantaged account type like a Traditional IRA⁽⁵⁾.

When to Consider a Roth Conversion.

Deciding whether to convert Traditional IRA assets to a Roth IRA depends on issues like your tax rate now versus later, the tax bill you'll have to pay this year to complete the conversion, and plans for your estate. Often, doing a Roth Conversion can be a sound strategy if your income is low in a particular year for any reason.

A couple of examples:

1. If you're working age and don't work part of the year
2. If you retire before reaching your RMD age and/or starting social security income, which may mean your income is lower than it will be when those kick in.

Another important "when" item to consider is when you plan to withdraw. How long can you leave the converted amount in the Roth before needing to access that money? The longer you can leave money inside the Roth, the more effective the Roth conversion should be, as this gives more time for the Roth to grow tax-free and outweigh the initial tax hit from the conversion itself. Whether you plan to use those Roth dollars or leave them to your heirs, the timeline is an important one to examine.

Let's talk through your specific situation and see if this strategy aligns with your financial goals. ■

Team News

Aron Huddleston Named as 2025 Forbes List of America's Best-in-State Wealth Advisors

Each year, Forbes publishes a ranking of Best-in-State Wealth Advisors, recognizing a select group of Financial Advisors who embody professionalism, dedication and exceptional service. It is our pleasure to share that this year Aron Huddleston was included on this prestigious list for the **eighth year in a row!**

Aron's passion for helping clients and the dedication he brings to our team every day are just a few reasons why this recognition is so well earned. We're lucky to have Aron leading the way!

Please join us in congratulating Aron on this outstanding accomplishment! ■



2018-2025 Forbes Best-in-State Wealth Advisors

Source: Forbes.com (Awarded 2018-2025). Data compiled by SHOOK Research LLC based 12-month time period concluding in June of year prior to the issuance of the award.

Nick Nalbach and Bob Forrest Named to Morgan Stanley Pacesetter's Club

We are proud to announce that both **Nick Nalbach** and **Bob Forrest** have been named to Morgan Stanley's prestigious Pacesetter's Club**, a global recognition program for Financial Advisors who, early in their career, have demonstrated the highest professional standards and first-class client service. This is the **fifth year** Nick has been on this list and the **third year** for Bob!

Please join us in congratulating Nick and Bob on this outstanding accomplishment! ■



Because Community Matters: An Evening Among the Blooms



Andy Jacobitz and **Bob Forrest** recently had the pleasure of supporting the 40th Annual Cathedral Flower Festival, held this January at St. Cecilia Cathedral in Omaha. This beloved community tradition brought together stunning floral installations crafted by local designers, transforming the historic cathedral into a vibrant celebration of art, nature and community.

Andy and Bob's participation underscore their commitment to supporting cultural initiatives that enrich our community. ■

Thoughts from the Realize Wealth Management Group at Morgan Stanley

References:

- (1) JPMorgan Asset Management. *Guide to the Markets*. 04/2025.
- (2) Apollo Global Management. The Daily Spark: [Magnificent 7: Revenues from abroad](#). 04/2025.
- (3) Hartford Funds. *Timing the Market Is Impossible*. 02/2025.
- (4) Business Insider. [Average Cost of College Tuition](#). 11/12/2024.
- (5) Morgan Stanley. *What do I need to Know, Now That I Have converted to a Roth IRA from a Traditional IRA?* 11/2024.

Disclosures:

*This case study is hypothetical and presented for illustrative purposes only. The facts involved do not represent the actual experience of any specific client. Each client's situation is different, and a client's experience and any recommendations made to a client will vary depending on the specific facts and circumstances involved. Past performance is no guarantee of future results. These strategies do not guarantee a profit or protect against loss and may not be appropriate for all investors.

** Morgan Stanley Wealth Management Pacesetter Club members must meet a number of criteria including performance, conduct and compliance standards, revenue, length of experience and assets under supervision. Pacesetter Club membership is no guarantee of future performance.

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

Certified Financial Planner Board of Standards Inc. (CFP Board) owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design), and CFP® (with flame design) in the U.S., which it authorizes use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements.

The individuals mentioned as the Portfolio Management Team are Financial Advisors with Morgan Stanley participating in the Morgan Stanley Portfolio Management program. The Portfolio Management program is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities. The Portfolio Management program is described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

This material 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. The strategies and/or investments discussed in this material may not be appropriate for all investors. Morgan Stanley Wealth Management recommends that investors independently evaluate particular investments and strategies and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided, nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

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 matters involving trust and estate planning and other legal matters.

Past performance of any security is not a guarantee of future performance. There is no guarantee that this investment strategy will work under all market conditions.

Asset allocation, diversification and rebalancing do not assure a profit or protect against loss. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided, nor any opinion expressed constitutes a solicitation for the purchase or sale of any security.

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Please note that the URL(s) or hyperlink(s) in this material is not to a Morgan Stanley Smith Barney LLC website. It was created, operated and maintained by a different entity. Morgan Stanley Smith Barney LLC is not implying an affiliation, sponsorship, endorsement with/of the third party or that any monitoring is being done by Morgan Stanley of any information contained within the linked site; nor do we guarantee its accuracy or completeness. Morgan Stanley is not responsible for the information contained on the third-party web site or the use of or inability to use such site.

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.

Morgan Stanley Wealth Management Financial Advisors can conduct their business in several ways: individually, as a member of a team of Financial Advisors, or through the formation of a Strategic Partnership with another Financial Advisor or team of Financial Advisors. A Strategic Partnership is an arrangement between a Financial Advisor or a team of Financial Advisors with another Financial Advisor or team of Financial Advisors that has a unique focus or knowledge regarding a specific business concentration, product area and/or client type. If your account is with an individual Financial Advisor, that Financial Advisor services all facets of your account. If your account is with a Financial Advisor who is a member of a team, any Financial Advisor on the team can service your account. If your Financial Advisor is part of a Strategic Partnership, his or her role in that Strategic Partnership may be limited to a specific business and/or product area and may not cover all facets of your account. The use of the terms "Partner" or "Strategic Partner" and/or "Partnership" or "Strategic Partnership" are used as terms of art and not used to imply or connote any legal relationship.

Morgan Stanley Smith Barney LLC offers insurance products in conjunction with its licensed insurance agency affiliates.

Morgan Stanley Wealth Management is a business of Morgan Stanley Smith Barney LLC.

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>

A 10% penalty tax will apply on funds converted to a Roth if those funds are withdrawn before five years have elapsed unless the owner is age 59 ½ or another exception applies.

A Roth Conversion may not be right for everyone. There are a number of factors taxpayers should consider before converting, including (but not limited to) whether or not the cost of paying taxes today outweighs the benefit of income tax-free Qualified Distributions in the future. Before converting, taxpayers should consult their tax and legal advisors based on their specific facts and circumstances.

