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WINTER 2025

Objectives Drive Strategies

No matter the activity you're engaging in, your strategy has to be driven by your end goals — what you want to achieve. In investing, of course, there are myriad objectives — short-term objectives like a trip to Hawaii, medium-term objectives like sending the kids to college, and long-term objectives like a comfortable retirement. Here, we'll take three objectives that are very different, but also very common among investors. We'll show how, based on these different objectives, your investment strategy must change.

Objective: Retire comfortably in 25+ years

If you're young and your primary investment objective is retirement, then your primary strategy should be to take full advantage of the power of compounding. Compounding means you are earning returns on both your principal investment *and* accumulated interest. It's what allows your money to work for you — to really grow over time.

But taking full advantage of the power of compounding requires that you start investing early, you stay invested for the long term, and you maximize the returns your investments generate. In other words, it requires that you invest in the stock market.

And remember, while the stock market has experienced some dramatic swings in the last century, over time returns have been quite robust. When Jeremy Siegel, a professor of finance at Wharton, analyzed stock market returns over the 200 years ending in 2001, he found that stocks were very volatile, but only in the short term. The longer the term, the greater the return and lower the risk stocks posed. Over every 30-year period, stocks always made money.

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Stern's Corner

In October of 2024 Sue Whittington retired from Morgan Stanley. Over the last year in the background, we were preparing for this transition and working on forming a new team which is now called the S.E.E.K. Group. Rene, Jessica and I are now partnered with Carolyn Kohn and Jackie Eckstein. You can read about them below or on our updated website listed on the top of this newsletter. I am incredibly excited to work on this newly formed team with a combined length of service of 114 years. We are already sharing ideas and excited to learn from each other and provide even better service to our clients moving forward.

For those of you who do not know me I started in the business in 1993 with Shearson Lehman Hutton which over the years has become Morgan Stanley. I married my wife Valerie in 1997 and raised two wonderful children in Palm City, Florida. My son, Michael, lives in Nashville and after working at the Academy of Country music production team to produce 3 shows for FOX and three for Amazon, he has just moved over to the Neal Agency. My daughter, Brooke, graduated from UCF in May and after 7 months in food and beverage management she was asked to start training as a sommelier. This will be a journey that will take over 5 years of education while working so stay tuned and I will let you know how it is going!

Espinal's Corner

Like any thriving business, our team has evolved, has grown and continues to expand. I am pleased to announce the promotion for our client service associate, Jessica Deakins. As many of you know Jessica has

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Objectives

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Why? Because the longer term gives stocks sufficient time to recover from downturns.

Objective: Retire comfortably in 5-10 years

While stocks always made money over any 30-year period, over shorter time periods, returns were more volatile. No one knows that better than investors who were close to retirement when the financial system imploded in 2008. According to research by the Employee Benefits Research Institute, "many 401(k) participants near retirement had exceptionally high exposure to equities: Nearly 1 in 4 between ages 56-65 had more than 90% of their account balances in equities at year-end 2007, and more than 2 in 5 had more than 70%." Those investors suffered outsize losses as the stock market declined.

So as you get closer to retirement, it's important to move into less risky investments — in other words, fewer stocks, more bonds and cash equivalents. (Though just as a long-term portfolio should not include only stocks, a shorter-term portfolio should not be completely devoid of stocks.) Increasingly prevalent are so-called lifecycle or target-date funds, which automatically adjust a portfolio's asset allocation depending on the investor's age or years until retirement (typically, automatically shifting from stocks to bonds and cash as the investor ages and/or approaches retirement).

Objective: Generate income

Many investors plan to use investment returns (and perhaps even draw down principal) as income during retirement. Once you've reached that phase, your strategy should change again, different than the strategy you employed when you were 5-10 years from retirement. At this point, you'll have to balance the dual goals of generating enough returns that your investments are not eroded by inflation and at the same time lasting your lifetime as you are making withdrawals. Inflation varies, but plan for a rate of about 3% a year, meaning your investments must generate at least 3% to maintain an even level of purchasing power.

If you're going to also be drawing down the principal of your investments (rather than using just the returns), how much can you withdraw? The answer, of course, depends on the size of your portfolio and your age (and how long you might live).

Please call if you'd like to discuss this topic in more detail. OOO

4 Reasons to Invest in Bonds

Here are four reasons why you might want to have a portion of your portfolio in bonds.

1. Bonds are a way to diversify your portfolio. Many financial experts recommend diversifying your portfolio to include a variety of asset classes, including bonds. Because different asset classes tend to perform differently at different times, you may be able to create a portfolio that generates more stable returns by investing across asset classes.

