Morgan Stanley

Understanding Insurance

Insurance is an essential part of financial planning, especially if loved ones rely on you for financial support and livelihood. Your Morgan Stanley Financial Advisor or Private Wealth Advisor will work with you to develop and implement a well-considered strategy – one based on your unique financial goals and opportunities.

An Introduction to Insurance

This reference document is provided by Morgan Stanley[1] solely to provide a general overview of the various forms of insurance. It is designed to provide you with a better understanding of insurance, including the benefits that policies can provide in helping you plan and protect, as well as potential limitations/restrictions and associated costs. It is not meant to describe a single product or pertain to a particular insurance company. Not all products discussed herein are available through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. The views expressed in this document are those of Morgan Stanley, are subject to change, and do not necessarily reflect the views of any other company. Please contact your Morgan Stanley Financial Advisor/Private Wealth Advisor or your local branch if you have any questions regarding this document.

What is Insurance?

Insurance protects you and loved ones against uncertainties. Insurance policies provide a payout for specified death, damage, or sickness in return for premium payments. These policies are a form of financial risk management that help protect you and the things you value.

There are several types of insurance policies offered through Morgan Stanley[2], which include:

- Term Life Insurance
- Permanent Life Insurance
- Long Term Care Insurance
- Disability Insurance

Insurance policies provide many benefits that may appeal to you including tax advantages, income replacement, and access to a non-equity market correlated asset class (the time when death, disability, or long term care needs strike and beneficiaries receive a payout is irrespective of market circumstances). These benefits would likely be attractive to those who want tax preferred investments, need income replacement in case of pre-mature death, have long term care needs, are unable to work, or want access to an asset class that is not sensitive to market changes. These benefits will be discussed in detail later within this booklet.

Morgan Stanley Products and Intellectual Capital

Preparation and planning are foundational components to a successful financial future. Morgan Stanley provides the combination of its renowned intellectual capital, access to case design specialists, and a leading due diligence and screening process to help optimize insurance products that service your needs.

This booklet contains a general overview of the types of insurance product offerings at Morgan Stanley, which you can review and discuss with your advisor.

[1] MORGAN STANLEY SMITH BARNEY LLC IS REFERRED TO AS "MORGAN STANLEY" THROUGHOUT THIS DOCUMENT.

[2] INSURANCE PRODUCTS ARE OFFERED IN CONJUNCTION WITH MORGAN STANLEY SMITH BARNEY LLC'S LICENSED INSURANCE AGENCY AFFILIATES.

Morgan Stanley

Understanding Permanent Life Insurance

This reference document is provided by Morgan Stanley[1] solely to provide a general overview of the various forms of permanent life insurance. It is designed to provide you with a better understanding of permanent life insurance, including the benefits that policies can provide in helping you plan and protect, as well as potential limitations/restrictions and associated costs. It is not meant to describe a single product or pertain to a particular insurance company. Not all products and/or features discussed herein may available through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. The views expressed in this document are those of Morgan Stanley, are subject to change, and do not necessarily reflect the views of any other company. Please contact your Morgan Stanley Financial Advisor/Private Wealth Advisor or your local branch if you have any questions regarding this document.

What is Permanent Insurance?

Insurance protects you and loved ones against uncertainties.

Life insurance is a type of insurance that pays out a sum of money, called a "death benefit", after your death as an insured individual. The death benefit is paid to your named beneficiaries, who are typically family or business partners that you would like to pass money to after you die.

The purpose of a death benefit is to help ensure that those financially dependent on you have a healthy economic future after your death. The death benefit received can help cover loved ones' expenses and take away the onus of replacing your lost economic value immediately (i.e. providing money to help pay a mortgage or other debts).

Permanent life insurance is a specific form of life insurance that provides lifelong coverage (assuming all required premiums are paid). Not all life insurance policies provide lifelong coverage, those of which are discussed in another booklet chapter.

In order to purchase permanent life insurance coverage, you will need to pay premiums to an insurer. Premiums are simply the price you pay in return for life insurance coverage over time. They are either lump-sum or periodic payments indicating an obligation that the insurer must supply coverage for claims made that the policy covers.

The premium amount paid is based on your age, health, life expectancy, and other factors. To qualify for permanent life insurance and prove your insurability, you will likely need to take a medical assessment to aid the insurer in

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approximating your lifespan and determining how much it will cost to insure you.

Generally, when you pay premiums on permanent life insurance, you are building equity. The premiums create policy value, which is transferred to beneficiaries as part of a death benefit.

Permanent life insurance premiums are allotted to three different areas. One portion of the payment goes towards the policy's death benefit, another portion goes towards the insurer's profits and operational costs, and the last portion goes towards the policy's "cash value".

Cash value is the fraction of your premium payment that is in excess of the amount needed to cover both the death benefit and insurer's profits and operational costs. It is generally invested by the insurer; it can be thought of as the money that potentially grows tax-deferred within your policy (consult a tax advisor for more detailed information on tax implications). As a policyholder, it is your right to access this cash value. It is the fraction of your policy's death benefit that can be leveraged and used as a financial resource.

If you opt to cancel or "surrender" your permanent life insurance contract, you will generally recover your cash value.

Types of Permanent Life Insurance

There are four basic types of permanent life insurance listed below, which may be appropriate for you based on specific individual needs.

Whole Life Insurance

Whole life insurance is the simplest type of permanent life insurance which offers a fixed death benefit in exchange for fixed premium payments.

Whole life insurance has a cash value constituent, which grows at guaranteed rate over time according to a formula. Whole life insurance may pay dividends from the insurer's profits. These dividends provide cash and may be used to offset a portion of your insurance expense over time.

Universal Life Insurance

Universal life insurance parallels whole life insurance with its death benefit and cash value element. However, unlike whole life insurance, universal life insurance allows you to adjust your premiums and death benefit to befit your needs.

Universal life insurance is adaptable — under this policy, you are able to adjust the amount and timing of premiums. Flexibility additionally applies to your death benefit, which you can increase or decrease after the policy is already in force (increases will require you to provide evidence of your insurability).

With universal life insurance, the interest rate on your cash value component is subject to change by the insurer, yet guaranteed to never fall below the guaranteed minimum interest rate defined in the policy.

Variable Universal Life Insurance

Variable universal life insurance parallels universal life insurance in that it offers lifelong coverage, flexibility, and cash value. However, it provides more investment options for the policy's cash value.

Cash value can be invested in certain "sub-accounts" offered by the insurer. Sub-accounts can be thought of as investment portfolios which are similar to mutual funds. Sub-accounts typically invest in various asset classes which may include stocks, bonds, derivatives, commodities, money market instruments, or other investments. Although sub-accounts are similar in many respects to mutual funds, fees and expenses can differ. Like mutual funds, you assume all of the risk related to your sub-account investments. Rates of return will mirror wider market trends and may give you a greater investment rate than whole life or universal life insurance—but with more risk.

