

FROM THE DESK OF THE LEV ROURK GROUP

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Bonds at Every Stage of Life

Many think bonds are only for the very conservative investor. In actuality, bonds can be an important component to a well-balanced portfolio throughout every stage of an investor's life. They can provide stability during volatile markets, provide an income stream, help with tax liability, and provide higher rates of return for capital growth. Regardless of your life stage, you should consider having bonds in your investment portfolio.

At the Beginning

As a beginning investor in your 20s or 30s, you have a long time to maximize capital and are probably in the best position to assume risks for larger returns. But even at this early stage of investing, you should develop a portfolio that balances risk and market volatility. While higher-yield investments are important, you will still want to balance them with some lower-risk investments, including bonds. At this stage, you can:

✓ **Grow capital** with bonds that offer higher yields if you assume higher risk. Although higher-risk bond investments have potential for loss because of interest rate and credit risk, they are typically still a safer investment than equities. You should make sure you understand the

terms and conditions, including the bond's rating, call features, and if it is insured.

✓ **Protect your savings** for a large purchase, such as a car, wedding, or house. Lower-risk bonds can be a better investment than traditional savings accounts to

save for large purchases. Bonds will pay a higher interest rate and offer a safer way to protect your savings. You may want to consider Treasury or corporate bonds with maturity dates that align with the timeframe in which you will need the money.

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Before Investing in a 401(k) Plan

Here are three factors you should consider before investing in a 401(k) plan.

1. Find Out When You Can Start Contributing — Many people assume they can start making 401(k) contributions as soon as they're employed. This may be the case in some scenarios, but not all. Some employers require waiting periods of up to a year before enrollment can occur, so be sure to check with your employer to gain a full understanding of your plan specifics.

2. Understand the Company Match — One of the most enticing reasons to contribute to a 401(k) plan is the prospect of having your contributions matched by your employer. In many cases, employers may match contributions dollar-for-dollar, which can be an excellent way to build a solid retirement fund quickly. Some companies don't offer such generous matches, however, so ask your employer about the details before committing to a 401(k) plan.

3. Know When You'll Be Vested — When you're vested, you're legally allowed to keep the portion of money contributed to your 401(k) plan by your employer. In most cases, however, employees aren't considered vested until they've worked at the company for a certain period of time, such as five or six years.

Please call if you'd like to discuss your 401(k) plan in more detail. ✓✓✓

Bonds

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✓ **Diversify your employer-sponsored retirement plan**, such as a 401(k) plan. Your plan most likely offers a variety of mutual funds, and bond funds are a good way to diversify your portfolio and spread your risk. The stock and bond markets do not typically move in the same direction, so bonds can stabilize and help with your overall returns.

In the Middle

Your mid-30s to late 40s should be a time of accumulating wealth and investing for retirement and other long-term goals. At this point in your life, you should rebalance your portfolio on a regular basis to ensure your allocation is keeping pace with your goals. Many experts agree that at this point, you should consider more medium-risk investments in combination with your higher-risk investments.

Bonds should become a larger portion of your asset allocation than they were when you were younger, because they will offer more predictable income and continue to balance higher-risk equities.

Following are some bonds to consider at this stage in your investment life:

✓ **Tax-advantaged bond investing** is a good way to help offset taxes if you're in a higher tax bracket. Municipal bonds, which are issued by state and local governments, are an attractive investment in your income-earning years because they are exempt from federal income taxes. And, if you live in the same state as the issuer, they are free from state and local taxes as well. In most cases, you should not include this type of investment in a tax-deferred retirement or college savings account because you would be wasting the

tax exemption feature.

✓ **Zero-coupon bonds can be a good cost-effective investment for specific goals**, such as paying for college or money for retirement. They are sold at a steep discount from their face value, and when they mature, the face value will include both the principal and the accumulated interest. These bonds also work well in a tax-deferred account because the interest is taxable when it is credited to the bond but you can't spend it until it matures.

Approaching Retirement

Many experts recommend that at this point you should begin increasing the bond portion of your portfolio to 50% or more to lower your risk. Some items to consider when evaluating bonds for your portfolio:

✓ **Managing interest rate risk** is important because when interest rates rise, bond prices fall, and vice versa. One way to manage this risk is with a bond ladder. This strategy allows you to invest in a portfolio of bonds with different maturity time frames to help your investments do well in any interest rate environment. When rates rise, you will have short-term bonds that mature so you can then invest the principal at higher rates. And when rates fall, you will have the longer-term bonds paying higher returns.

✓ **Tax-advantaged bond investing** will continue to be a good way to manage taxes, especially if you're in a higher tax bracket. Again, municipal bonds can be a good investment because they are exempt from federal income taxes, and, if you live in the same state as the issuer, they are free from state and local taxes as well.

In Retirement

Now your main goal becomes

protecting and maximizing your income for the remainder of your life. Social Security will most likely only replace a portion of your income, so your portfolio and retirement benefits will need to make up the rest. Things to consider:

✓ **Guarding against inflation** because you are now living on a fixed income. Treasury Inflation Protection Securities (TIPS) or Treasury Inflation Indexed Securities will help you guard against inflation. TIPS have a fixed coupon rate, but their principal amount is adjusted every six months according to changes in the Consumer Price Index. When TIPS mature, you will get the higher of the original face value or the inflation-adjusted amount. You may also want to keep a small portion of your portfolio in stock for growth potential.

✓ **Spend from taxable accounts first** because when you take money from tax-deferred accounts, you will pay income tax on your distributions. By spending the tax-deferred accounts last, your portfolio will continue growing tax deferred while you are in retirement.

