

FROM THE DESK OF THE LEV ROURK GROUP

U P D A T E



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5 Steps to Create an Investment Plan

Like anything in life, having a plan for your investments will help you reach your investment goals. Below are five steps for crafting your investment plan.

1. Determine Your Goal

Every good investment plan begins with a clear goal in mind. Ask yourself: “Why am I investing? What do I hope to do with the money I save and earn?” For example, you might invest to fund a child’s college education, retire comfortably, buy a house, start a new business, leave a charitable bequest to a favorite cause, or pay for a wedding.

Write down your investment goals and make them as specific as possible. Write down a realistic estimate of how much you think you’ll need. Making these estimates can be challenging, but it’s an essential investment planning step. After all, if you don’t know where you’re going, you’ll never get there.

2. Decide on Your Time Frame

After you outline your goals, you need to establish your time frame for investing. Typically, your goals will fall into one of three categories:

✓ **Short-term:** Those you expect to achieve in five years or less.

✓ **Mid-term:** Those you expect to achieve in five to 10 years.

✓ **Long-term:** Those you expect to achieve in more than 10 years.

Your investing time frame has a direct relation to the investments you should choose. Generally, the

shorter your time horizon, the less risk you want to take. If you will need your money in three years to pay for your daughter’s college education, then putting all your money in riskier investments is probably not wise, as the chances of

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The Fundamental Investing Principle

Which is the most fundamental investment principle — selecting the proper investments, accumulating the correct combination of assets, or timing the market to avoid corrections? Actually, the principle may not even sound like an investment principle at all. To help ensure you meet your financial goals, it is important to save significant sums of money consistently. This one habit will do more to help you reach your financial goals than anything else. The sooner you start this habit, the less you need to save. Consider the following example.

Fresh out of college and 25 years old, you decide you’ll need \$1,000,000 when you retire at age 65. You can save on a tax-deferred basis through your employer’s 401(k) plan and expect to earn 8% compounded annually. If you start at age 25, you’ll need to invest \$3,860 a year for 40 years to reach your goal. However, you decide to wait 10 years. At age 35, you now need to invest \$8,827 per year for 30 years. If that seems like too much, consider that at age 45, you need to invest \$21,852 annually. The really bad news is that someone waiting until age 55 will need to invest \$69,029 annually to reach that goal. By postponing investing, you lose time and, with it, the ability for compounding returns on your contributions to perform much of the working of attaining your goals.* ✓✓✓

* This example is for illustrative purposes only and is not intended to project the performance of a specific investment. It does not consider the payment of income taxes. Keep in mind that a plan of regular investing does not assure a profit or protect against loss in declining markets.

5 Steps to Create

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losing money are greater. Instead, less risky investments, like bonds, will likely make up a larger portion of your portfolio. But if you're investing for the long haul (say, for a retirement that's 30 years away), you can invest in higher risk investments, since you'll have more time to recover from a loss.

3. Evaluate Your Tolerance for Risk

All investments come with risk — the chance you could lose your money. Riskier investments also come with the possibility of greater return. As an investor, you must decide how much risk you're willing to accept. Your personal risk tolerance is closely related to your goals and your time frame, as well as your experience with investing and your feelings about the possibility of losing money.

4. Decide How Much You Want to Invest

Once you've considered your time horizon, goals, and risk tolerance, you can consider how much money you want to invest. You should keep a portion of your savings in a stable, easily accessible account to use for emergencies and other immediate needs.

Once you have the funds for your initial investment, you need to decide how much you want to invest on an ongoing basis. This number will be determined by your budget, your investment goals, and your time frame. For smaller, short-term goals, determining ongoing investment amounts is fairly easy. If you want to buy a home in five years, you might open an account with \$2,000 you've already saved, and then invest \$400 a month for the next five years.

Deciding how much to invest for longer-term goals can be more challenging. When saving for retirement, you need to consider how much yearly income you'll need, your anticipated investment returns, when you want to retire, how long you expect to live, the impact of inflation, and the money you'll receive from other sources, like Social Security. It can be a complicated equation, which is why many people turn to a financial advisor for help running the numbers.

5. Choose Your Investments

Given the thousands of possible options, choosing investments can be overwhelming, but completing the first four investment planning steps should help you make those decisions. Again, your goals, risk tolerance, and time frame will point you in the right direction, such as toward target-date funds designed for retirees or college savers, or a money market fund for short-term goals. But if you're baffled by all the options, it's always a good idea to seek a second opinion. Please call if you'd like help with your investment plan. ✓✓✓

6 Life Insurance Mistakes to Avoid

For life insurance seekers, here are some costly mistakes to avoid:

Mistake #1: Thinking you can't afford life insurance. The abundance of options available to people of all ages, income levels, and health status can make life insurance attainable for people who may have previously believed it was only for the wealthy.

Mistake #2: Relying entirely on an employer-sponsored life insurance policy. Opting to only utilize the group life insurance policy through work will almost certainly not provide you with enough coverage.

Mistake #3: Purchasing inadequate coverage. People often prioritize their discretionary spending over insurance coverage when making their budget, which can lead to insufficient funds being used for insurance. Review your budget and determine if the amount of coverage you've chosen is really enough for your family's needs.

Mistake #4: Choosing the wrong type of insurance. There are significant differences between term and whole life insurance, which can affect the affordability, length of coverage, tax implications, versatility, and customization of your policy.