2. Bonds are (usually) less risky than equities. If you are looking to dial-down risk in your investment portfolio (such as when you near retirement), increasing your allocation to bonds may be one way to do that. However, keep in mind that less risky doesn't mean risk free. Bond issuers can default, plus you face what's known as inflation risk. Because bond payments are set in advance (that's why they're known as fixed-income investments), you lose purchasing power due to inflation.

3. Bonds can provide a steady, predictable source of income. Stocks and other investments are unpredictable — you don't know with any certainty how well a given stock might perform in a certain year or even how well certain types of stocks will do. Bonds are a bit different. They are debt investments, which means you are essentially agreeing to loan an entity, like the government or a corporation, money for a certain period of time. The entity you are lending money to agrees to pay you a certain amount of interest (known as the coupon) over the time they have your money, plus repay your initial investment when the bond reaches maturity. That means that unlike some other investments, you have a pretty good idea of how much money you're going to see from your bond investments over the years.

Of course, bonds aren't risk free. Bond issuers can default, and you could lose your money. That's why riskier bond issuers tend to offer investors higher coupon rates — their greater risk is compensated by greater total return. But in general, bonds are more predictable in how much money they generate for investors than stocks, which is one reason why they're so appealing to retirees.

4. Bonds can provide valuable tax savings. Depending on the types of bonds you own, you may be able to save on taxes. While you'll pay normal taxes on corporate bonds, income from Treasury bonds (which are issued by the U.S. federal government) is free of state and local tax. Then there are municipal bonds, or bonds issued by state and local governments. You won't pay federal tax on money you earn on these investments, and you may also be exempt from state and local tax. For anyone who is looking to minimize their tax burden, especially retirees, this can be an appealing proposition.

Questions about making bonds part of your investment strategy? Please call to discuss this topic in more detail. OOO

How to Improve Your Credit Rating

Credit scores are important because they determine your ability to get a loan, which most people need to buy a house or a car and maybe even to send a child to college. Credit scores also impact the interest rate and fees you will pay on that loan. Additionally, it can affect whether a landlord will rent to you, an employer will hire you, an insurance company will cover you, and if utility companies will turn on services. Having healthy credit is a balancing act.

What Is a Good Credit Score?

While creditors use different credit scoring models, the following provides a good example of score ranges:

750 and above	Excellent
700–749	Good
650–699	Fair
550–649	Poor
550 and below	Bad

The scoring models use five key factors in determining your credit score, including:

- ✔ **Payment history** determines how much of a risk you are to creditors in your ability to make timely payments.
- ✔ **Amount of debt** shows how much credit you have available and how much you are using. If you are holding a lot of debt, creditors worry about your ability to take on more and where they will fall on your payment priority list.
- ✔ **Age of accounts** provides creditors with an understanding of how you manage debt.
- ✔ **Account mix** shows lenders how you handle different types of credit; so if you only have credit cards, this may keep your score from rising.
- ✔ **History of credit applications** shows how often you are applying for credit and if you are overextending yourself.

If your credit score falls into the fair, poor, or bad range, it's probably time to work on improving that score.

Look at Your Credit Report

The first step to improve your credit score is to review your credit reports from all three of the major credit bureaus. If you find inaccuracies on any of your reports, contact the bureau to find out their process for disputes and resolution.

If your credit reports are accurate and your score is suffering, the following steps can help bring your score into the healthy range:

Pay on Time, Every Time

If you are late or missing payments, you need to set up a plan to make sure your payments are made on time. If your bill comes in at a time during the month when you are low on cash, most lenders and creditors will allow you to change the due date.

Ask for Forgiveness

If you are late with a payment, call your credit card issuer or lender to see if they will forgive the late payment. If you have a consistent track record of on-time payments, they will most likely work with you.

If you have an ongoing debt on your report, contact the lender or creditor to see if they will stop reporting the debt to the credit bureaus if you pay the debt in full.

Consider Your Credit Mix

If you only have one type of credit, it will impact your score. If you've never had a credit card, it may be time to get one. Just make sure you pay your balance off on a monthly basis or make on-time payments.

If your poor credit score is preventing you from getting a credit card, see if you can get a secured credit card from your financial institution. With this type of card, you can secure a line of credit based on deposits into a checking account. For example, if you open a checking account with a $500 deposit, they will extend a line of credit for $500. Adding a new account with a positive payment history goes a long way in improving your score.

Not Too Many Cards

Don't go overboard, because the more credit you apply for in a short period of time, the greater damage it will do to your credit report. Also, it can be very attractive to get a discount for signing up for a store credit card, but realize your credit score will take a hit. When you apply for credit, it is considered a hard inquiry, which will impact your score regardless of if you get approved or not; and it will remain on your report for 12 months. So if your score is in between tiers, too much credit can put you in a lower tier.