Indexed Universal Life Insurance

Indexed universal life (IUL) insurance parallels universal life insurance in that it delivers death benefit protection, flexibility, and cash value.

Unlike whole life or universal life insurance policies, this type of permanent insurance potentially gives the opportunity for greater cash value growth since it is based on a market index. Policies generally offer a selection of well-known indices, such as the S&P 500; however, the policy's cash value does not directly participate in any index. Even with a loss in index value, you may still have a guaranteed minimum interest rate.

A key benefit associated with many indexed universal life policies is that they provide downside market protection with an upside cap.

IUL policies are also associated with participation rates. A participation rate is the percentage of change in an index that your account receives, which is set by the insurer and subject to change. There is a minimum index floor, which is the guaranteed amount of minimum account growth. If index performance is less than the minimum index floor, you will receive the minimum index floor amount. There is also a maximum index cap, which limits the upside of market performance. If the index gains are higher than the maximum index cap, you will get the increase up until the cap.

Features, Benefits, Drawbacks, and Considerations for Permanent Life Insurance

There are ongoing costs (i.e., administrative, rider and coverage charges, premium load, cost of insurance, etc.) associated with policies that are deducted from the policy accumulation regardless of any interest credited, or lack thereof, which may cause a decrease in the policy value performance if the index is poor.

Some IUL contracts include charge structures that should be well understood prior to purchase:

- Performance factor/multiplier—a non-guaranteed feature that multiplies the credited rate by a performance factor. This could potentially add to the indexed interest credited. This feature may also increase the charges associated with the policy.
- Asset charge—a charge based on the policy's accumulated value which could potentially help increase the cap rate thus potentially allowing for higher interest crediting.

Cash Value

Cash value in your policy may be used to pay for premiums, although this may cause the policy to lapse under certain circumstances. Withdrawals are also possible; however, this may chip away at your death benefit. If you have accumulated a sizable cash value, you can also choose to take out a loan against it.

Cash value can be recaptured if you choose to surrender your policy. However, if you choose to surrender your policy you will lose your death benefit, your coverage will end, you may encounter surrender fees, and you may have to pay income tax on any cash received.

Longevity
Rather than expiring after a certain date, permanent life insurance provides lifetime coverage as long as you continue paying premiums. This is different from other life insurance policies, which are discussed in another booklet chapter.

Non-Correlated Asset Class
A non-correlated asset class is not strongly influenced by market movement—it is independent of traditional market effects. The cash value and insurance benefit provided by whole life, universal life and indexed universal life insurance are thus generally considered uncorrelated assets. There is an arrangement between you and the insurer that proceeds will be paid to beneficiaries when you die—irrespective of timing or market circumstances.

Tax Considerations
Your cash value potentially grows tax-deferred, and dividends are received tax-free.
Life insurance policy cash values are accessed through withdrawals and policy loans. Loans are charged interest; they are usually not taxable. Withdrawals are generally taxable to the extent they exceed basis in the policy. Loans that are still unpaid when the policy lapses or is surrendered while the insured is alive will be taxed immediately to the extent of gain in the policy. Unpaid loans and withdrawals reduce cash values and death benefits. They may also shorten the guarantee against lapse, which can lapse the policy and have tax consequences. For policies that are Modified Endowment Contracts (MECs), distributions (including loans) are taxable to the extent of income in the policy; an additional 10% federal income-tax penalty may apply.

Cost
Permanent life insurance policies may be more expensive initially than other policies which expire after predetermined periods of time. However, permanent life insurance policies may have lower annual premiums over time than temporary policies since they do not have to be renewed at a higher attained age.

Common Riders

A rider is a clause that can be added to an insurance policy to enhance or change coverage terms. Most riders enhance coverage for an additional cost. A handful of common riders are as follows:

Long Term Care Rider
A long term care rider accelerates the death benefit and may be further supplemented by an extension of benefits rider if the insured is chronically ill and meets certain eligibility criteria. Eligibility generally includes that a licensed health professional certifies that the insured cannot perform two of the six activities of daily living (i.e. eating, bathing, dressing, toileting, transferring and continence) or that the insured has severe cognitive impairment. This applies to both temporary and permanent conditions. The long term care rider allows for the condition of the insured to be fully recoverable.

Benefit payments may require evidence of actual expenses paid or may be used for any purpose depending on the policy. There is typically an elimination period prior to receiving any benefits. The long term care rider should not be confused with either a chronic illness rider or a terminal illness rider, which are discussed later in this section.

Chronic Illness
This rider accelerates the death benefit and ensures that you will receive payment if you are diagnosed with a pre-specified chronic illness that is likely to last for the rest of your life

(condition must be non-recoverable), as well as meet specific qualifications.

Qualifications generally include that the insured has been recently certified as needing services that are likely to be necessary for the rest of the insured's life and either 1) is unable to perform at least two of the six activities of daily living for a specified period of time, or 2) requires substantial supervision from someone else to protect the insured due to severe cognitive impairment.

If qualified, you may be able to accelerate up to 100% of the death benefit. You can generally receive the benefit as either monthly payments or a one-time lump sum payment. Generally, the payments can be used for any purpose. There is typically an elimination period prior to receiving any benefits.

A key differentiating factor which makes a chronic illness rider dissimilar from a long term care rider is that it provides coverage for those with likely no potential for recovery. For this reason, it is important to ensure that you fully understand the limitations in coverage of a chronic illness rider.

Terminal Illness Rider
A terminal illness rider generally ensures that you will receive a payment if you are terminally ill, your life expectancy is reduced to 12 months or less, and all other eligibility conditions have been met. There is generally no waiting period to receive a benefit under this rider.

A terminal illness rider payment is generally paid as a lump sum. The purpose of this rider is to provide an early payment of the death benefit to assist with medical costs prior to death.

The key distinction for this rider is that it provides coverage for those with terminal illnesses and short life expectancies.

Waiver of Premium
This rider ensures that your policy will not lapse if you cannot pay your future premium due to disability.

Accidental Death or Dismemberment
This rider ensures that if you die due to an accident, you will receive a payment. Most payments are generally in surplus of the original death benefit.

Partial and Permanent Disability
This rider is useful if you face permanent or temporary disability due to accident. Most policies pay a percentage of your original income for a set period of time.

Learning about Permanent Life Insurance

In order to be an informed purchaser, you should do several things. Permanent life insurance carriers, who offer products in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates, provide informational documents and disclosures. You should read these documents carefully. Moreover, since any guarantees in your insurance contract will depend on the financial strength and claims-paying ability of the insurer, you should also evaluate the insurer's financial condition.

After you apply, the insurer approves your application for coverage, and your initial premium is paid, you will receive your policy contract. There are usually five basic parts to these insurance policy contracts, which should be read and understood:

- Declaration Page
- Insuring Agreement
- Exclusions
- Conditions

- Endorsements and Riders

Permanent life insurance policies come with forms, disclosure documents, and a policy prospectus, if applicable. These documents may contain investment objectives, risks, expenses, cap rates, and other information regarding the life insurance policy, which should be considered carefully before purchasing.

