WEALTH MANAGEMENT

Morgan Stanley

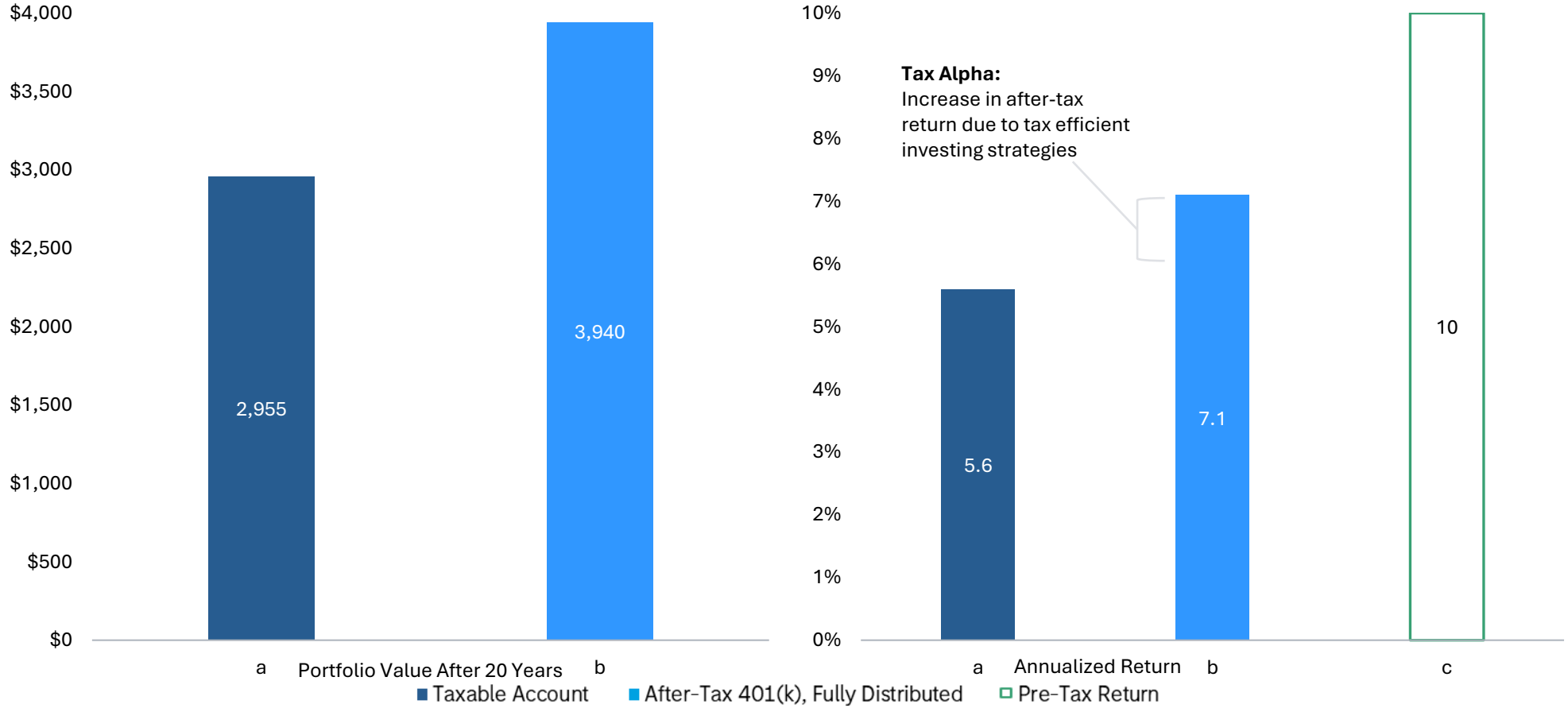
Investment Conversations

Portfolio Construction – Basics
Investing for Tax Efficiency

The Benefits of Tax Efficiency Can Compound Over Time

Simply deferring tax liabilities into the future can offer a significant "tax alpha," or boost to after-tax returns, over time.

