Morgan Stanley

THE MURRAY LEGACY GROUP
AT MORGAN STANLEY

Well Advised
May 2026

Issue #10: Cash Management & Liquidity: How Much Is Enough

Cash plays an important role in any financial plan. It provides flexibility, supports short-term needs, and offers a sense of stability, particularly during periods of uncertainty.

At the same time, holding too much cash over extended periods can create its own set of challenges. Unlike long-term investments, cash typically does not keep pace with inflation, which can gradually erode purchasing power.

For most investors, the question isn't whether to hold cash, but how much is appropriate, and what purpose it should serve.

Why Cash Matters

Cash is often viewed as a safety net – a way to manage near-term expenses, unexpected events, or periods of transition.

In practice, cash can serve several important roles:

- Emergency reserves;
- Funding for upcoming expenses;
- Liquidity for tax payments or large purchases; or
- A buffer during periods of income variability.

Having sufficient liquidity in place can help prevent the need to sell long-term investments at inopportune times.

When Cash Becomes a Constraint

While cash provides stability, excess cash can quietly become a drag on long-term progress.

Over time, inflation reduces the purchasing power of idle cash balances. At the same time, holding large amounts of cash for extended periods may mean missing the benefits of compounding in long-term investments.

Periods of uncertainty – like those discussed in last month's issue – often lead investors to increase cash holdings. While this can feel prudent in the moment, it's important to distinguish between intentional liquidity and uninvested and uninvested assets driven by hesitation.

Practical Planning Considerations

A thoughtful approach to cash management begins with clarity of purpose.

- How much is needed for short-term expenses?
- Are upcoming obligations clearly accounted for?
- Is excess cash being held for a defined reason, or simply due to uncertainty?

For many investors, establishing a target range for cash – rather than a fixed amount – can help balance flexibility with long-term growth objectives.

Looking Ahead

Cash proves stability and flexibility, but like any asset, its role is most effective when it is clearly defined. Over time, investment success is often shaped not just by how assets perform, but by how thoughtfully they are allocated – including the portion held in cash.

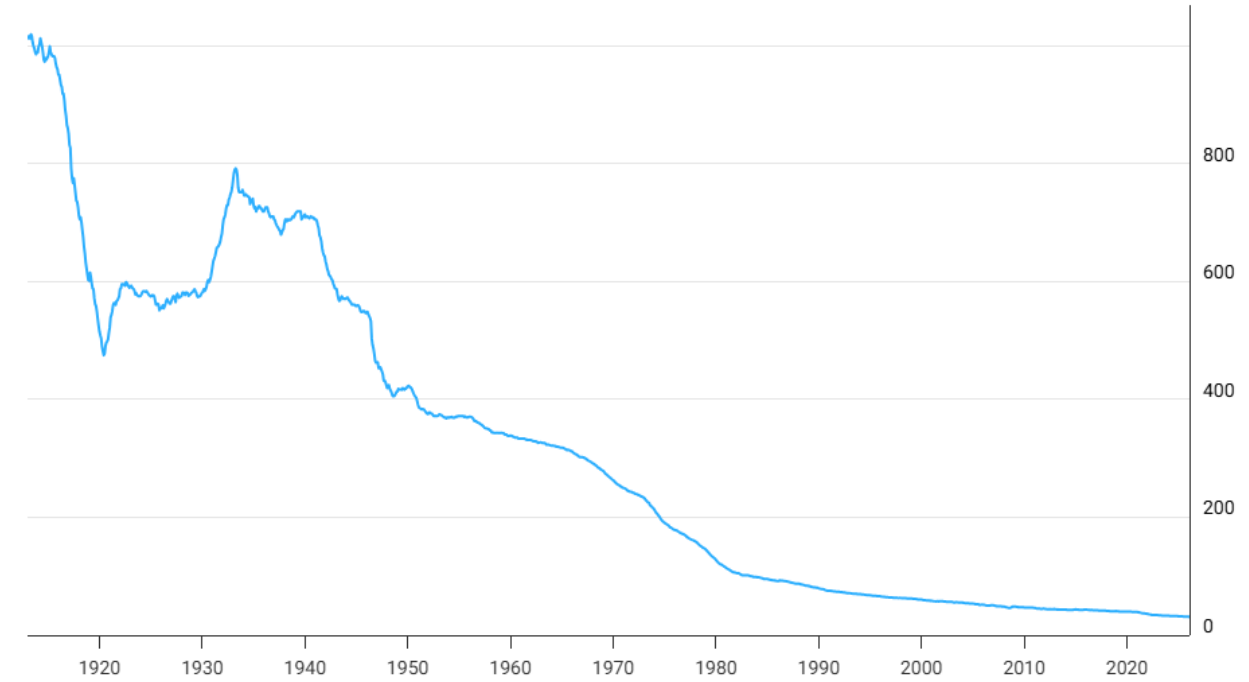
Maintaining that balance can help ensure liquidity supports long-term progress, rather than limiting it.

