

Morgan Stanley

Private Banking Group Insights

Manage your wealth. Help reach your goals.



Introducing Private Banking Group Insights

Manage your wealth. Help reach your goals.

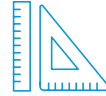
We understand your needs may evolve as your wealth grows. As a Morgan Stanley client, you have access to Private Banking Group Insights to help you preserve and grow your wealth, now and for future generations. Your Morgan Stanley Financial Advisor and Private Banker are available to discuss borrowing and cash management solutions to help you manage your wealth.

Ready for a conversation?

Contact your Financial Advisor today.

The ideas described within this brochure may not be attainable for all applicants. An applicant's financial resources, creditworthiness, financial condition or collateral value may affect the loan process, as well as an applicant's eligibility for credit.

Insights: Gifts and Estate Planning



GRAT Immunization

As markets fluctuate, you may want to take advantage of certain wealth transfer strategies.

DID YOU KNOW?

If you have already established a Grantor Retained Annuity Trust (GRAT), you may be able to use securities based loan proceeds to replace appreciated securities and preserve, or immunize, the appreciation within the GRAT.



An Alternative Gifting Strategy Worth Exploring

How you give may just be as important as what you give.

DID YOU KNOW?

Establishing a loan collateralized by eligible securities, and gifting the loan proceeds rather than the securities, may help minimize negative tax consequences associated with gifting appreciated assets.



4 Ways to Pay Estate Taxes

Explore the optimal approach to meet estate tax obligations.

DID YOU KNOW?

Options include using cash, life insurance proceeds, liquidating securities or establishing a securities based loan to the Estate in cases when the timing of asset liquidation may be unfavorable.



Intrafamily Loans

Investing in your family for their education, entrepreneurship or real estate needs.

DID YOU KNOW?

Using securities based loan proceeds to fund an intrafamily loan may allow you to help your children access low-cost financing while helping you obtain potential tax benefits.

Borrowing against securities may not be suitable for everyone. You should be aware that there are risks associated with a securities based loan, including possible maintenance calls on short notice, and that market conditions can magnify any potential for loss. For details, please see the important disclosures at the end of this brochure.

Insights: Philanthropy



Flexible Strategies for Private Foundations

Are you planning to liquidate your assets to extend or guarantee a loan to a charitable cause to meet your distribution requirements?

DID YOU KNOW?

Pledging eligible securities to establish a loan to fund these causes may allow you to prevent a disruption in your investment strategy and provide funds to satisfy your distribution requirements.



Funding Program Related Investments (PRIs)

As a Private Foundation, selling existing assets or using cash may not always be desirable.

DID YOU KNOW?

Establishing a loan and using the loan proceeds to fund PRIs may allow you to retain your investment strategy and recycle philanthropic capital.



Third-Party Pledges and PRIs

Are you looking for different options to fund your Private Foundation's PRIs?

DID YOU KNOW?

If you qualify to act as a qualified third-party pledgor, you may pledge eligible securities as collateral to establish a loan on behalf of a charitable organization, thereby providing the recipient with funds it otherwise may not be able to obtain.



Funding Grants With Debt

Cash is the most common form of grant-making but may require you to maintain ample cash or liquidate securities.

DID YOU KNOW?

In addition to potentially helping maintain your existing investment strategy by not having to liquidate, a loan could allow you to change a portfolio's current strategy from matching specific cash distribution requirements for grants to a longer-duration strategy portfolio.

Insights: *Alternative Investments*





Funding Your Capital Call Requirements

As a private equity investor, your typical investment horizon of 7-10 years exposes you to liquidity and interest rate risk.

DID YOU KNOW?

If eligible, a loan to fund capital calls may offer you financing for strategies to manage risks while managing cash flow needs throughout the fund's investment and holding periods.



Exchange Funds and Liquidity

Manage market volatility while also funding a liquidity need and potentially not liquidating securities.

DID YOU KNOW?

If you're invested in an Exchange Fund and find yourself needing cash, instead of selling your interests in the fund, potentially leading to fees and current-year tax implications, you may be able to apply for a securities based loan using your Exchange Fund interests as collateral.



Barbell Investment Strategy

With the barbell investment strategy, you are combining liquid and safe with illiquid and high-risk investments to maintain a comprehensive investment strategy.

DID YOU KNOW?

A loan may enhance your barbell investment strategy by providing you with liquidity to meet capital call obligations and other expenses while you maintain your current investment allocation or shift investments to higher potential returns.

Investments seeking higher rates of return also involve a higher degree of investment risk. Rates of return will vary over time, particularly for long-term investments.