ILLUSTRATIVE GROWTH OF $1,000 OVER 20 YEARS: TAXABLE ACCOUNT VS TAX-DEFERRED ACCOUNT

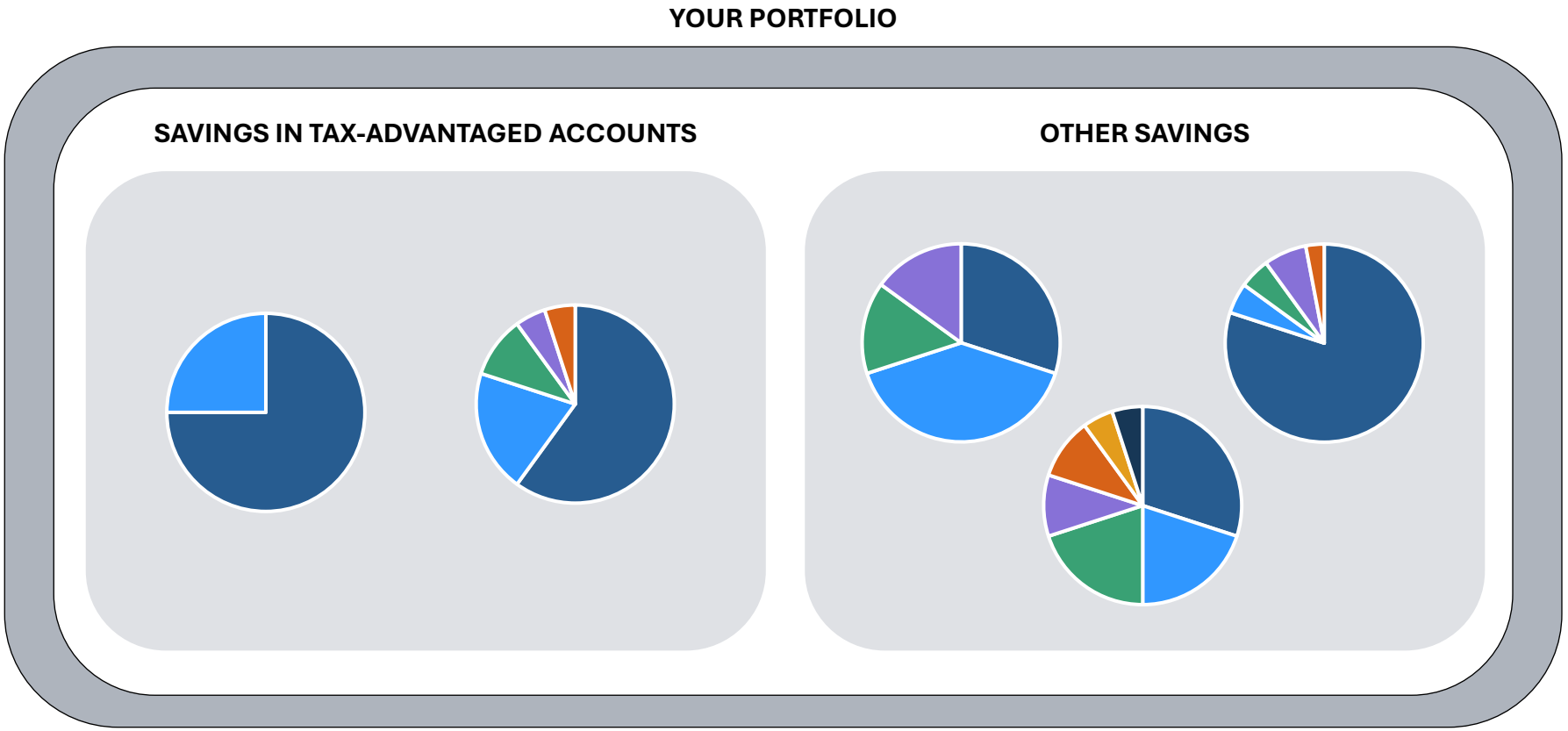


Source: Morgan Stanley Wealth Management GIO. Note: We assume investor resides in California and is in the 37% marginal federal tax bracket and invests in an active equity strategy. For additional details, see the November 2024 report titled "Preparing for the Next Tax Retime: Six Steps to a More Tax-Efficient Portfolio

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Optimizing Tax Efficiency Often Requires a Holistic Approach

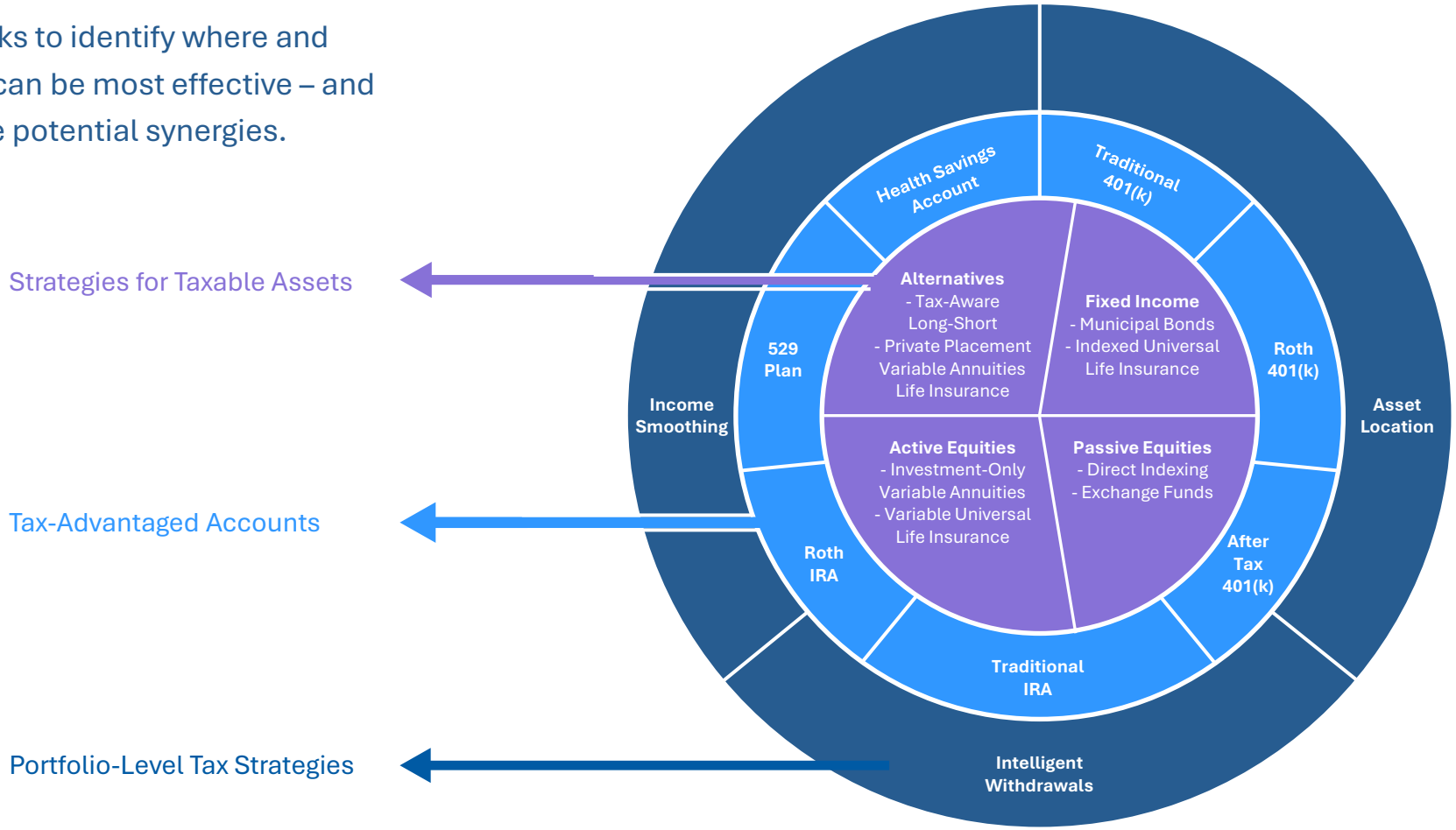
Most investor portfolios hold many types of investments and multiple types of accounts. Tax-efficiency often requires a holistic approach that looks at their unique characteristics and possible synergies across them.



Source: Morgan Stanley Wealth Management GIO. Note: Portfolio allocations shown are illustrative.
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