Your financial status and any policies held should be routinely reviewed by your financial advisor to ensure that they remain appropriate. Assumptions shown by insurance companies in illustrations, or rates shown in your policy that are subject to change, may vary over time.

General information on permanent life insurance and offerings can be provided by your Morgan Stanley Financial Advisor.

Costs Associated With Purchasing Permanent Life Insurance

Permanent life insurance is generally intended to provide a federally tax-qualified death benefit. There are costs to be aware of before purchasing permanent life insurance. Generally, premiums must continue to be paid by the policyholder to cover the policy and any added riders. Life insurance is medically underwritten, with premiums generally based on age, gender, health, and other factors. Death benefit payments generally are received income tax free, although you should consult with your own tax advisors regarding tax advice. As long as each premium is paid on time, coverage will continue either as long as the policyholder lives or until the policy is surrendered.

You may be subject to a fair value calculation (or interim value formula) should the policy be terminated early. Surrender charges may be imposed. You should consult with your own tax advisors regarding your potential tax liability on surrenders.

How Morgan Stanley Smith Barney LLC and Your Financial Advisor Are Compensated When You Buy Permanent Life Insurance

Commissions and Compensation

Each time permanent life insurance is purchased through a Morgan Stanley Financial Advisor, the insurer pays Morgan Stanley Smith Barney LLC compensation, based upon a standard schedule for each insurer, in the form of a commission, based upon the product selected and the amount of the client investment. Other fees are received for providing traditional brokerage services, including related research and advisory support, and for purchase and sale of securities.

There may be split compensation with a third party consultant or specialist in coordination with point of sales support and platform access. Utilization of a third party in no way impacts contract fees paid by you as a client.

The commissions payable to Morgan Stanley Smith Barney LLC are generally consistent for each insurer, regardless of the volume of business Morgan Stanley Smith Barney LLC submits to the insurer or the profitability of the policy to the insurer. Further, no insurer or the parent or affiliated company of any insurer has any material interest in Morgan Stanley Smith Barney LLC or its insurance licensed subsidiaries, Morgan Stanley Insurance Services, Inc. and SBHU Life Agency, Inc.

Morgan Stanley Smith Barney LLC prohibits linking the determination of the amount of brokerage commissions and service fees charged to an approved insurer or its parent or affiliated company to the aggregate values of our overall client holdings of the insurer's products or to offset the marketing allowance or expense reimbursements.

For additional information on a particular insurer's payment and compensation practices, please refer to the insurer's product prospectus and/or other disclosure documents.

Expense Reimbursements & Data Analytics Fees

Morgan Stanley Smith Barney LLC may seek prepayment or reimbursement by approved insurers, their parent or affiliated companies, or other service providers for the expenses incurred for various sales meetings, seminars and conferences held in the normal course of business and other administrative and compliance services.

Morgan Stanley Smith Barney LLC may provide insurers and other service providers with the opportunity to purchase supplemental sales data analytics. The amount of the fees depends on the level of data provided. Should an insurer offer other financial products, insurers may purchase sales data analytics from Morgan Stanley Smith Barney LLC on those products as well.

Before You Decide to Buy Permanent Insurance

You should consider the following before you decide to buy permanent life insurance:

Investment Goals

There are a number of key points of interest regarding investment goals to consider in advance of purchasing permanent life insurance. These include:

- Do you want life insurance for as long as you live?
- Will you use the permanent life insurance to provide a payout to beneficiaries upon your death?
- Are you aware that your permanent life insurance beneficiary will likely not have to pay income tax on the death benefits received?
- Do you intend to continue paying premiums to avoid a lapse in coverage?
- Have you consulted with a financial advisor to decide whether permanent insurance is appropriate for you?

Costs and Benefits

There are a number of key points of interest regarding policy costs and benefits to consider in advance of purchasing permanent insurance. These include:

- Do you understand the features of permanent life insurance?
- Can you afford premiums for the rest of your life?
- Will your beneficiaries rely on a death benefit to help replace your economic value?
- Do you want to accumulate a savings element that potentially grows on a tax-deferred basis?
- Have you considered how much permanent life insurance you need?
- Do you understand all of the fees and expenses that the insurer charges for permanent life insurance?

- Do you understand the various ways in which Morgan Stanley and your Financial Advisor/Private Wealth Advisor are compensated when you purchase permanent life insurance?

Appropriateness

There are a number of key points of interest regarding appropriateness to consider in advance of purchasing permanent life insurance. These include:

- Your investment risk tolerance.
- Your liquidity and costs, which could be difficult to manage with potentially large permanent life insurance premiums.
- The permanent life insurance's fees and charges.
- Your ability to understand all of the features, benefits and costs associated with permanent life insurance.

Morgan Stanley

Understanding Term Life Insurance

This reference document is provided by Morgan Stanley[1] solely to provide a general overview of the various forms of term life insurance. It is designed to provide you with a better understanding of term life insurance, including the benefits that policies can provide in helping you plan and protect, as well as potential limitations/restrictions and associated costs. It is not meant to describe a single product or pertain to a particular insurance company. Not all products and/or features discussed herein may be available through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. The views expressed in this document are those of Morgan Stanley, are subject to change, and do not necessarily reflect the views of any other company. Please contact your Morgan Stanley Financial Advisor/Private Wealth Advisor or your local branch if you have any questions regarding this document.

What is Term Life Insurance?

As discussed previously, life insurance protects you and loved ones against uncertainties. It is a way to help ensure that beneficiaries have a healthy economic future in the event of your death, and takes away the onus of immediately replacing your economic value.

Term life insurance is a specific type of life insurance that provides death benefit coverage (a payment to beneficiaries in the event of your death) over a predetermined period of time, generally 10 to 30 years. If you die during this time period your named beneficiaries will obtain the benefit, and if not, they will receive nothing. Once the stated time period passes, you can either choose to renew the policy or let it expire.

In the event of death, payment is not provided beyond the stated contract benefit and the policy has no cash value. Cash value is a component of permanent life insurance policies that potentially grows on a tax-deferred basis.

Term life insurance's only function is to insure you in case of death, and all premium payments go towards covering that cost. This contrasts other varieties of life insurance which potentially accrue cash value over time and provide lifelong coverage.

The premium amount paid is based on your age, health, life expectancy, and other factors. To qualify for term life insurance and prove your insurability, you will likely need to take a medical assessment to aid the insurer in approximating your lifespan and determining how much it will cost to insure you.
Term life insurance can offer:

- Temporary Coverage
- Pure Death Benefit
- No Cash Value Build-up

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- Increasing Premiums By Age or Age Bracket
- Conversion
- Renewability

The aforementioned features will be discussed in the following pages.

Types of Term Life Insurance

There are five basic types of term life insurance listed below, which may be appropriate for you based on specific individual needs.