Borrowing against liquid assets to fund the purchase of illiquid AI can be risky, complicated, and not all clients or funds are eligible. In order to be eligible to invest, a client must be an Accredited Investor, as defined by Rule 501 of Regulation D of the 1933 Act. For certain private funds, the client must also be a Qualified Client, as defined by Rule 205-3 of the Investment Advisers Act of 1940, as amended, or a Qualified Purchaser, as defined by Section 2(a)(51) of the 1940 Act. The Firm may impose an eligibility standard for a particular private fund that may be higher than those required to meet the Accredited Investor, Qualified Client or Qualified Purchaser standards. Please also note that Alternative Investments are not eligible collateral for any of the securities based loans discussed.

Insights: Cash and Liquidity Management





Starting College the Right Way

Adjusting to college life can be stressful. Managing finances doesn't need to be.

DID YOU KNOW?

You can help your children with one less thing to worry about by helping them create a budget, teaching them the importance of saving and establishing credit, and adding them as authorized users on your debit and credit cards to monitor their spending.



Simplification Through Consolidation

Almost 70% of retirees report that their medical and other expenses will be too high or their savings will run out in retirement.¹

DID YOU KNOW?

Consolidation into one cash management relationship can provide a holistic view of your finances, manage multiple income streams and expenses, and help you track day-to-day cash flow.



Setting Your Children Up With a Financial Advantage

Good credit may affect your children's ability to borrow in the future, obtain employment, or secure competitive rates for credit cards, mortgages or other loans.

DID YOU KNOW?

You may be able to help your children build a credit file by educating them about the fundamentals of responsible credit use, emphasizing the importance of making on-time bill payments to avoid credit card debt, and monitoring their spending by adding them as authorized users on an existing account.

¹ <http://www.bankrate.com/finance/retirement/survey-americans-racked-by-retirement-fears.aspx>

Insights: Insurance Strategies





Using Your Debt to Fund Life Insurance

Selling existing assets or pledging your policy as collateral for a loan may not always be a desirable means to fund your established life insurance policy's premiums.

DID YOU KNOW?

Establishing a loan and using the loan proceeds to cover your policy's premiums may allow you to maintain your investment strategy without having to liquidate assets.



Life Insurance Trusts and Third-Party Pledges

You may have established an Irrevocable Life Insurance Trust (ILIT) to keep life insurance proceeds outside of your estate and minimize estate tax exposure while providing liquidity for your family.

DID YOU KNOW?

Gifting cash or securities in order to make the ILIT's premium payments may be taxable or count toward your lifetime gift tax exclusion. These pitfalls may potentially be avoided by collateralizing a securities based loan as a third-party pledgor, where the ILIT is the borrower, and the ILIT using loan proceeds to pay the premiums.



Funding Your Long-Term Care Insurance Policy

Many people, regardless of age, will require long-term care at some point in their lives. In 30 years, the projected national average cost for five years of long-term care is \$1,914,006.¹

DID YOU KNOW?

A common solution for funding costly long-term care is through a Long-Term Care Insurance Policy. If you qualify, it may be possible to fund your established Long-Term Care Insurance Policy's premiums with a loan.

¹ <http://jhinsurancewebsite.azurewebsites.net/long-term-care/cost-of-long-term-care-calculator/index.aspx>

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. Alternative investments are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase the volatility and risk of loss. Alternative Investments typically have higher fees than traditional investments. Investors should carefully review and consider potential risks before investing.

Morgan Stanley Smith Barney LLC and its affiliates and their employees (including Financial Advisors and Private Wealth Advisors) are not in the business of providing tax or legal advice. These materials and any statements contained herein should not be construed as tax or legal advice. Individuals should consult their personal tax advisor or attorney for matters involving taxation and tax planning and their attorney for matters involving personal trusts and estate planning.

The information provided herein is not intended to address any particular matter and may not apply depending on the context, as all clients' circumstances are unique. The strategies discussed in this material are meant for clients with a specific need and may not be suitable for all clients. No legal, tax or other advice is being offered herein.

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

Important Risk Information for Securities Based Lending: You need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term

investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association or Morgan Stanley Smith Barney LLC (collectively referred to as "Morgan Stanley") reserves the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities based loan that is identified as a committed facility; (5) Morgan Stanley reserves the right to increase your collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call securities based loans at any time and for any reason.

With the exception of a margin loan, the proceeds from securities based loan products may not be used to purchase, trade or carry margin stock (or securities, with respect to Express CreditLine); repay margin debt that was used to purchase, trade or carry margin stock (or securities, with respect to Express CreditLine); and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.

To be eligible for a securities based loan, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the securities based loan.

Securities based loans are provided by Morgan Stanley Smith Barney LLC, Morgan Stanley Private Bank, National Association or Morgan Stanley Bank, N.A, as applicable.

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

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY