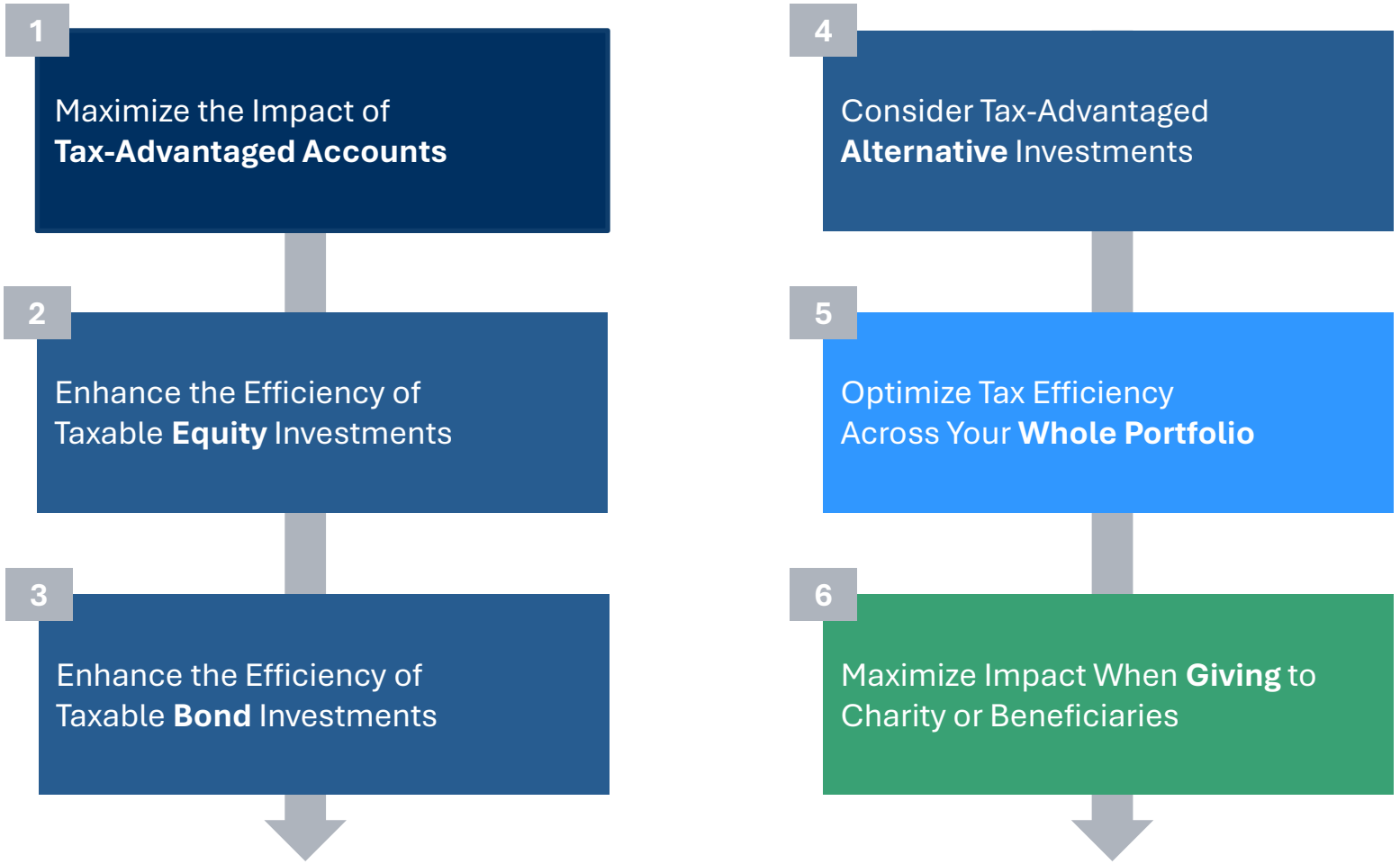
Identify Opportunities for Tax-Efficiency Across Three Levels

Our framework seeks to identify where and how each strategy can be most effective – and where there may be potential synergies.



Source: Morgan Stanley Wealth Management GIO. For additional details, see the November 2024 report titled "Preparing for the Next Tax Regime: Six Steps to a More Tax-Efficient Portfolio."
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Implementing a More Tax-Efficient Portfolio: Six Steps



Source: Morgan Stanley Wealth Management GIO.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Tax-Advantaged Accounts Offer Material Benefits

	Tax-Deductible Contributions/Investments	Tax-Deferred Account Growth	Tax-Free Withdrawals
Pre-Tax 401(k)/ Traditional IRA	✓	✓	X
ROTH 401(k)/ IRA	X	✓	✓
After-Tax (k)/ Non-Deductible Traditional IRA	X	✓	X
Health Savings Account (HSA)	✓	✓	✓
529 Education Savings Plan	X*	✓	✓
Brokerage Account	X	X	X

Source: Morgan Stanley Wealth Management GIO. *529 Education Savings Plan contributions are not tax-deductible at the federal level, but contributions can be deducted from state income tax sources. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Consider Maximizing Contributions to Tax-Advantaged Accounts

Account Type	Annual Contribution Limit	Key Restrictions
Traditional 401(k)	$24,500 (before-tax)	• Required minimum distributions starting at age 73 • Early withdrawal penalty before age 59.5 (unless an exception applies)
Roth 401(k)	$24,500 (after-tax)	• Early withdrawal penalty on gains before age 59.5 (unless an exception applies) • Nonqualified distributions are prorated between contributions (already taxed) and gains (taxable)
After-Tax 401(k)	$47,500 minus employer contribution (after-tax)	• Required minimum distributions starting at age 73 • Early withdrawal penalty on gains before age 59.5 (unless an exception applies) • Maximum tax saving potential subject to availability of in-plan Roth 401(k) conversion • After-tax 401(k) contributions subject to availability based on terms of the plan
Traditional IRA	$7,500 (before-tax)	• Required minimum distributions starting at age 73 • Early withdrawal penalty before age 59.5 (unless an exception applies) • Partial or no income deduction for contributions made by high earners
Roth IRA	$7,500 (after-tax)	• Regular contributions subject to income limit; requires after-tax Traditional IRA contributions and conversion to Roth IRA if over limit • Early withdrawal penalty on gains before age 59.5 (unless an exception applies) • Nonqualified distributions are funded first by contributions (already taxed) and then by gains (taxable)
529 Education Savings Plan	No limit (after-tax) May be subject to gift tax above $19,000 (single) / $38,000 (married and electing to split gifts)	• Only for qualified education expenses • Penalty on gains for distributions for nonqualified expenses • State tax deductibility varies
Health Savings Account (HSA)	$4,400 (single) / $8,750 (joint) (before-tax)	• Only for qualified health care expenses • Penalty on distributions for nonqualified expenses • High deductible health plan enrollment required