Annual Renewable
An annual renewable term life insurance policy is written to provide one year of coverage, with the option to renew at the end of that year. If you choose to renew the policy, you will not have to provide proof of insurability, but the new premiums will be based on your attained age.

Level Term Insurance
Level term life insurance provides you with coverage for a specified time span. During this time span, premiums are guaranteed to remain static. Time spans for these policies generally range from 10 to 30 years. Once the chosen time span ends, most level term policies have a renewal option, which enables you to continue the policy on an annual renewable basis, if desired.

Family Income Benefits
Family Income Benefits term life insurance enables the death benefit to be paid out in either a lump sum or regular payments over a set period of time. This can help beneficiaries budget the death benefit received so that it is spent responsibly and lasts over time.

Increasing Term Life Insurance
Increasing term life insurance features a death benefit that grows annually according to a predetermined schedule. Concurrently, as the death benefit increases, so does the premium. This gives you the advantage of having a smaller policy early-on when you probably can least afford it. You may also appreciate how coverage increases since family and assets usually grow over time.

Decreasing Term Life Insurance
Decreasing term life insurance includes a death benefit which declines annually according to a predetermined schedule. You pay a fixed, level premium. Decreasing term policies are often used in tandem with mortgages; coverage lessens with the declining mortgage principal.

Features, Benefits, Drawbacks, and Considerations for Term Life Insurance

There are many considerations involved in assessing whether or not term life insurance is right for you. These include:

Conversion
Level term life insurance can be converted to permanent life insurance when coverage expires. This will enable you to attain lifelong coverage without having to meet prerequisites for a new policy based on current health. This is crucial since you will be older at the end of the policy's term, and may have developed physical or mental conditions which would otherwise have made you unfit for future coverage. Your policy may be subject to new rates upon conversion and the permanent insurance may be more expensive than if you had purchased it originally.

Temporary Coverage
Term life insurance satisfies a short-term need for death benefit protection. It is appropriate if

beneficiaries will outgrow their need for the benefit.

Cost

Term life insurance generally allows young, healthy purchasers to acquire a large death benefit for a low cost premium when the policy is first issued. This is because coverage is only provided for a specific period of time and has no cash value, in addition to other factors. However, this statement may not be true for everyone as cost is a function of age, health status, and amount of coverage among other factors. Term life insurance premiums generally significantly increase over time based on attained age and other factors.

No Cash Value Build-up

While the cost of term life insurance may be attractive depending on your age, health and other factors, you may find it unappealing that there is no cash value. In this instance, you might want to consider permanent life insurance, which provides lifelong coverage and potentially builds cash value. Although permanent life insurance is generally more costly, you will have the security of knowing that you have accrued cash value.

Investment Horizon

The cash value growth rate of permanent life insurance policies is often smaller than other financial products. Instead, policyholders can buy term life insurance and invest the difference.

Tax Considerations

Generally, your beneficiaries will not have to pay income taxes on your term life insurance death benefit.

Common Riders

A rider is a clause that can be added to a term life insurance policy that can enhance or change the coverage terms. Most riders enhance coverage for an added expense. A handful of common riders are as follows:

Waiver of Premium

This rider ensures that your policy will not lapse if you cannot pay your future premium due to disability.

Accidental Death or Dismemberment

This rider ensures that if you die due to an accident, you will receive a payment. Most payments are generally in excess of your original death benefit.

Partial and Permanent Disability

This rider is useful if you face permanent or temporary disability due to accident. Most policies pay a percentage of your original income for a set period of time.

Accelerated Death Benefit Rider

An accelerated benefits rider allows you to collect a portion of your policy's death benefit early if you are diagnosed with a pre-specified illness and meet certain qualifications.

Learning about Term Life Insurance

In order to be an informed purchaser, you should do several things. Term life insurance carriers, who offer products in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates, provide informational documents and disclosures. You should read these documents carefully. Moreover, since any guarantees in your insurance contract will depend on the financial strength and claims-paying ability of the insurer, you should also evaluate the insurer's financial condition.

After you apply, the insurer approves your application for coverage, and your initial premium is paid, you will receive your policy contract. There are usually five basic parts to these insurance policy contracts, which should be read and understood:

- Declaration Page
- Insuring Agreement
- Exclusions
- Conditions
- Endorsements and Riders

Term life insurance policies come with forms and disclosure documents outlining the objectives, risks, fees, expenses, and other information regarding the life insurance policy. This should be considered carefully before purchasing.

Your financial status and any policies held should be routinely reviewed by your financial advisor to ensure that they remain appropriate . Assumptions shown by insurance companies in illustrations, or rates shown in your policy that are subject to change, may vary over time.

General information on term life insurance and offerings can be provided by your Morgan Stanley Financial Advisor.

Costs Associated With Investing in Term Life Insurance

Term life insurance is generally intended to provide a federally tax-qualified death benefit for a specified period of time. There are costs to be aware of before purchasing term life insurance. Generally, premiums must be paid by the policyholder according to a set payment schedule to cover the policy costs, which would include any added riders. Life insurance is medically underwritten, with premiums generally based on age, gender, health, and other factors. Death benefit payments generally are received income tax free, although you should consult with your own tax advisors regarding tax advice. As long as each premium is paid on time, coverage will continue until the specified contract coverage period ends.

How Morgan Stanley Smith Barney LLC and Your Financial Advisor Are Compensated When You Buy Term Life Insurance

Commissions and Compensation
Each time term life insurance is purchased through a Morgan Stanley Financial Advisor, the insurer pays Morgan Stanley Smith Barney LLC compensation, based upon a standard schedule for each insurer, in the form of a commission, based upon the product selected and the amount of the client investment. Other fees are received for providing traditional brokerage services, including related research and advisory support, and for purchase and sale of securities.

There may be split compensation with a third party consultant or specialist in coordination with point of sales support and platform access. Utilization of a third party in no way impacts contract fees paid by you as a client.

The commissions payable to Morgan Stanley Smith Barney LLC are generally consistent for each insurer, regardless of the volume of business Morgan Stanley Smith Barney LLC submits to the insurer or the profitability of the policy to the insurer. Further, no insurer or the parent or affiliated company of any insurer has any material interest in Morgan Stanley Smith Barney LLC or its insurance licensed subsidiaries, Morgan Stanley Insurance Services, Inc. and SBHU Life Agency, Inc.

Morgan Stanley Smith Barney LLC prohibits linking the determination of the amount of brokerage commissions and service fees charged to an approved insurer or its parent or affiliated company to the aggregate values of our overall client holdings of the insurer's products or to offset the marketing allowance or expense reimbursements.

For additional information on a particular insurer's payment and compensation practices, please refer to the provider's informational forms and/or other disclosure documents.