Mistake #5: Not updating your beneficiaries. If you do not make a habit of reviewing your beneficiaries on a regular basis, there is a chance they no longer match your wishes. This is especially true if there has been a divorce, birth, death, or family dispute in recent years. Beneficiaries on life insurance policies generally override wills, so keeping this up to date is particularly important.

Mistake #6: Not seeking professional advice. Life insurance can be complicated. To make sure you have not overlooked something important, such as the tax implications for your loved ones, it may be wise to consult with a licensed professional. ✓✓✓

Financial Harmony in Marriage

Financial stress can come from many sources, but one of the most difficult is when one spouse is a spender and the other a saver. We come into marriage with attitudes toward money deeply ingrained in our psyche, and those attitudes are not easily changed. But don't despair — if you find yourself engaged in a struggle with a spouse who is your opposite when it comes to saving and spending, there are steps you can take.

1. Agree to be a team. You got married to spend your lives together, so it shouldn't be difficult to start with this understanding, even if it may seem hard to reconcile with your money behavior. To be a team, you have to act like a team, and that starts by giving up individual possessiveness about money: there's no "your money" and "my money." It needs to be "our money."

2. Agree on your goals. Start your teamwork by articulating your long-term goals; they're the most important and the easiest to agree upon. Long-term goals might include living the lifestyle you want in retirement and educating your children. Be sure to be specific. A goal isn't a dream, like "a comfortable retirement" or "a good school for the kids." Articulating specific long-term goals involves knowing how much those dreams are going to cost and precisely when they will occur. You need dates and dollar figures.

Once you've reached an agreement on your long-term goals, try to set the same kind of specific plans for your intermediate- and short-term goals, like your next vacation and your end-of-year savings and retirement account balances.

3. Practice full disclosure.

Being a team means each of you is empowered to act on behalf of the other with implicit approval. This requires that each of you has full command of the facts: how much money you make, how much you owe, and how much you spend. Share the balances in any individual accounts you may hold, like checking and credit cards. You need to be completely honest with each other, even if you make a mistake now and then.

4. Budget and pay bills together. Create a monthly budget (spreadsheets are ideal for this) that compares the total of your bills and expected out-of-pocket expenses with every penny of incoming and available cash. Include an itemized list of your debts and scheduled payment amounts, as well as your asset accounts and their balances.

Thoroughness is a key determinant of your success, so don't overlook anything, especially significant one-time expenses like gifts or big nights out. Create a catch-all category called "miscellaneous" for the little things you might forget — or those that are small and hard to pin down.

Pay your bills at the same time in the same place, and then update your

budget spreadsheet as you do. This means revisiting your monthly budget at least once a month. Print out two copies and keep them somewhere you can both easily glance at whenever the need arises.

5. Check your account balance(s). One way spenders rationalize their behavior is by keeping themselves in the dark about how much they really have to spend. If you're going to be faithful to the budgeting process, you have to keep careful track of your cash on hand and that means actively checking your account balances.

6. Agree on spending rules. You both need to agree on how much you can spend on purchases without consulting each other. Beyond this preset amount, you should talk about the purchase in advance and adjust your budget accordingly.

7. Create a financial plan. Everybody should have a professionally prepared plan, but for couples with polarized spending and saving habits, it's especially important. A professional can provide the expertise and tools you may lack. He/she will also serve as an impartial third party to help you defuse your money debates. ✓✓✓



Good Investing Habits

Some tips to hone good investing habits for your portfolio include:

✓ **Write everything down in a diary.** Every time you make a trade, write down why you did so and



Market Data



	MONTH END			% CHANGE	
	JAN 26	DEC 25	NOV 25	YTD	12-MON.
STOCKS:					
Dow Jones Ind.	48892.47	48063.29	47716.42	1.7%	9.8%
S&P 500	6939.03	6845.50	6849.09	1.4	14.9
Nasdaq Comp.	23461.82	23241.99	23365.69	0.9	19.5
Total Stock Market	68500.03	67501.51	67583.58	1.5	13.9
PRECIOUS METALS:					
Gold	5033.00	4344.00	4218.30	15.9	79.0
Silver	98.75	72.45	56.45	36.3	214.0
INTEREST RATES:	JAN 26	DEC 25	NOV 25	DEC 25	JAN 25
Prime rate	6.75	6.75	7.00	6.75	7.50
Money market rate	0.41	0.41	0.43	0.41	0.40
3-month T-bill rate	3.58	3.57	3.75	3.57	4.20
20-year T-bond rate	4.82	4.79	4.62	4.79	4.88
Dow Jones Corp.	5.06	5.00	4.92	5.00	5.37
Bond Buyer Muni	4.83	4.79	4.76	4.79	4.44

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

what was going on in the markets to precipitate that trade. This will force you to develop objective reasons before making trades.

✓ **Keep track of your portfolio's performance.** Monthly, quarterly, or even annual reviews are adequate. The point is to assess how your investments have performed compared to a relevant benchmark. Evaluate all your investments, not just your retirement accounts or taxable accounts.

✓ **Monitor the market and your investments.** Don't just purchase investments and then forget about them. While you don't have to read everything in print about your investments, make sure to set aside enough time to review quarterly and annual reports and other major news. You'll also want to read enough to have a general sense of what is going on in the market.

✓ **Evaluate your strategies.** Once a year, thoroughly review your investment strategies and make sure you are on track in pursuing your financial goals. The other habits will assist in this review. Pull out your diary and the analysis of your portfolio's performance so you can review all your trades and investments in detail. Look for trends and analyze what you did right and wrong during the year. ✓✓✓

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