Thanks for reading this issue of ***Well Advised***. We hope this overview provides helpful context as you think about how cash fits into your overall plan, and if this topic raises questions about how your current liquidity strategy, we'd be happy to talk.

Adam J. Murray, CFP®, CPM®
Managing Director, Wealth Management
Financial Advisor & Family Wealth Director
Global Sports & Entertainment Director
Senior Portfolio Management Director
The Murray Legacy Group at Morgan Stanley

Chart of the Month: The Long-Term Impact of Inflation

This chart illustrates how the purchasing power of a dollar has changed over time, reflecting the cumulative impact of inflation across decades.



Source: CPI - Purchasing Power of the Dollar (1913-2026), as of 03/2026.

Explaining the Chart:

The vertical axis reflects an index of purchasing power – meaning higher values indicate a dollar could buy more in the past, while lower values reflect reduced purchasing power today. The index begins around 1,000 in 1913, when the data was first collected, and declines over time as inflation reduces the value of money.

The downward trend shows how the value of cash has declined over time as the cost of goods and services has increased. While the change may feel gradual in any given year, the long-term effect can be meaningful.

Our Perspective:

Cash plays an important role in providing liquidity and flexibility. However, when held beyond its intended purpose, it can gradually lose value in real terms.

This doesn't mean cash should be avoided, but rather it should be held with intention. Aligning cash balances with short-term needs, while allowing longer-term assets to remain invested, can help balance stability with long-term growth.

You Asked, We Answered

Each month the newsletter will include a reader-submitted question and our take on it. If there's a topic you'd like us to explore – or something you've been wondering about – we'd love to hear from you.

Question: "How should I think about saving for a home purchase?"

Our Take:

Saving for a home is one of the more significant financial decisions many people will make, and the approach to doing so can have long-term implications beyond the purchase itself.

In most cases, funds intended for a near-term home purchase are best held in more conservative, liquid accounts rather than invested in long-term strategies. This helps reduce the risk of market volatility impacting funds that may be needed on a defined timeline.

That said, the decision to purchase a home is not just about accumulating a down payment. It's equally important to consider how the purchase fits within a broader financial plan.

For example:

- Are high-interest debts or student loans already addressed?
- Does current income provide visibility into long-term affordability?
- Will the purchase impact the ability to continue saving and investing for longer-term goals?
- Are the full costs of ownership – including taxes, insurance, and maintenance – being accounted for?

In addition, flexibility can play an important role. For many individuals earlier in their careers, renting may provide greater geographic and professional flexibility while long-term plans continue to take shape.

It's also worth recognizing that homeownership is not always a short-term financial benefit. Transaction costs can be significant, and in many cases, it may take several years before those costs are offset.

The same general framework applies to second home purchases as well. While the motivations may differ, the financial considerations – including liquidity needs, ongoing costs, and the potential impact on long-term savings and flexibility – remain equally important to evaluate.

Ultimately, the goal is not simply to buy a home, but to do so in a way that supports – rather than compromises – broader financial objectives.

Thanks for reading this issue of ***Well Advised***. If you'd like to submit a question for a future edition – or talk more about anything we covered today – we'd love to hear from you. Let's keep the conversation going.

Meet the Team

Dedicated to helping attorneys navigate each stage of their career with clarity and confidence.

Adam J. Murray, CFP®, CPM®
Managing Director, Wealth Management
Financial Advisor & Family Wealth Director
Global Sports & Entertainment Director
Direct: 610-260-7009
Adam.Murray@morganstanley.com
NMLS #2317486

Philippa J. Lumsden, CFP®
Vice President, Wealth Management
Financial Advisor & Financial Planning Specialist
Direct: 610-260-7044
Philippa.Lumsden@morganstanley.com
NMLS #2317486

Disclosures

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. **Past performance is no guarantee of future results.**

Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Individuals should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trusts, estate planning, charitable giving, philanthropic planning or other legal matters.

Morgan Stanley Smith Barney LLC. Member SIPC.

CRC 5424460 05/26