Expense Reimbursements & Data Analytics Fees
Morgan Stanley Smith Barney LLC may seek prepayment or reimbursement by approved insurers, their parent or affiliated companies, or other service providers for the expenses incurred for various sales meetings, seminars and conferences held in the normal course of business and other administrative and compliance services.

Morgan Stanley Smith Barney LLC may provide insurers and other service providers with the opportunity to purchase supplemental sales data analytics. The amount of the fees depends on the level of data provided. Should an insurer offer other financial products, insurers may purchase sales data analytics from Morgan Stanley Smith Barney LLC on those products as well.

Before You Decide to Buy Term Life Insurance

You should consider the following before you decide to buy term life insurance:

Investment Goals
There are a number of key points of interest regarding investment goals to consider in advance of purchasing term life insurance. These include:

- Will you use the term life insurance to provide a payout to beneficiaries upon your death?
- Are you certain that you do not need long-term coverage?
- Are you aware that your term life insurance beneficiary will likely not have to pay income tax on the death benefits received?
- Do you intend to continue paying premiums to avoid a lapse in coverage?
- Have you consulted with a financial advisor to decide whether term insurance is appropriate for you?

Costs and Benefits
There are a number of key points of interest regarding policy costs and benefits to consider in advance of purchasing term life insurance. These include:

- Do you understand the features of term life insurance?
- Do you understand all of the fees and expenses that the insurer charges for the term life insurance?

- Do you understand the various ways in which Morgan Stanley and your Financial Advisor/Private Wealth Advisor are compensated when you purchase term life insurance?
- Do you understand that as time passes, term life insurance premiums will likely increase with attained age?

Appropriateness

There are a number of key points of interest regarding appropriateness to consider in advance of purchasing term life insurance. These include:

- Your liquidity which could be difficult to manage as term life insurance premiums increase over time.
- Your life expectancy in contrast with the length of your term life insurance's predetermined coverage period.
- The term life insurance's fees and charges.
- Your ability to understand all of the features, benefits and costs associated with the term life insurance.

Disclosures

- Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.
- Since life insurance is 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.

Before You Buy Life Insurance: Is Term, Permanent, or a Combination Right for You?

	Pertains To:	Term	Permanent	Combination
1	Will you use life insurance to provide a payout to beneficiaries upon your death?	✓	✓	✓
2	Generally requires proof of insurability to qualify.	✓	✓	✓
3	Do you intend to pay premiums consistently to avoid a lapse in coverage?	✓	✓	✓
4	Will your beneficiaries outgrow the need for death benefit protection?	✓		
5	Would you like to provide death benefit protection for a predefined time period?	✓		
6	When structured correctly, death benefit payouts are not subject to income tax.	✓	✓	✓
7	Do you want to accumulate a cash value savings element that potentially grows on a tax-deferred basis?		✓	✓
8	Is temporary coverage more important to you than life-long coverage and potential cash value accumulation?	✓		
9	Would you like life-long coverage and accumulated cash value? Premiums may be more expensive initially, but can potentially save you money over the lifetime of the policy.		✓	✓
10	Would you like to use term as temporary additional coverage with a permanent life insurance policy?			✓
11	Can you not afford all of the coverage that you currently want, so you are considering two plans to save money without sacrificing coverage?			✓
12	Will you need more coverage overtime? If you upgrade to a larger house or have a new child you may consider adding more life insurance.			✓

Understanding Long Term Care Options

This reference document is provided by Morgan Stanley[1] solely to provide a general overview of the various forms of long term care coverage options. It is designed to provide you with a better understanding of your long term care options, including the benefits provided in helping you plan and protect, as well as potential limitations/restrictions and associated costs. It is not meant to describe a single product or pertain to a particular insurance company. Not all products and/or features discussed herein may be available through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. The views expressed in this document are those of Morgan Stanley, are subject to change, and do not necessarily reflect the views of any other company. Please contact your Morgan Stanley Financial Advisor/Private Wealth Advisor or your local branch if you have any questions regarding this document.

What Are My Long Term Care Options?

Planning for long term care can help protect you and loved ones against uncertainties. These options may remove some of the economic constraints associated with paying for long term care services.

Long term care options can help people meet their health and personal needs, such as providing assistance with activities of daily living (i.e. dressing, bathing, and using the restroom).

The cost of long term care options may be based on the age at which you purchase the policy, the maximum daily amount of money that the policy will pay, how long the policy will last, health status, life expectancy, and other factors.

Generally, there are two types of long term care options – traditional long term care insurance policies and permanent life insurance policies with added riders. These are described in detail in the next section.

Types of Long Term Care Options

There are various ways to use insurance to help pay for long term care services. These include:

Traditional Long Term Care Insurance
Long term care insurance provides benefits to those who need assistance with daily living activities or that have severe cognitive impairments. You pay premiums for long term care coverage; unused premiums will not be returned.

If you qualify for long term care benefits, usually there is a waiting period of approximately 90 days before coverage kicks in. During this timeframe, you will have to pay for your expenses. You will receive a periodic payment thereafter from the insurer for the time period specified in your contract.

Permanent Life Insurance with Added Riders

There are a few different ways that permanent life insurance can be used to pay for long term care services. The policies discussed below are life insurance based, and should not be confused with traditional long term care insurance mentioned above.

<u>Option 1: Linked Life/LTCI Policy</u>

A linked life/LTCI policy can be thought of as a combination of life insurance with tax qualified long term care insurance. Linked policies use permanent life insurance as their foundation, and offer a long term care rider that can be added in order to provide for long term care services. The long term care rider accelerates the death benefit and is further supplemented by an extension of benefits rider if the insured is chronically ill and meets certain eligibility criteria.

If you need long term care, your life insurance death benefit is accelerated and used to pay you first. This is usually followed by an extension of benefits, which extends payouts beyond depletion of the primary policy's death benefit.

Eligibility generally includes that a licensed health professional certifies that the insured cannot perform two of the six activities of daily living (i.e. eating, bathing, dressing, toileting, transferring and continence) or that the insured has severe cognitive impairment. This applies to both temporary and permanent conditions.

The long term care rider allows the condition of the insured to be fully recoverable. Benefit payments may require evidence of actual expenses paid or may be used for any purpose depending on your policy. There is typically an elimination period prior to receiving any benefits.

The long term care rider used in linked life/LTCI policies should not be confused with either a chronic illness rider or a terminal illness rider, which are discussed later in this section.

The advantage of permanent life insurance with a long term care rider is that if you never require long term care services, your beneficiaries will receive the entire death benefit. However, if you do end up requiring long term care, you will have coverage for long term care services.

<u>Option 2: Chronic Illness Rider</u>

A chronic illness rider can be added to a permanent life insurance policy in order to provide for long term care services, if needed. This rider accelerates the death benefit and ensures that you will receive payment if you are diagnosed with a pre-specified chronic illness that is likely to last for the rest of your life (condition must be non-recoverable), as well as meet specific qualifications.