Watch How Much You Use

Your score will suffer if every month your credit card balances are more than 30% of your limit. Even if you pay off your balance each month, a higher utilization rate will negatively impact you. If you know your balance is going to be above 30% in a given month, prepay some or all of the balance so you will be in the safe zone. OOO

Espinal's Corner

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been and continues to be the administrative backbone for our business. As a result of her experience, excellence, and additional training she has earned the titles of Business Development Associate and Financial Planning Associate. We are extremely proud of her accomplishments. As for the growth and expansion, it gives me great pleasure to introduce our 2 new, yet seasoned, team members , Carolyn Kohn and Jackie Eckstein. Carolyn and Jackie come with a collective experience of over 55 years in financial services. You will learn more about them in their respective "corners" . But with this merger,I believe that our clients will continue to reap the benefits of a Client First service model for many years to come.

On a more personal note, I have some BIG NEWS! While on a family vacation to Montana last August, my daughter and son-in-law told me that they are pregnant with their FIRST child and my FIRST grandchild. My wife and I were ecstatic when they told us. It wasn't easy, but I was able to wait until their 12-week doctor's appointment before sharing the news. On their 12-week appointment the doctor handed them an envelope with the gender. They immediately went to a bakery, gave them the envelope and asked to put the '"secret" inside a baked cake. The next night at 5pm, we all found out together that they are having a BOY! Since then, I have dusted off my coaching hat and found my coaching whistle and I am ready to go. Stay tuned at our next newsletter where I will share additional details of this beautiful story, since it is just the beginning!

Eckstein's Corner

I was born and raised in New York City (Manhattan), but my family has been in the Stuart area since 1970. And I am happy to call Florida home, but I still say I'm a New Yorker (isn't Florida just the 6th borough?). I started at Smith Barney / Morgan Stanley in 2011 after working in Development for The American Cancer Society in Brooklyn and JBI International in NYC. However, the switch from non-profit to the financial sector wasn't unexpected since my grandfather, father, brother, cousin and my mother all worked in finance in different functions. Indeed, you'll read about my mom, Carolyn Kohn, later in this newsletter as we've been partners since 2013 when we formed The KEY Group. It has been a pleasure working together for the past 12-years and I am lucky to know her both as my mom, as a business partner and female pioneer on Wall Street. However, at this point we think our clients will be benefit from including new partners and expanding the team with Jim, Rene and Jessica creating the S.E.E.K. Group at Morgan Stanley. We look forward to introducing you to these incredibly talented individuals.

On the personal side, I have a 4-year-old son, Mason, who attends Bridges Montessori School and is into everything. From board games to t-ball to reading to soccer, there is always something going on in our household. After a long summer where bowling was "the thing", Mini Golf is now the favored activity, and I am secretly hoping he turns into the next Scottie Scheffler. If not, then perhaps he'll pick up my love of skiing when we go to Wyoming in March. Until next time!

Kohn's Corner

Time does march on and I am approaching the golden months of my career which started in July, 1976. Financial Services has been my only commercial focus during these many years. I worked for 20-years in the US Sovereign Debt, Institutional Sales and in 2001 transitioned to Private Wealth Management joining UBS. In 2009 Smith Barney (which was then purchased by Morgan Stanley) was my second stop in this fantastic journey.

In my free time, I love Pilates, biking water aerobics and the out of doors. However, enjoying time with my daughter / partner, Jackie Eckstein, and my grandson are the best days ever. A cat, a dog and a horse complete my inner circle.

Helping individuals create wealth for the diverse chapters in their lives is an honor. I am so glad I have experienced this rewarding journey.

Deakins' Corner

I just wanted to introduce / re-introduce myself to everyone as we now have combined creating our new team the S.E.E.K. Group. I know I have spoken to many of you over the past few years as a backup to Carolyn and Jackie and some of you I am gradually meeting as time goes on. I have been working with Jim and Rene for almost 12 years and could not ask for a better work family. They are the most supportive, kind and appreciative team and I am extremely thankful and lucky to be a part of it. Combining us with Carolyn and Jackie is very exciting, all of us have different strengths and weaknesses that together will make us a great team.

Now for the personal side, I graduated from UCF with a Finance degree in 2007 and then stayed in Orlando and worked for the Bank of New York in the options trading department for a couple of years before deciding to move down here to be closer to family, as my husband grew up in Stuart. I have now been with Morgan Stanley about 15 years and we are happy to be raising our family here in Palm City. I have two children, my son Cole is 8 and in 2nd grade, he loves to play football, read and pet allll the dogs 🙂. My daughter, Bryn, is 11 and in 6th grade. She is very much into competitive ,cheerleading; I even help coach her team which is a lot of fun. Besides running kids around to various sport practices, in my free time I love to workout (especially running and CrossFit), spend as much time as possible with my family and the beach or anything in the sun like a true Florida kid.

I look forward to getting to know all of you in the next few months!