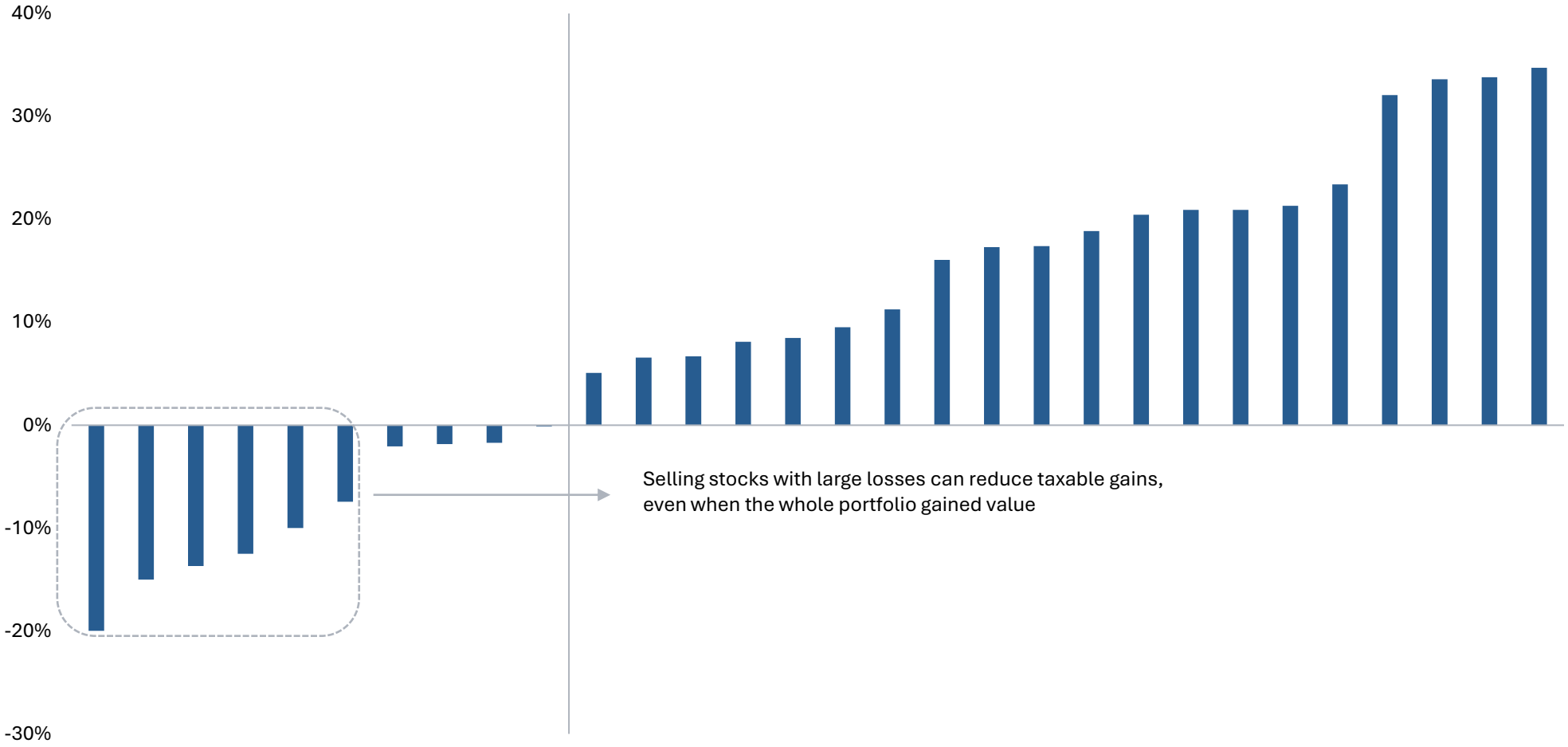
Source: Morgan Stanley Wealth Management GIO. IRS. Note: All amounts specified as of 2026 and do not include catch up contributions. Note that the combined contributions to traditional and Roth 401(k) accounts cannot exceed $24,500. The combined contribution to 401(k) plans from both employer and employee cannot exceed $72,000. Any employer contribution will lower the $47,500 contribution limit for after-tax 401(k) accounts. Also, note that the starting requirement minimum distribution age is 73 for individuals born on Jan. 1, 1951, through and including Dec. 31, 1959. The combined contributions to traditional and Roth IRA accounts cannot exceed $7,500. For 529 plans, further contributions are not allowed after reaching the maximum account balance. Large contributions to 529 plans may be possible without affecting the lifetime federal gift tax exclusion by superfunding, or front-loading five years of contributions and filing an election on a timely filed federal gift tax return. Subject to limitations on the total size of a 529 account, a donor may also make a large contribution to a 529 account using a portion of the donor's lifetime federal estate and gift tax exemption. For additional details, see the November 2024 report titled “Preparing for the Next Tax Retime: Six Steps to a More Tax-Efficient Portfolio.”

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Harvest Tax-Deductible Losses with Direct Indexing

Direct indexing seeks pre-tax performance in line with a market index by holding a subset of its constituents. Securities that decline in value can be sold to realize tax-deductible losses, with proceeds into other securities to maintain a low tracking error.

HYPOTHETICAL RETURNS OF INDIVIDUAL CONSTITUENTS OF A STOCK PORTFOLIO

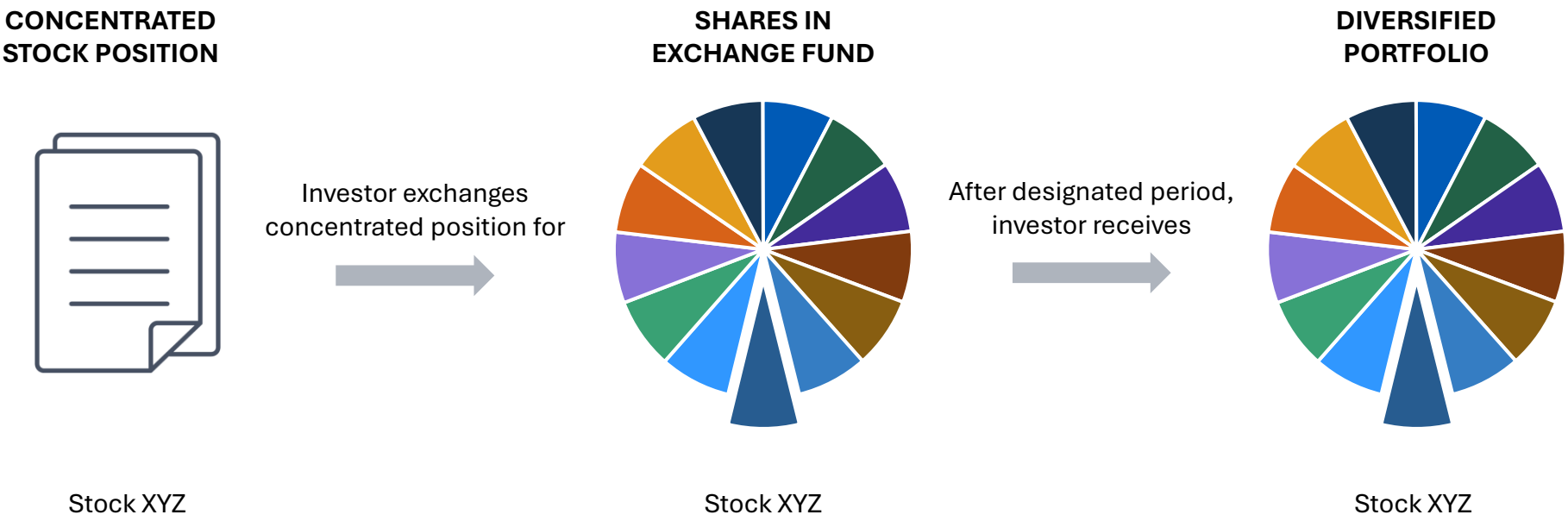


Source: Morgan Stanley Wealth Management GIO.