Qualifications generally include that the insured has been recently certified as needing services that are likely to be needed for the rest of the insured's life and either 1) is unable to perform at least two of the six activities of daily living for a specified period of time, or 2) requires substantial supervision from another individual to protect the insured from threats to health and safety due to severe cognitive impairment.

If qualified, you may be able to accelerate up to 100% of the death benefit. You can generally receive the benefit as either monthly payments or a one-time lump sum payment. Generally, the payments can be used for any purpose.

There is typically an elimination period prior to receiving any benefits.

A key differentiating factor which makes a chronic illness rider dissimilar from a long term care rider is that it provides for long term care services for those with likely no potential for recovery. For this reason, it is important to ensure that you fully understand the service limitations of a chronic illness rider.

The advantage of permanent life insurance with a chronic illness rider is that if you never require long term care services, your beneficiaries will receive the entire death benefit. However, if you do end up requiring long term care, you will have coverage for long term care services.

<u>Option 3: Terminal Illness Rider</u>

A terminal illness rider can be added to a permanent life insurance policy in order to provide for long term care services. A terminal illness rider generally ensures that you will receive a payment if you are terminally ill, your life expectancy is reduced to 12 months or less, and all other eligibility conditions have been met. There is generally no waiting period to receive a benefit under this rider.

A terminal illness rider payment is generally paid as a lump sum. The purpose of this rider is to provide an early payment of the death benefit to assist in medical costs prior to death. The key distinction for this rider is that it provides for long term care services for those with terminal illnesses and short life expectancies.

The advantage of permanent life insurance with a terminal illness rider is that if you never require long term care, your beneficiaries will receive the entire death benefit. However, if you do end up requiring long term care, you will have coverage for long term care services.

Features, Benefits, Drawbacks, and Considerations for Long Term Care Options

There are many considerations involved in assessing whether or not a long term care option is right for you. These include:

Maintaining Control of Invested Premiums

Permanent life insurance policies with added riders allow you to maintain control of your invested dollars and pass the death benefit to beneficiaries if you never need long term care. With traditional long term care insurance, invested premiums yield no death benefit; there is a "use it or lose it" mentality.

Guaranteed Renewability

Long term care insurance is generally guaranteed to be renewable. It cannot be cancelled due to your age or any acquired physical and/or mental decline. The policy will not expire unless you use up all of your benefits or cease premium payments. Permanent life insurance does not have to be renewed as it is meant to last as long as the policyholder lives. The policy will not expire unless the policy is cancelled or premium payments cease.

Tax Considerations

Benefits paid through long term care insurance or tax-qualified long term care riders are generally not taxed as income.

Health Care, Medicare, and Medicaid

Daily, protracted long term care services are not covered by health insurance. Medicare only covers long term care services for short periods of time which must follow a recent hospitalization for the same or related condition. Medicaid does cover long term care services, but recipients must meet several financial eligibility criteria. As a result, Medicaid is typically a last resort for most individuals. It is thus important to plan ahead for long term care needs. The aforementioned life insurance riders and long term care insurance options help prepare for potential long term care needs.

Long Term Care Benefit Periods
Long term care insurance policies and tax-qualified long-term care riders pay a fixed benefit for a predetermined period of time. Periods can be capped to a certain number of years, which may leave you still needing care even after your benefit payouts have ceased.

Elimination Periods
There is sometimes an elimination period, or “waiting period”, between needing long term care and actually receiving benefit payments. Waiting periods typically range from approximately 60 to 90 days for long term care insurance. Some life insurance policies with riders lack elimination periods, however, this is specific to the policy contract.

Cost
Long term care insurance can be expensive. The actual cost of the premiums depends on several factors including: your age, your state of health when you apply for the policy, the benefit amount, the length of the total coverage, the maximum pool of dollars, the waiting period or elimination period, and whether you choose to add optional riders to your policy.

Although the aforementioned permanent life insurance policies with riders are generally more expensive than traditional long-term care policies, you may consider them more economical since your beneficiaries can receive a death benefit, or portion of it, if long term care is never needed or does not fully exhaust the death benefit. Premiums for these policies, like long term care insurance policies, are determined by your age, health, gender, and other factors.

Learning about Long Term Care Options

In order to be an informed purchaser, you should do several things. Insurers, who offer products in conjunction with Morgan Stanley Smith Barney LLC’s licensed insurance agency affiliates, provide informational documents and disclosures. You should read these documents carefully. Moreover, since any guarantees in your insurance contract will depend on the financial strength and claims-paying ability of the insurer, you should also evaluate the insurer’s financial condition.

After you apply, the insurer approves your application for coverage, and your initial premium is paid, you will receive your policy contract. There are usually five basic parts to these insurance policy contracts, which should be read and understood:

- Declaration Page
- Insuring Agreement
- Exclusions
- Conditions
- Endorsements and Riders

Long term care insurance policies and life insurance policies come with forms and disclosure documents outlining the objectives, risks, fees, expenses, and other information regarding the insurance policy. This should be considered carefully before purchasing.

Your financial status and any policies held should be routinely reviewed by your financial advisor to ensure that they remain appropriate.

Assumptions shown by insurance companies in illustrations, or rates shown in your policy that are subject to change, may vary over time. General information on long term care options and offerings can be provided by your Morgan Stanley Financial Advisor.

Costs Associated With Purchasing a Long Term Care Option

Long Term Care Insurance
Long term care insurance is generally intended to provide federally tax-qualified long term care coverage. There are costs to be aware of before purchasing long term care insurance. Premiums must be paid by the policyholder according to the policy's payment schedule. Long term care insurance is medically underwritten, with premiums generally based on age, gender, health, and other factors. As long as each premium is paid on time, long-term care coverage will continue until the specified contract coverage period ends or until the maximum long term care benefits have been paid.

Permanent Life Insurance with Riders for Long Term Care Services
Life insurance is generally intended to provide a federally tax-qualified death benefit. There are costs to be aware of before purchasing permanent life insurance with a rider. Generally, premiums must continue to be paid by the policyholder to cover the policy and riders. Life insurance is medically underwritten, with premiums generally based on age, gender, health, and other factors. Death benefit payments generally are received income tax free, although you should consult with your own tax advisors regarding tax advice. As long as each premium is paid on time, coverage will continue as long as the policyholder lives or until the policy is surrendered. Surrender charges may be imposed. You should consult with your own tax advisors regarding your potential tax liability on surrenders.

How Morgan Stanley Smith Barney LLC and Your Financial Advisor Are Compensated When You Buy a Long Term Care Option

Commissions and Compensation
Each time a long term care option is purchased through a Morgan Stanley Financial Advisor, the insurer pays Morgan Stanley Smith Barney LLC compensation, based upon a standard schedule for each insurer, in the form of a commission, based upon the product selected and the amount of the client investment. Other fees are received for providing traditional brokerage services, including related research and advisory support, and for purchase and sale of securities.

There may be split compensation with a third party consultant or specialist in coordination with point of sales support and platform access. Utilization of a third party in no way impacts contract fees paid by you as a client.

The commissions payable to Morgan Stanley Smith Barney LLC are generally consistent for each insurer, regardless of the volume of business Morgan Stanley Smith Barney LLC submits to the insurer or the profitability of the policy to the insurer. Further, no insurer or the parent or affiliated company of any provider has any material interest in Morgan Stanley Smith Barney LLC or its insurance licensed subsidiaries, Morgan Stanley Insurance Services, Inc. and SBHU Life Agency, Inc.

Morgan Stanley Smith Barney LLC prohibits linking the determination of the amount of brokerage commissions and service fees charged to an approved insurer or its parent or affiliated company to the aggregate values of our overall client holdings of the insurer's products or to offset the marketing allowance or expense reimbursements.

For additional information on a particular insurer's payment and compensation practices, please refer to the provider's disclosure documents.

Expense Reimbursements & Data Analytics Fees
Morgan Stanley Smith Barney LLC may seek prepayment or reimbursement by approved insurers, their parent or affiliated companies, or other service providers for the expenses incurred for various sales meetings, seminars and conferences held in the normal course of business and other administrative and compliance services.

Morgan Stanley Smith Barney LLC may provide insurers and other service providers with the opportunity to purchase supplemental sales data analytics. The amount of the fees depends on the level of data provided. Should an insurer offer other financial products, insurers may purchase sales data analytics from Morgan Stanley Smith Barney LLC on those products as well.

Before You Decide to Buy a Long Term Care Option

You should consider the following before you decide to buy a long term care option:

Investment Goals
There are a number of key points of interest regarding investment goals to consider in advance of purchasing a long term care option. These include:

- Will you use the insurance to provide coverage in the event of an illness or cognitive impairment?
- Would you be okay with not leaving a death benefit to your heirs?
- Are you aware that you will likely not have to pay income tax on the benefits received?
- Do you intend to continue paying premiums to avoid a lapse in coverage?
- Have you consulted with a financial advisor to decide whether a long term care option is appropriate for you?

Costs and Benefits
There are a number of key points of interest regarding policy costs and benefits to consider in advance of purchasing a long term care option. These include:

- Do you understand the features of the insurance policy?
- Do you understand all of the fees and expenses that the insurer charges for policy?
- Do you understand the various ways in which Morgan Stanley and your Financial Advisor/Private Wealth Advisor are compensated when you purchase a long term care option?

Appropriateness
There are a number of key points of interest regarding appropriateness to consider in advance of purchasing a long term care option. These include:

- Your policy's fees and charges.
- Your ability to understand all of the features, benefits and costs associated with a long term care option.

Disclosures

- Insurance products are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.
- Since long-term care insurance is 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 may require a medical exam. Actual premiums may vary from any initial quotation.

Morgan Stanley

Before You Buy A Long Term Care Option: Which Is Right For You?

	Pertains To:	LTC Insurance	Life Insurance with a Chronic Illness Rider	Linked Life/ LTCI Insurance	Life Insurance with a Terminal Illness Rider
1	Will you need money to meet chronic illness or cognitive impairment expenses if they occur?	✓	✓	✓	✓
2	Requires proof of insurability to qualify.	✓	✓	✓	✓
3	Do you intend to pay premiums consistently to avoid a lapse in coverage?	✓	✓	✓	✓
4	Benefits are generally received income tax free.	✓	✓	✓	✓
5	If you never need long term care benefits or use only a portion of them, would you like your premiums to instead be put towards a death benefit payout, rather than a “use it or lose it” methodology?		✓	✓	✓
6	Are you okay with a waiting period before coverage kicks in after meeting your contract eligibility specifications?	✓	✓	✓	
7	If you need long term care services, would you prefer your life insurance death benefit to be accelerated and used to pay you first, followed by an extension of benefits?			✓	
8	If you need long term care, would you prefer your life insurance death benefit to be accelerated, with no additional coverage beyond the death benefit?		✓		✓
9	Would you like your policy to allow for customization with premiums based on the benefit level and/or options selected, rather than solely being based upon the death benefit?	✓		✓	
10	Would you be comfortable only receiving a finite stream of benefit payments based on the death benefit that last a predetermined, fixed amount of time?		✓		✓
11	Would you like protection from policy cost increases in the future?		✓	✓	✓

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Understanding Disability Insurance

This reference document is provided by Morgan Stanley[1] solely to provide a general overview of the various forms of disability insurance. It is designed to provide you with a better understanding of disability insurance, including the benefits that policies can provide in helping you plan and protect, as well as potential limitations/restrictions and associated costs. It is not meant to describe a single product or pertain to a particular insurance company. Not all products and/or features discussed herein may be available through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates. The views expressed in this document are those of Morgan Stanley, are subject to change, and do not necessarily reflect the views of any other company. Please contact your Morgan Stanley Financial Advisor/Private Wealth Advisor or your local branch if you have any questions regarding this document.

What is Disability Insurance?

The ability to work is perhaps your most important asset. Disability insurance is a means of helping you keep yourself financially stable if you become disabled. It is an important way of helping to make sure that loved ones have a sound economic future in the event of your inability to work.

Disability insurance policies provide you with a monthly benefit to replace a percentage of absent income once you meet the definition of "disabled" and a predetermined elimination period has past. The elimination period is the time span between the commencement of a disability and the time that you begin receiving benefits.

Many insurers define a disability as the incapacity to perform "any occupation" that you are trained for based on education and work experience. Other contracts define a disability as the incapacity to execute your "own occupation". More specific definitions result in more expensive policies.

Disability benefits are not only calculated based on health and age qualifications, but also on other factors such as your occupation and income.

Types of Disability Insurance

Individual Disability Insurance

Individual disability insurance replaces a portion of your income if you are unable to work due to an accident or prolonged illness. Coverage can range anywhere from a month to decades long and generally involve an elimination period between the commencement of a disability and the time that you begin receiving benefits.

Individual policies can supplement employer-provided coverage, or work as a stand-alone policy if you lack coverage from your employer. The cost of disability insurance is based on the age at which you purchase the policy, the amount of coverage you select, how long the

[1] MORGAN STANLEY SMITH BARNEY LLC IS REFERRED TO AS "MORGAN STANLEY" THROUGHOUT THIS DOCUMENT.

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policy will last, health, life expectancy, and other factors.

Disability Overhead Expense Insurance
When creating a business plan, the owner of a company usually accounts for the risks associated with the business—one of which is disability risk.

Business owners can purchase disability overhead expense insurance in order to protect their business in case of employee disablement.

Disability overhead expense coverage differs from individual disability coverage in that it is not meant to provide personal coverage—it generally only covers business expenses related to an employee's disablement (i.e. salary and litigation expenses). Unlike individual disability policies, most disability overhead expense policies have durations of one to two years and tend to have shorter elimination periods.