Please call if you'd like to discuss bonds in more detail. ✓✓✓



Sufficient Funds for Your Entire Retirement

Depending on your age and circumstances, retirement can feel far away and mysterious or achingly close and excitement (or panic) inducing. When you're young, the idea of retirement is shrouded in the mists of future wealth and idle thoughts of what you'll do when you don't have to work anymore. But while those fast approaching retirement may have a clearer view of what is to come, in some ways, they are just as unaware of what is really in store for them over the next few decades. Most of us don't know how long we're going to live and that means it's incredibly important to make sure we have sufficient funds for our entire retirement.

How Much to Save?

While it's thought you could only need as low as 70% of your current income per year in retirement, it is wise to assume you will need closer to 100%. Think of all the things you enjoy doing now: traveling, hobbies, attending cultural events, and sports games. All of these could be a vital part of an active and interesting retirement, but they also cost money. Make sure you have saved enough to be active and that your withdrawal rate is not so high that your resources could deplete early. While it's always customizable, a good starting point is to withdraw 4% in the first year of your retirement, and continue to adjust for inflation down the road.

Cutting down on living expenses now can free up cash for more contributions to your retirement and will give you an idea of how little you can comfortably live on. This will give you a better idea of how much you will really need in retirement. Before

you enter retirement, the most important expense to get rid of is debt payments. Your cost of living will be significantly reduced if you have paid off your mortgage and any outstanding consumer debt.

When forming a plan or determining if you are ready to retire now, err on the side of longevity when it comes to your lifespan. Add a few years to what is generally expected — plan on living until 85 or 90. It is a far better situation to have saved more than necessary than to run out of funds so late in life. In the vein of further caution, it is a good idea to have an emergency fund outside of your retirement plan. A general rule is to have at least six months of living expenses tucked away just in case.

What about Housing?

In general, housing should take up about 25% of your gross pay or 35% of your take-home pay. If you own your own home and have paid off your mortgage, this shouldn't be a difficult guideline — but remember that with a house comes additional, and often expensive, repair and maintenance costs. If you plan on staying in your home throughout your retirement, make sure the big stuff is in good working order or replaced while you are still drawing income. This includes the roof, the foundation, siding, HVAC, sewer lines, and septic system, as well as an emergency fund in case of fire or water damage.

Your house will also need to be adapted for your needs as you age. You may need to consider selling a home that requires a lot of upkeep and downsizing to something more manageable. No one wants to face

the reality of physical deterioration, but most people face mobility issues as they age and a one-story home may be safer and easier to navigate.

Continuing Income Options

It may be tempting, but resist the urge to take early retirement. It is difficult enough to save enough money to live on in retirement if you are only retired for 20-25 years. Imagine if you retire at 55 years old and live for another 35 years. You will need enough funds to support yourself in retirement for longer than you were in the workforce. Every extra year you work is a year you don't have to support yourself using your retirement savings.

Once you've retired, it can be helpful for your savings and your wellbeing to work a casual, light job. Many retirees find themselves missing the comradery of the workplace and the continued income will allow for more spending money, vacations, and greater security in your savings. You could put your experience to work for you as a part-time consultant in your former field, or put in a few hours a week at the town museum.

Last but not least, consider longevity insurance. This is a type of deferred annuity that will continue to provide income well into your twilight years. People usually purchase it at around 65 years old, and the payout begins at 80 years.

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

Your 401(k) Contribution Amount

Before deciding how much to contribute to your 401(k) plan, find out three key figures:

What is the maximum percentage of your pay that



Market Data



	MONTH END			% CHANGE	
	JUL 25	JUN 25	MAY 25	YTD	12-MON.
STOCKS:					
Dow Jones Ind.	44130.98	44094.77	42270.07	3.7%	8.1%
S&P 500	6339.39	6204.95	5911.69	7.8	14.8
Nasdaq Comp.	21122.45	20369.73	19113.77	9.4	20.0
Total Stock Market	62663.41	61309.50	58393.30	7.3	14.2
PRECIOUS METALS:					
Gold	3310.00	3281.00	3288.90	26.5	36.4
Silver	36.75	35.98	32.89	24.8	27.5
INTEREST RATES:	JUL 25	JUN 25	MAY 25	DEC 24	JUL 24
Prime rate	7.50	7.50	7.50	7.50	8.50
Money market rate	0.44	0.44	0.45	0.42	0.48
3-month T-bill rate	4.24	4.20	4.26	4.23	5.15
20-year T-bond rate	4.89	4.79	4.93	4.86	4.44
Dow Jones Corp.	5.26	5.18	5.38	5.45	5.43
Bond Buyer Muni	5.15	4.96	4.93	4.46	3.94

Sources: Barron's, Wall Street Journal. An investor may not invest directly in an index.

can be contributed? The maximum legal limit that can be contributed in 2025 is \$23,500 plus an additional \$7,500 catch-up contribution for participants age 50 and over, if permitted by the plan. However, most employers set limits in terms of a percentage of your pay to comply with government regulations.

How much of your contribution is matched by your employer? Employers are not required to provide matching contributions, but many do. A common match is 50 cents for every dollar contributed, but many other variations also exist.

Up to what percentage of your pay does your employer match? Most plans only match contributions up to a certain percentage. For instance, the plan may only match contributions up to a maximum of 6% of your pay.

As an example, assume your 401(k) plan allows contributions up to 10% of your pay annually, with a 50 cent match on every dollar contributed, up to a maximum of 6% of your pay. With a \$100,000 salary, you can contribute up to \$10,000 to the plan. Your employer will match up to the first \$6,000 of contributions (6% of \$100,000), contributing a maximum of \$3,000 (50 cents for every one dollar you contribute). ✓✓✓

FR2025-0408-0068

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2025-PS-490

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