Morgan Stanley

THE MURRAY LEGACY GROUP
AT MORGAN STANLEY

Well Advised
September 2025

Issue #2: What to Know Before Buying a Second Home

For many executives, buying a second home represents more than just a vacation getaway – it's a lifestyle upgrade, a potential investment, and in some cases, the early stages of a future retirement plan. Whether you're eyeing a beach retreat, a ski house, or a property closer to extended family, it's easy to feel both excited and justified. But like any major financial move, it comes with trade-offs worth considering, especially when layered against other priorities like education funding, retirement readiness, or career flexibility.

This issue explores key financial and strategic factors to weigh before committing to a second home. The goal isn't to talk you out of the decision – it's to help you make it with full visibility into the costs, risks, and long-term implications.

Key Planning Considerations

- **Affordability Beyond the Mortgage.** Second homes come with their own set of expenses: insurance, maintenance, taxes, furnishings, and potentially HOA or club dues. Don't overlook the cost of travel to and from the home (especially if flying is involved) or the time it takes to get there. Make sure your cash flow can support not just the purchase itself, but the full lifestyle that comes with or – without compromising savings strategies or other long-term goals.
- **Strategic Use of Credit & Liquidity.** Consider how best to fund the purchase, whether through a mortgage, a line of credit, restricted stock sales, or cash reserves. Timing matters, especially in a rising rate or volatile equity environment.
- **Tax Planning.** The IRS treats second homes differently than primary residences or rental properties. Depending on how you use the property, there may be limits to deductible interest or property tax – and income to report if rented.
- **Timing & Seasonality.** It's easy to get swept up in the idea of a vacation home, but real-life schedules can limit your ability to enjoy it. Some executives buy a beach house just as their kids enter summer sports or sleepaway camp, seasons they assumed would be spent seaside.
- **Usage & Opportunity Cost.** Owning a second home can create pressure to "get your money's worth," even if it means skipping travel to other parts of the country or world. Consider whether locking into one location might crowd out other lifestyle/travel goals.
- **Exit Strategy & Legacy Planning.** Is this a property you'll eventually sell, or pass on to the next generation? Having clarity on your intent can shape how you title the home, insure it, and prepare your estate plan accordingly.
- **Lifestyle vs. Life Stage.** Buying a second home is often about more than numbers – it's about the memories you hope to make. But emotional value doesn't override practical realities. The best time to buy is when the home fits your current life stage, not just your long-term vision.

Tying It All Together

A second home can be a meaningful addition to your financial and personal life, but only if it fits within the broader context of your goals, cash flow, and competing priorities. By stepping back and weighing not just the numbers, but also the season of life you're in, you can make a decision with clarity and confidence. For many of our clients, the most helpful step is seeing how the purchase would affect their plan – visually – using our financial planning tools to model different trade-offs over the near and long-term.

Thanks for reading this issue of ***Well Advised***. If you're considering a second home – whether as a lifestyle asset, an investment, or something in between – we'd be happy to help you think it through in the context of your broader financial plan.

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

Chart of the Month: Time in the Market, Not Timing the Market

When markets feel uncertain, it's tempting to try to time your entry or sit on the sidelines entirely. But over time, staying invested has historically proven to be the most reliable strategy for building long-term wealth.

Source: Morningstar.

Note: The historical data are for illustrative purposes only, do not represent the performance of any specific portfolio managed by Lord Abbett or any particular investment, and are not intended to predict or depict future results. Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment. **Past performance is not a reliable indicator or guarantee of future results.**

Explaining the Chart:

This chart highlights the historical percentage of time that the S&P 500 has delivered positive returns over rolling 1, 10, 15, and 20-year periods. While returns over one-year periods can vary significantly, the odds of success improve markedly as your time horizon expands.

Our Perspective:

Trying to time the market often leads to hesitation, second-guessing, and missed opportunities. Long-term investing isn't about predicting what happens next – it's about staying the course. Whether you're contributing to a Roth IRA, building an after-tax portfolio, or investing a year-end bonus, consistent participation is key to compounding returns and building durable wealth.

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: "Should I use a 529 plan to save for my child's education?"

Our Take:

529 plans are one of the most efficient ways to save for future education costs. Contributions grow tax-free, and withdrawals for qualified expenses (tuition, room and board, books, and even K–12 tuition in some cases) are also tax-free. Some states offer tax deductions or credits on contributions, providing an additional benefit.

A recent rule change has made these plans even more attractive: Starting in 2024, unused 529 funds can be rolled into a Roth IRA for the beneficiary (up to a lifetime limit of $35,000) if the account has been open for at least 15 years. This added flexibility reduces the worry of overfunding.

Of course, a 529 plan is just one tool. How much to contribute and how it fits into your broader plan depends on your overall priorities, from retirement savings to mortgage payments and short-term cash needs. But if college funding is on your radar, 529s offer powerful tax advantages and long-term potential.

Planning ahead for education expenses can ease the burden down the road and a 529 plan is often a smart place to start.

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 executives navigate each stage of their career with clarity and confidence.

Brian J. Degnan, CFP®
Senior Vice President, Wealth Management
Financial Advisor & Senior Portfolio Management Director
Direct: 610-260-7011
Brian.Degnan@morganstanley.com
NMLS #1456519

David P. Drea, CFP®
Financial Advisor, Wealth Management
Financial Planning Specialist
Direct: 610-260-7013
David.Drea@morganstanley.com
NMLS #2056666

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.**

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks. **An investment cannot be made directly in a market index.**

Morgan Stanley Smith Barney LLC offers a wide array of brokerage and advisory services to its clients, each of which may create a different type of relationship with different obligations to you. Please visit us at http://www.morganstanleyindividual.com or consult with your Financial Advisor to understand these differences.

Diversification does not guarantee a profit or protect against loss in a declining financial market.

When Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, "Morgan Stanley") provide "investment advice" regarding a retirement or welfare benefit plan account, an individual retirement account or a Coverdell education savings account ("Retirement Account"), Morgan Stanley is a "fiduciary" as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and/or the Internal Revenue Code of 1986 (the "Code"), as applicable. When Morgan Stanley provides investment education, takes orders on an unsolicited basis or otherwise does not provide "investment advice", Morgan Stanley will not be considered a "fiduciary" under ERISA and/or the Code. For more information regarding Morgan Stanley's role with respect to a Retirement Account, please visit www.morganstanley.com/disclosures/dol. Tax laws are complex and subject to change. Morgan Stanley does not provide tax or legal advice. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a Retirement Account, and (b) regarding any potential tax, ERISA and related consequences of any investments or other transactions made with respect to a Retirement Account.

The above illustration is hypothetical and shown for illustrative purposes only. The illustration is not intended to predict the returns of any particular investment, which will fluctuate with market conditions. Actual results may differ from those depicted in the illustration.

A 10% penalty tax will apply on funds converted to a Roth if those funds are withdrawn before five years have elapsed unless the owner is age 59 ½ or another exception applies.

A Roth Conversion may not be right for everyone. There are a number of factors taxpayers should consider before converting, including (but not limited to) whether or not the cost of paying taxes today outweighs the benefit of income tax-free Qualified Distributions in the future. Before converting, taxpayers should consult their tax and legal advisors based on their specific facts and circumstances.

The 529 Plan Program Disclosure contains more information on investment options, risk factors, fees and expenses, and potential tax consequences. Investors can obtain a 529 Plan Program Disclosure from their Financial Advisor and should read it carefully before investing. Investors should also consider whether tax or other benefits are only available for investments in your home state 529-college savings plan.

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. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for legal matters.

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

Residential mortgage loans/home equity lines of credit are offered by Morgan Stanley Private Bank, National Association, an affiliate of Morgan Stanley Smith Barney LLC. With the exception of the pledged-asset feature, an investment relationship with Morgan Stanley Smith Barney LLC does not have to be established or maintained to obtain the residential mortgage products offered by Morgan Stanley Private Bank, National Association. All residential mortgage loans/home equity lines of credit are subject to the underwriting standards and independent approval of Morgan Stanley Private Bank, National Association. Rates, terms, and programs are subject to change without notice. Residential mortgage loans/home equity lines of credit may not be available in all states; not available in Guam, Puerto Rico and the U.S. Virgin Islands. Other restrictions may apply. The information contained herein should not be

construed as a commitment to lend. Morgan Stanley Private Bank, National Association is an Equal Housing Lender and Member FDIC that is primarily regulated by the Office of the Comptroller of the Currency. Nationwide Mortgage Licensing System Unique Identifier #663185. **The proceeds from a residential mortgage loan (including draws and advances from a home equity line of credit) are not permitted to be used to purchase, trade, or carry eligible margin stock; repay margin debt that was used to purchase, trade, or carry margin stock; or to make payments on any amounts owed under the note, loan agreement, or loan security agreement; and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.**

Morgan Stanley Smith Barney LLC is a registered Broker/Dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

Morgan Stanley Smith Barney LLC. Member SIPC.

CRC 4784192 08/25