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Exchange Funds Can Help Diversify Concentrated Positions

An exchange fund is a special-purpose vehicle that offers holders the ability to diversify their investments by exchanging stock positions, oftentimes in highly appreciated or restricted stock, for shares of a diversified portfolio. Contributions of appreciated stock to a properly structured exchange fund are not taxable under current federal tax law.



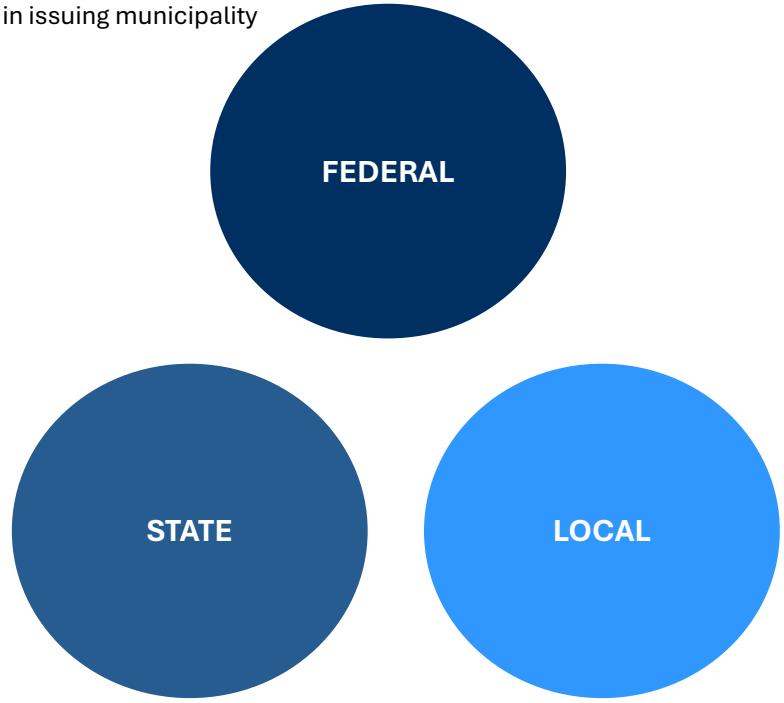
Source: Morgan Stanley Wealth Management GIO.
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Municipal Bonds Offer Tax-Advantaged Income

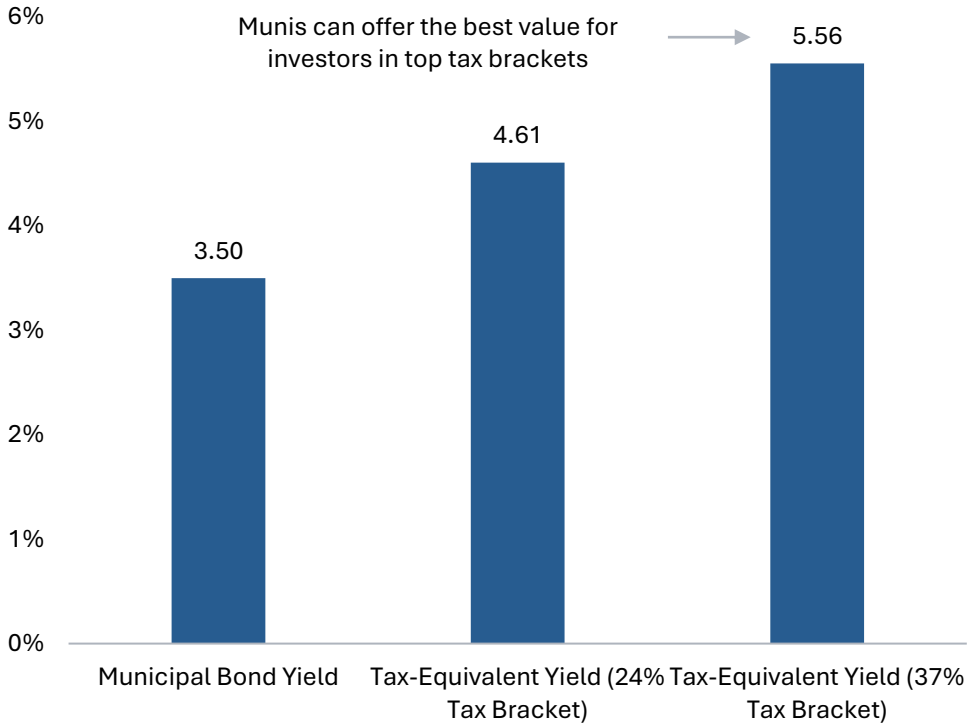
Fixed-income asset classes often receive unfavorable tax treatment relative to other asset classes when held in taxable accounts. Consider sourcing fixed-income exposure with municipal bonds, which can offer tax-exempt income.

MUNICIPAL BONDS MAY BE "TRIPLE TAX-EXEMPT"

Triple tax exemption can be available when investor resides in issuing municipality



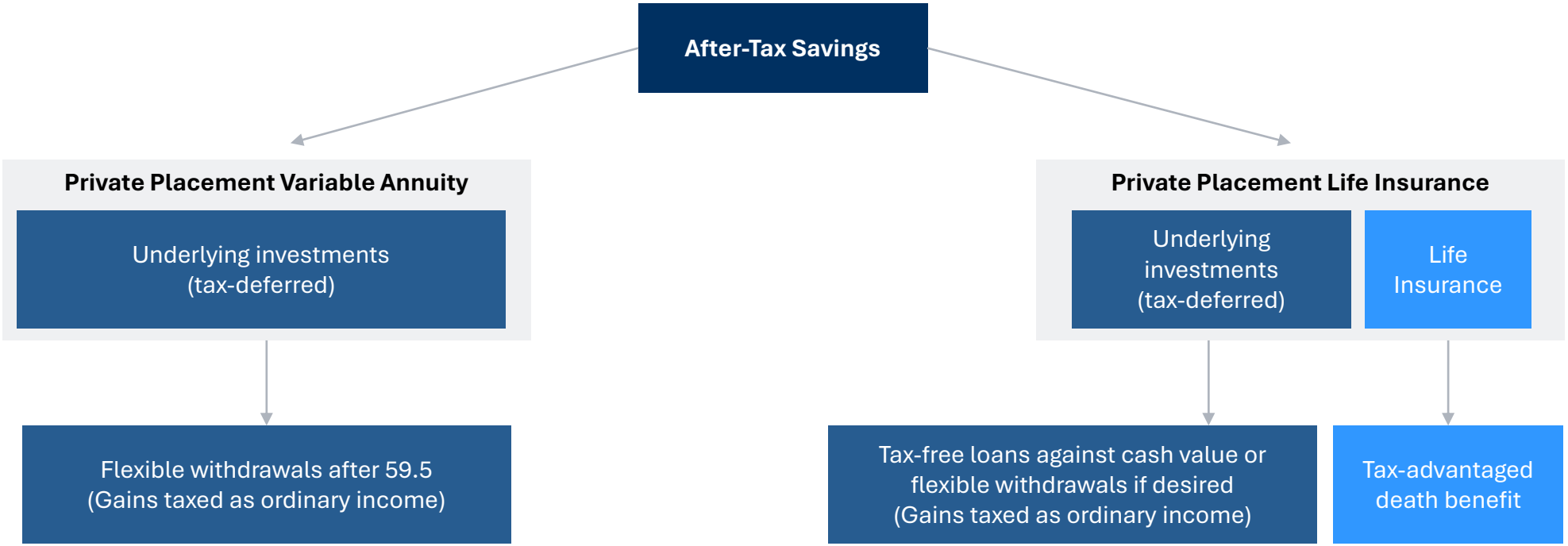
MUNICIPAL BOND YIELD AND TAX-EQUIVALENT YIELDS



