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From the Desk of the Lev Rourk Group

U P D A T E

JUDITH WILKENS LEV
Senior Vice President
Investment Management Consultant
Financial Advisor
NMLS# 1252284

COREY D. LEV, CFP®, CRPC®
Senior Vice President
Financial Planning Specialist
Financial Advisor
NMLS# 1261752

RONALD L. ROURK, CFP®
First Vice President
Financial Advisor
NMLS# 1255573

1200 Franklin Avenue
Garden City, New York 11530
516-227-2899
800-645-8600
516-248-8630 Fax

judy.w.lev@morganstanley.com
corey.d.lev@morganstanley.com
ronald.l.rourk@morganstanley.com

Morgan Stanley

Get These Decisions Right

The sheer number of decisions required to manage our finances can seem overwhelming. There are six basic decisions that can determine the course of your financial life:

1. How you earn a living. Sure, we all want to enjoy our work. But within that parameter, why not choose a job that will pay more than another? Your income is going to drive all your other financial decisions, so investigate your options:

- Are you sure you're being paid a competitive wage with competitive benefits?
- Do you have an outside interest or hobby that can be turned into a paying job? This could be a good way to supplement your salary.
- Can you get some additional training to help secure a promotion or qualify for another job?

2. How you spend your income. The amount of money left over for saving is a direct result of your lifestyle choices, so learn to live within your means. To get a grip on spending, consider these tips:

- Analyze your spending for a month. In which categories do you spend more than you expected? Are you wasting money on impulse purchases?
- One of your most significant spending decisions will be your home. Many people purchase the largest home they can afford. Purchasing a smaller home may reduce your mortgage payment as well as other costs associated with owning a home.
- Prepare a budget to guide your spending. A budget gives you a roadmap for spending your income. Start by setting a budget for a couple of months, tracking your expenses closely over that time.

3. How much you save. You

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The Benefits of Low-Correlated Assets

Correlation is a statistical measure of how one asset class performs in relation to another asset class. Correlations can range from +1 to –1. A correlation of +1 means the two assets move very closely together in the same direction. Combining assets with a high positive correlation will not provide much risk reduction. A correlation of –1 indicates the assets move in opposite directions, a rare event in the investment world. A correlation close to 0 means no relationship exists.

Combining assets with consistently high correlations to each other does little to reduce risk. The greatest combination benefit to a portfolio seems to be achieved by combining assets with consistently low correlations, which results in consistently reduced risk. While correlations change over time, general observations include:

- Stocks tend to have a low positive correlation with corporate and government bonds.
- Short-term bonds tend to have a low correlation with long-term bonds.
- Stock markets around the world are all positively correlated to some degree. In general, European stock markets are more closely correlated to each other and the U.S. than to markets in Japan or Asia. Correlations between developed countries tend to be higher than correlations between developed and emerging countries.
- Real estate tends to have a low correlation with both stocks and bonds.

Get These Decisions

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should be saving a minimum of 10% of your gross income. But don't just rely on that rule of thumb. Calculate how much you need to meet your financial goals and how much you should be saving on an annual basis. If you can't seem to save that much, go back to your spending analysis to make cuts to your spending. First, look for ways to reduce your spending by lowering the cost of your purchases. At some point, however, you may need to cut your discretionary spending, such as entertainment, dining out, clothing, and travel.

4. How you invest. The ultimate size of your portfolio is a function of two factors — how much you save and how much you earn on those savings. Even small differences in return can significantly impact your investment portfolio. Typically, investments with potentially higher rates of return have more volatility than investments with lower rates of return. While you don't want to take on excessive risk, you also don't want to leave all your savings in investments with little growth potential. Your portfolio should contain a diversified mix of investment categories based on your return expectations, risk tolerance, and time horizon for investing.

5. How you manage debt. Before you take on debt, consider the effect it will have on your long-term goals. If you are already having trouble finding money to save, additional debt will make it even more difficult. To keep your debt in check, consider these tips:

✔ Mortgage debt is acceptable as long as you can easily afford the home.