Features, Benefits, Drawbacks, and Considerations for Disability Insurance

There are many features, benefits, and considerations involved in assessing whether or not disability insurance is right for you. These include:

Definition of Disability
Any occupation generally defines disablement as being unable to perform the fundamental duties of your occupation or any job fit for your level of education, preparation, and skillset. Partial disablement generally means your disability prevents you from performing key occupational tasks, diminishes the amount of time that you work, or decreases compensation.

Unlike "any occupation", "own occupation" changes the restrictions of the policy so that it is specific to your own profession, not any job. A policy using an own occupation definition covers those that are unable to perform a majority of the occupational duties that they have been trained to do. This is generally conditional on the insured's employment at the time of disablement.

Waiting Period
Disability insurance typically has an elimination period anywhere from a few days to a few months before payouts commence. During this period, you will have to pay for all of your own expenses.

Coordination of Benefits
The amount of benefits that you receive from your insurance policy depends on what other benefits you are receiving. Your policy's stated benefit amount will be reduced by any amounts paid elsewhere.

Tax Considerations
Disability insurance benefit payouts are not subject to taxation.

Private and Public Disability Insurance
You can have both private disability insurance as well as disability insurance from Social Security. However, any benefits received from Social Security will be factored into what you may receive from your private policy.

Common Riders

Non-Cancellability and Guaranteed Renewability
Non-cancellability and guaranteed renewability are features which guarantee that the insurer

cannot change your premium or payout schedule once the policy is inforce.

Partial or Residual Disability Benefit
The partial or residual disability benefit gives a payout if you lose income due to a decrease in hours or productivity.

Cost of Living Adjustment
The cost of living adjustment increases your disability benefits over time based on the cost of living.

Return of Premium
This rider requires the insurer to refund part of your premium if no claims are made for a predetermined time period stated in the contract.

Future Purchase Option
This feature lets you increase coverage in the future without evidence of insurability. This means that no matter what happens to your health, you can purchase more coverage.

Protection for Business Owners
Disability insurance is crucial if you own a small business. For jointly owned businesses, you may want to purchase disability insurance in order to provide funding for one partner to buy a disabled partner's portion of the business, if needed. You may also want to purchase disability insurance in order to protect your business against foregoing income due to an important employee's disability.

Learning about Disability Insurance

In order to be an informed purchaser, you should do several things. Disability insurance carriers, who offer products in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates, provide informational documents and disclosures. You should read these documents carefully. Moreover, since any guarantees in your insurance contract will depend on the financial strength and claims-paying ability of the insurer, you should also evaluate the insurer's financial condition.

After you apply, the insurer approves your application for coverage, and your initial premium is paid, you will receive your policy contract. There are usually five basic parts to these insurance policy contracts, which should be read and understood:

- Declaration Page
- Insuring Agreement
- Exclusions
- Conditions
- Endorsements and Riders

Disability insurance policies come with forms and disclosure documents outlining the objectives, risks, fees, expenses, and other information regarding the insurance policy. This information should be considered carefully before purchasing.

Your financial status and any policies held should be routinely reviewed by your financial advisor to ensure that they remain appropriate. Assumptions shown by insurance companies in illustrations, or rates shown in your policy that are subject to change, may vary over time.

General information on disability insurance and offerings can be provided by your Morgan Stanley Financial Advisor.

Costs Associated With Purchasing Disability Insurance

Disability insurance provides tax-free benefits. There are costs to be aware of before purchasing disability insurance. Generally, premiums must continue to be paid by the policyholder to cover the policy and any added riders. Insurance is medically underwritten, with premiums generally based on age, gender, health, and other factors. As long as each premium is paid on time, disability coverage will continue until the specified contract coverage period ends.

How Morgan Stanley Smith Barney LLC and Your Financial Advisor Are Compensated When You Buy Disability Insurance

Commissions and Compensation
Each time disability insurance is purchased through a Morgan Stanley Financial Advisor, the insurer pays Morgan Stanley Smith Barney LLC compensation, based upon a standard schedule for each insurer, in the form of a commission, based upon the product selected and the amount of the client investment. Other fees are received for providing traditional brokerage services, including related research and advisory support, and for purchase and sale of securities.

There may be split compensation with a third party consultant or specialist in coordination with point of sales support and platform access. Utilization of a third party in no way impacts contract fees paid by you as a client.

The commissions payable to Morgan Stanley Smith Barney LLC are generally consistent for each insurer, regardless of the volume of business Morgan Stanley Smith Barney LLC submits to the insurer or the profitability of the policy to the insurer. Further, no insurer or the parent or affiliated company of any insurer has any material interest in Morgan Stanley Smith Barney LLC or its insurance licensed subsidiaries, Morgan Stanley Insurance Services, Inc. and SBHU Life Agency, Inc.

Morgan Stanley Smith Barney LLC prohibits linking the determination of the amount of brokerage commissions and service fees charged to an approved insurer or its parent or affiliated company to the aggregate values of our overall client holdings of the insurer's products or to offset the marketing allowance or expense reimbursements.

For additional information on a particular provider's payment and compensation practices, please refer to the insurer's disclosure documents.

Expense Reimbursements & Data Analytics Fees
Morgan Stanley Smith Barney LLC may seek prepayment or reimbursement by approved insurers, their parent or affiliated companies, or other service providers for the expenses incurred for various sales meetings, seminars and conferences held in the normal course of business and other administrative and compliance services.

Morgan Stanley Smith Barney LLC may provide insurers and other service providers with the opportunity to purchase supplemental sales data analytics. The amount of the fees depends on the level of data provided. Should an insurer offer other financial products, insurers may purchase sales data analytics from Morgan

Stanley Smith Barney LLC on those products as well.

Before You Decide to Buy Disability Insurance

You should consider the following before you decide to buy disability insurance:

Investment Goals
There are a number of key points of interest regarding investment goals to consider in advance of purchasing disability insurance. These include:

- Will you use disability insurance to help keep yourself financially stable if you are unable work?
- Are you aware that you will not have to pay income tax on the disability insurance benefits received?
- Do you intend to continue paying premiums to avoid a lapse in coverage?
- Have you consulted with a financial advisor to decide whether disability insurance is appropriate for you?

Costs and Benefits
There are a number of key points of interest regarding policy costs and benefits to consider in advance of purchasing disability insurance. These include:

- Do you understand the features of disability insurance?
- Do you understand all of the fees and expenses that the insurer charges for the disability insurance?
- Do you understand the various ways in which Morgan Stanley and your Financial Advisor/Private Wealth Advisor are compensated when you purchase disability insurance?

Appropriateness
There are a number of key points of interest regarding appropriateness to consider in advance of purchasing disability insurance. These include:

- Your liquidity which could be difficult to manage with costly disability insurance premiums.
- Your ability to return to work in contrast with the length of your disability insurance's predetermined coverage period.
- The disability insurance's fees and charges.
- Your ability to understand all of the features, benefits and costs associated with the disability insurance.

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