Source: Morgan Stanley Wealth Management GIO. Note: Level of municipal bond yield is illustrative; tax-equivalent yield calculated using selected federal income tax brackets.
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Consider Alternatives in Private Placement Variable Annuities (PPVA) and Life Insurance (PPLI)

Private Placement Variable Annuities and Life Insurance are particularly effective vehicles for exposure to alternative asset classes, including hedge funds.



Source: Morgan Stanley Wealth Management GIO. Note: For additional methodological details, see the November 2024 report titled "Preparing for the Next Tax Regime: Six Steps to a More Tax-Efficient Portfolio."

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Asset Location Can Enhance Your Portfolio's Tax-Efficiency

Aligning the growth potential and tax-efficiency of the investments in your portfolio with the characteristics of the account in which they are held may enhance after-tax returns.

	Tax-Efficient	Tax-Inefficient
Low Growth	• Municipal Bonds	• Cash • Treasury Inflation Protected Securities • Investment Grade Bonds • Commodities
High Growth	• Direct Indexed Equity • Passive/Low Turnover Equity • Private Equity • Master Limited Partnerships	*Ideal in Tax-Advantaged Accounts* • High Yield Bonds • Real Estate Investment Trusts • Emerging Market Debt • Actively Traded Equity • Hedge Funds

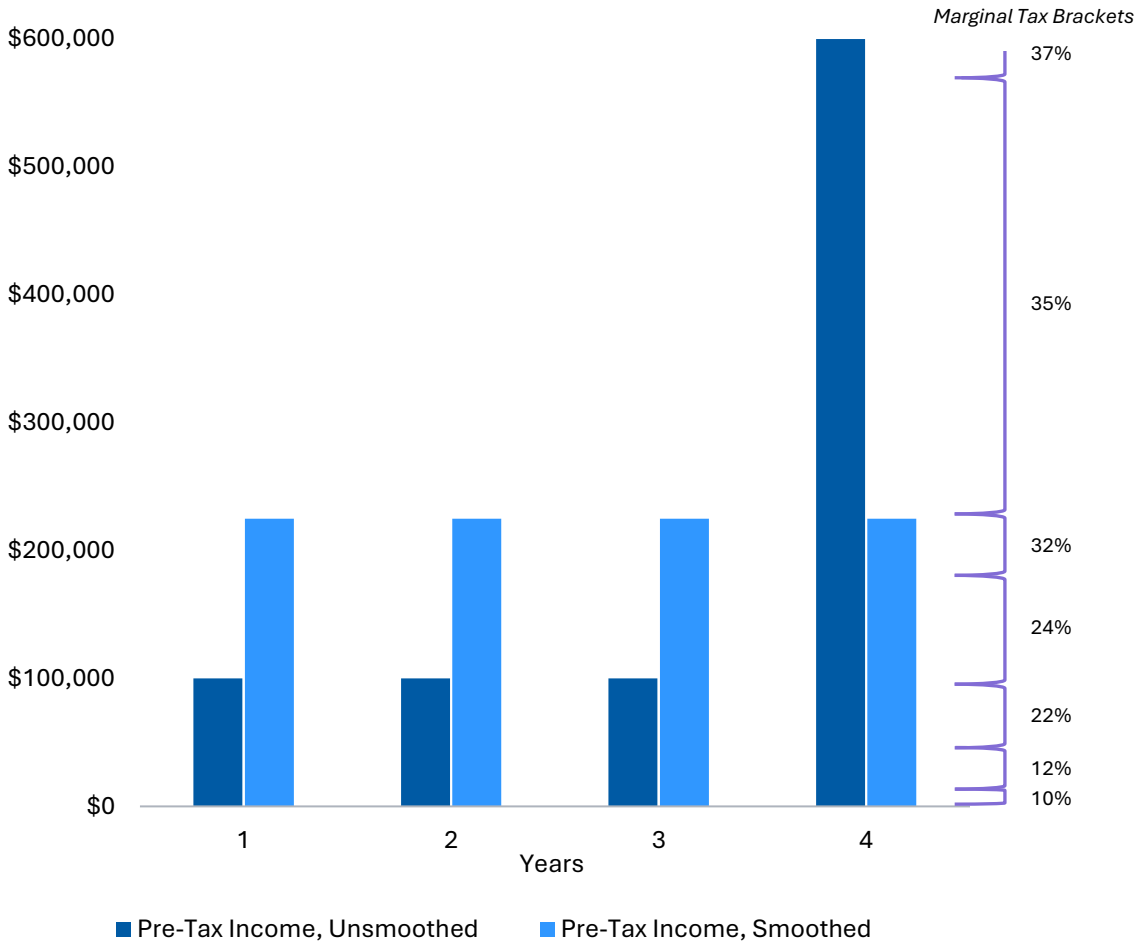
Ideal in Taxable Accounts

Ideal in Tax-Advantaged Accounts

Source: Morgan Stanley Wealth Management GIO. For additional details, see the November 2024 report titled "Preparing for the Next Tax Retime: Six Steps to a More Tax-Efficient Portfolio."
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Income Smoothing Can Help Avoid Higher Tax Brackets

COMPARING STRATEGIES FOR REALIZING INCOME OVER TIME: SMOOTHED OR "LUMPY"