✔ Be careful about taking equity out of your home in the form of a home equity loan. You might want to set up a home equity line of credit for emergency use, but then make sure it is only used for emergencies. It may also make sense to use a home equity loan to pay off higher interest rate consumer loans, but then don't run those balances up again.

✔ Never purchase items on credit that decrease in value, such as clothing, vacations, food, and entertainment. If you can't pay cash, don't buy them.

✔ If you must incur debt, borrow wisely. Make as large a down payment as you can. Consider a shorter loan period, even though your payment will be higher. Since interest rates can vary widely, compare loan terms with several lenders. Review all your debt periodically to see if less expensive options are available.

6. How you prepare for financial emergencies. Making arrangements to handle financial emergencies will help prevent them from adversely affecting your financial goals. Make sure to have:

✔ An emergency fund covering several months of living expenses. Besides cash, that fund can include readily-accessible investments or a line of credit.

✔ Insurance to cover catastrophes. At a minimum, review your coverage for life, medical, homeowners, auto, disability, and personal liability.

✔ A power of attorney so someone can step in and take over your finances if you become incapacitated.

Making the correct choices for these six basic financial decisions will help put you on the right financial course. If you'd like help with these decisions, please call. ✔✔✔

Why Dips Can Be Good

If you're at all familiar with the term, "buying on the dip," chances are you already know the benefits of falling stocks for investors. It may seem counterintuitive, but stocks that take a massive dip can actually be very advantageous for those who have yet to get involved. First, though, it's helpful to get an idea as to what buying on the dip really means.

Put simply, buying on the dip is the process of purchasing stocks after they have seen a significant decline. The logic behind this strategy is that stocks will eventually reach a point of stability, after which they will likely start climbing again. Thus, buying a stock at the cheapest price it has seen in years brings with it the chance of seeing a good return over time.

There are a few things that are important to take into consideration when buying on the dip. For one, it's important to look at the history of whatever stock you're interested in purchasing. Has it had a tumultuous past? Is the recent downswing completely out of character? Does it rise and fall regularly? These are all factors that can affect whether or not you'll be successful with making investments on the dip. In the latter scenario, for example, you're not really buying on the dip if the stock has been known to move in extreme directions on a consistent basis.

While buying on the dip can be an effective investment strategy, it's best approached with the help of a professional. If you're careful and approach this technique wisely, it can be a very effective way to secure investment gains. ✔✔✔

Countdown to Retirement

When your retirement date is only a couple of years away, you should start taking steps to ensure a smooth transition from a working life to retirement.

Financial Considerations

✔ Determine your retirement income and expenses as precisely as possible. You want to do this before, rather than after, retirement, when your options will be more limited. Although you probably won't be able to significantly impact the amount of your savings in just a couple of years, you may decide to postpone retirement or reduce expenses.

✔ Consider part-time employment after retirement. You may want to work to supplement your retirement income or to fill your free time. Review your options before retirement so you don't count on an unrealistic amount of income from that job. You may want to check with your current employer for part-time employment opportunities.

✔ Review your debts and loans, paying off as much as possible.

✔ Examine your investment portfolio, making necessary adjustments. You may need to reallocate your investments or make arrangements for monthly distributions.

Pension Plan Considerations

✔ Select your retirement date carefully. Ask your company to calculate benefits based on different retirement dates. You may find that staying for a short period may add substantially to your benefits.

✔ Review your pension benefit options carefully. Often, your company will offer several distribution options, which may include an annuity and a lump-sum distribution. Once made, you usually can't change your decision.

✔ Check into health insurance coverage. Determine what, if any, health insurance benefits your employer provides and how much you must pay for those benefits. Even if you qualify for Medicare, you'll want to investigate Medigap insurance so you're not unprotected in key areas. While you are still employed, you and your spouse should get a complete physical to identify any health problems that may be a concern after retirement.