CUMULATIVE TOTALS

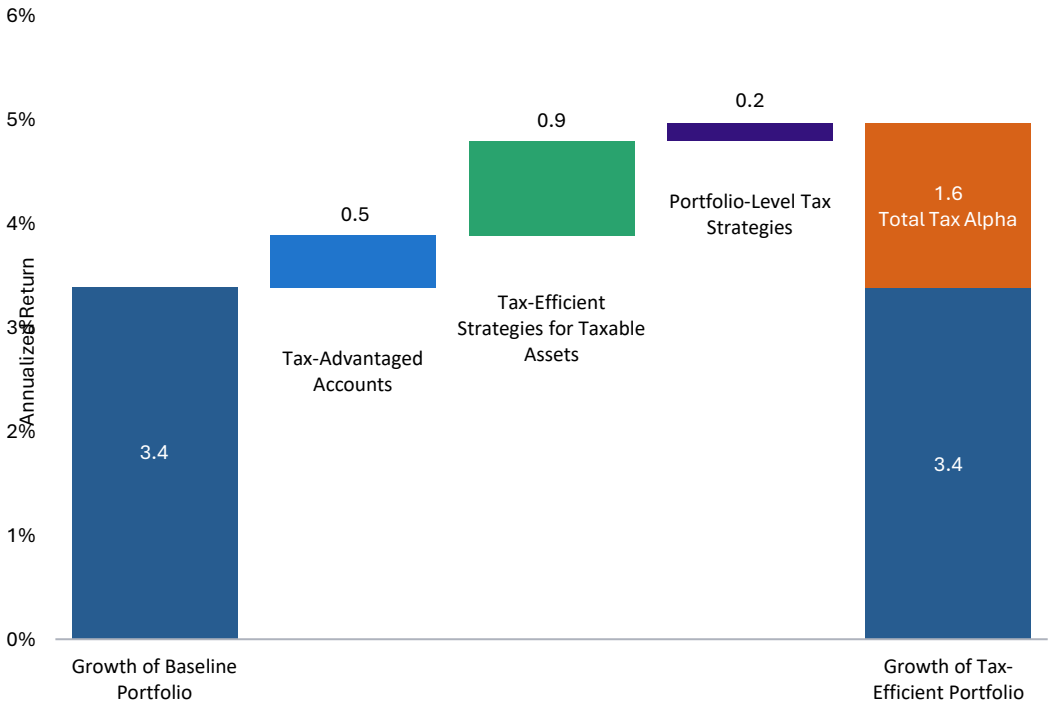
	No Smoothing	Income Smoothing
Pre-Tax Income	$900,000	$900,000
After-Tax Income	$680,040	$714,420
Taxes Paid	$219,960	$185,580
Effective Tax Rate Paid	24.4%	20.6%

Source: Morgan Stanley Wealth Management GIO, IRS. Note: For illustrative purposes only. Marginal tax brackets reflect 2023 federal income tax rates for a single taxpayer.
Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

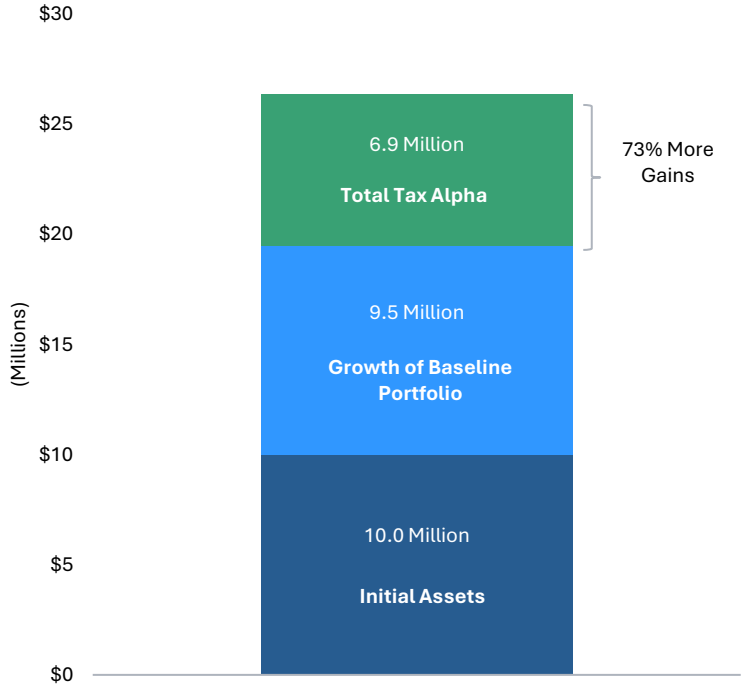
Combining Tax-Efficiency Strategies Can Create Synergies

While every case is unique, we find a tax alpha of 1.6% per year for a hypothetical high net worth investor focused on wealth accumulation over a 20-year horizon. Alpha may be larger over longer horizons and in circumstances features portfolio distributions.

COMBINING TAX-EFFICIENCY TECHNIQUES CAN OFFER SIGNIFICANT TAX ALPHA



COMPOUNDING RETURNS CAN AMPLIFY POTENTIAL BENEFITS



Source: : Morgan Stanley Wealth Management GIO. Note: For additional methodological details, see the November 2024 report titled "Preparing for the Next Tax Retime: Six Steps to a More Tax-Efficient Portfolio."

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Tax-Efficient Investing Can Improve After-Tax Returns

Techniques for Improving Tax Efficiency		Technique Can Be Most Beneficial When...	Illustrative Value-Add Per Year
Government Sponsored Tax-Advantaged Accounts			
Tax-Advantaged Retirement Accounts (e.g., 401(k), Roth IRA)		• Investor is eligible to contribute and has sufficient liquidity elsewhere for other goals	3.0% (2.7% to 3.3%)
Tax-Efficient Strategies for Taxable Assets			
Fixed Income	Municipal Bonds	• Investor needs immediate income • Investor has a conservative-to-moderate risk tolerance	1.6% (1.4% to 1.8%)
	Indexed Universal Life Insurance (IUL)	• Investor needs early mortality insurance and/or wants to leave a legacy • Investor has a long investment horizon and does not require income in the short term	1.9% (1.4% to 2.3%)
Passive Equities	Direct Indexing/Tax-Loss Harvesting	• Investor has sufficient assets to meet minimums • Investor seeks broad market exposure with low tracking error	1.2% (-1.4% to 3.7%)
	Exchange Funds	• Investor holds a large, concentrated stock position and seeks diversification without selling • Investor has a long investment horizon and sufficient liquidity elsewhere for other goals • Investor is accredited and has sufficient assets to meet minimums	1.4% (1.1% to 1.6%)

Source: Morgan Stanley Wealth Management GIO. Illustrative value-add per year measured after tax. Illustrative value-add pertains only to the share of assets implementing the strategy, though these assets may only represent a subset of an investor's broad portfolio. Furthermore, these estimates are sensitive to a variety of factors, particularly each investor's time horizon. For additional methodological details, see the November 2024 report titled "Preparing for the Next Tax Retime: Six Steps to a More Tax-Efficient Portfolio."

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Tax-Efficient Investing Can Improve After-Tax Returns (Cont.)

Techniques for Improving Tax Efficiency		Technique Can Be Most Beneficial When...	Illustrative Value-Add Per Year
Tax-Efficient Strategies for Taxable Assets (Cont.)			
Active Equities	Investment-Only Variable Annuity (IOVA)	• Investor has a long investment horizon and does not require income in the short term • Investor seeks to invest taxable savings into high-growth and tax-inefficient investments • Investor expects to be in a lower tax bracket after retirement	0.8% (0.4% to 1.1%)
	Variable Universal Life Insurance (VUL)	• Investor needs early mortality insurance and/or wants to leave a legacy • Investor seeks to invest taxable savings into high-growth and tax-inefficient investments • Investor has a long investment horizon and does not require income in the short term	0.3% (0.2% to 0.4%)
Alternatives	Tax-Aware Long-Short Strategies	• Investor is accredited and has sufficient assets to meet minimums • Investor expects large capital gains elsewhere in portfolio • Investor has confidence in manager's ability to deliver pre-tax alpha	0.6% (0.4% to 0.9%)
	Private Placement Variable Annuity (PPVA)	• Investor is accredited and has sufficient assets to meet minimums • Investor seeks to invest taxable savings into high-growth and tax-inefficient alternative investments • Investor has a long investment horizon and does not require income in the short term	1.2% (0.9% to 1.4%)

Source: Morgan Stanley Wealth Management GIO. Note: Illustrative value-add per year measured after tax. Illustrative value-add pertains only to the share of assets implementing the strategy, though these assets may only represent a subset of an investor's broad portfolio. Furthermore, these estimates are sensitive to a variety of factors, particularly each investor's time horizon. For additional methodological details, see the November 2024 report titled "Preparing for the Next Tax Retime: Six Steps to a More Tax-Efficient Portfolio."

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Tax-Efficient Investing Can Improve After-Tax Returns (Cont.)

Techniques for Improving Tax Efficiency	Technique Can Be Most Beneficial When...	Illustrative Value-Add Per Year
Government Sponsored Tax-Advantaged Accounts (Cont.)		
Tax-Advantaged Retirement Accounts (e.g., 401(k), Roth IRA)	• Investor is eligible to contribute and has sufficient liquidity elsewhere for other goals	2.4% (2.1% to 2.7%)
Portfolio-Level Tax Strategies		
Asset Location	• Portfolio holds assets in both taxable and tax-advantaged accounts/vehicles • Portfolio contains multiple asset classes, including both tax-efficient and tax-inefficient assets	0.3% (0.2% to 0.4%)
Intelligent Withdrawal	• Portfolio holdings vary in cost basis and tax treatment across policies, accounts and tax lots	0.3% (0.1% to 0.4%)
Income Smoothing	• Investor can foresee the potential for uneven taxable income (e.g., due to Required Minimum Distributions) • Investor has income sources that are not taxable (e.g., munis, indexed universal life) • Assets in tax-advantaged accounts are greater than what is needed to cover retirement spending needs	0.3% (0.2% to 0.4%)

Source: Source: Morgan Stanley Wealth Management GIO. Note: Illustrative value-add per year measured after tax. Illustrative value-add pertains only to the share of assets implementing the strategy, though these assets may only represent a subset of an investor's broad portfolio. Furthermore, these estimates are sensitive to a variety of factors, particularly each investor's time horizon. For additional methodological details, see the November 2024 report titled "Preparing for the Next Tax Retime: Six Steps to a More Tax-Efficient Portfolio."

Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

General Disclosures

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

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

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

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

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

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

Risks Associated With Investing

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

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

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

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

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

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

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

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

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

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

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

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

Investment Advisory Programs

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

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

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

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

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

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

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

GIMA Conflicts of Interest: Our business is subject to various conflicts of interest. For example, ideas and suggestions for which investment products should be evaluated by Global Investment Manager Analysis (GIMA) come from a variety of sources, including our MSWM Financial Advisors and their direct or indirect managers, and other business persons within MSWM or its affiliates. Such persons may have an ongoing business relationship with certain investment managers or mutual fund companies whereby they, MSWM or its affiliates receive compensation from, or otherwise related to, those investment managers or mutual funds or for which a portion of their clients' assets are already invested. Separately, certain strategies managed or sub-advised by us or our affiliates, including but not limited to MSIM and Eaton Vance Management ("EVM") and its investment affiliates, may be included in your account. See the conflicts of interest section in the applicable Morgan Stanley ADV brochure for a discussion of other types of conflicts that may be relevant to GIMA's evaluation of managers and funds. In addition, MSWM, Morgan Stanley & Co. LLC ("MS & Co."), managers and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that may be recommended for purchase or sale by clients or are otherwise held in client accounts, and managers in various advisory programs.

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

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

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

Products and Services

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

Lending products, including securities-based loans, are offered by Morgan Stanley Smith Barney LLC (MSSB), Morgan Stanley Private Bank, National Association (MSPBNA), and Morgan Stanley Bank, N.A. (MSBNA), collectively referred to as "the Firm" as applicable. Borrowing against securities involves risk and may not be appropriate for all clients. Risks include maintenance calls, forced liquidation of securities, and potential tax consequences. The Firm reserves the right to change collateral requirements, decline funding requests, or call loans at any time. Products are distinct and subject to independent underwriting and approval. Rates, terms, and availability may vary.

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

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

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

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer 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

For more information, please refer to additional Products and Services disclosures here: www.morganstanley.com/wealthbooks#products-and-services.

Other General Disclosures

When MSWM, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, "MS") provide "investment advice" regarding a retirement or welfare benefit plan account, an individual retirement account or a Coverdell education savings account ("Retirement Account"), MS 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 MS provides investment education, takes orders on an unsolicited basis or otherwise does not provide "investment advice", MS will not be considered a "fiduciary" under ERISA and/or the Code. For more information regarding MS's role with respect to a Retirement Account, please visit www.morganstanley.com/disclosures/dol. Tax laws are complex and subject to change. MS 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. Individuals should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning, charitable giving, philanthropic planning and other legal matters. This material is not a financial plan and does not establish an investment advisory relationship. MS will only prepare a financial plan at your specific request using MS approved financial planning software.

No obligation to notify: MSWM has no obligation to notify you when the model portfolios, strategies, or any other information in this material changes. All expressions of opinion are subject to change without notice and are not intended to be a forecast of future events or results.

This material, or any portion thereof, **may not be reprinted, sold or redistributed** without the written consent of Morgan Stanley Smith Barney LLC.

E*TRADE from Morgan Stanley is a registered trademark of Morgan Stanley. Morgan Stanley Smith Barney LLC, Member SIPC. Consulting Group, Investment Advisory Services, Private Wealth Management and Graystone are businesses of Morgan Stanley Smith Barney LLC.

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

© 2026 Morgan Stanley Smith Barney LLC.

CRC 4953093 (11/25)