✔ If you have pension benefits from previous employers, notify them at least six months before you retire.

Social Security Considerations

✔ Review your Social Security statement, which is automatically sent approximately three months before your birthday. This statement estimates your retirement benefits at age 62, full retirement age for Social Security purposes, and age 70. Consider several factors when deciding when to start taking benefits, including your health, work income after retirement, other retirement income sources, and your spouse's age and health.

✔ Apply for Social Security benefits at least three months before you retire.

Other Considerations

✔ Think about how you would like to spend your retirement years. Will you travel, take on new hobbies, start a second career, spend more time on volunteer activities, or start a business?

✔ Decide whether you will continue to live in your current home. You may want to sell your home to help finance your retirement or because you don't need that large a home.

✔ If you plan to move to another city, research and visit that city. Make multiple trips for an extended period, preferably during each season, to make sure you really like the new location.

✔ Evaluate your life insurance. You may want to cash in a policy or convert it to an annuity to supplement your income. Insurance may also be an attractive way to provide for estate taxes.

✔ Consider long-term-care insurance. As you get older, the cost of this insurance becomes prohibitive, so consider the coverage as soon as possible.

✔ Now is a good time to review your entire estate plan and make sure your will is updated.

✔ Analyze your tax situation. Many of the decisions you make for retirement will have an important impact on your tax bill.

Use the time before retirement to get your financial affairs in order so you can truly enjoy your retirement years. If you need help analyzing these decisions, please call. ✔✔✔

U P D A T E

The Stock Market Is Not the Economy

Although it plays an extremely important role in the economy, the stock market is not the same as the economy. The stock market is driven mostly by the emotions of investors, not necessarily the performance of the economy.

The best example of investors confusing the stock market and the economy is the market crash of 1929. Investors didn't realize a recession had begun, and they kept driving stock prices higher until the stock market crashed. The market crash was one of many factors that caused the Great Depression, not the only one.

Many things can impact the economy, while stock prices are more dependent on supply and demand. For example, a company only has so many shares of stock available to be traded. The higher the demand for the stock, the higher the stock's price will be. Even if the economy is stagnant, when a successful company's stock is in short supply, the stock price will likely go up.

The most important correlation between stocks and the economy is time. The shorter the time frame, the weaker the correlation between the two. When time is extended to years or decades, the two will likely converge.

While investors should pay attention to the economy, it is best for investors to focus on the specific fundamentals they normally would when evaluating whether or not to purchase a stock. ✔✔✔ FR2025-1209-0037

Market Data

	Month End			% Change	
Stocks:	Mar 26	Feb 26	Jan 26	YTD	12-Mon.
Dow Jones Ind.	46341.51	48977.92	48892.47	-3.6%	10.3%
S&P 500	6528.52	6878.88	6939.03	-4.6	16.3
Nasdaq Comp.	21590.63	22668.21	23461.82	-7.1	24.8
Total Stock Market	64612.63	68052.60	68500.03	-4.3	16.7
Precious Metals:					
Gold	4592.00	5232.00	5033.00	5.7	47.4
Silver	73.40	92.10	98.75	1.3	117.0
Interest Rates:	Mar 26	Feb 26	Jan 26	Dec 25	Mar 25
Prime rate	6.75	6.75	6.75	6.75	7.50
Money market rate	0.42	0.41	0.41	0.41	0.45
3-month T-bill rate	3.62	3.59	3.58	3.57	4.21
20-year T-bond rate	4.88	4.57	4.82	4.79	4.62
Dow Jones Corp.	5.43	5.03	5.06	5.00	5.37
Bond Buyer Muni	4.76	4.70	4.83	4.79	4.62

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

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THE LEV ROURK GROUP AT
MORGAN STANLEY WEALTH MANAGEMENT
Morgan Stanley
1200 Franklin Avenue
Garden City, New York 11530