

The Path to Financial Wellness

Morgan Stanley



Agenda

Budgeting

Paying Down Debt

Building Up Savings

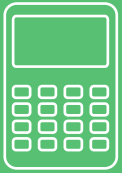
Protect Yourself

Help Along Your Journey



Budgeting

Understanding Your Situation is the First Step



Calculate your
income



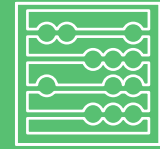
Track current
expenses



Separate needs
and wants in the
context of your
overall goals and
objectives



Set your budget



Stick with it, monitor
your results and
adjust if necessary

REMEMBER

Don't forget to plan for annual or semi-annual expenses like holiday or birthday gifts, wedding season, property tax payments, etc.

Categorize Your Expenses According to the 50-30-20 Rule

50%

NEEDS

Bills you must pay and are the things necessary for survival.

Examples include rent / mortgage, groceries, insurance, health care, utilities.

30%

WANTS

Things you spend money on that are not absolutely essential.

Examples include dining out, entertainment subscriptions, vacation, expensive gadgets.

20%

SAVINGS & INVESTMENTS

Examples include saving for emergency fund, retirement savings, debt repayments.

TIP: BUDGET TO ZERO

Give every dollar a name, meaning all your income has a place in your budget. If there's still money left after you've entered all those expenses, put it toward a money goal, like paying off debt.

Budgeting Tools



Set yourself up for success – use whatever tools available that will help you maintain your budget daily

- Apps/online tracking tools
- Spreadsheets
- Journal
- Bank and credit card statements



Be Patient!

It takes most people about **3 months** to get into a regular rhythm that works for them!

Source: [Dave Ramsey: How to Pay Off Debt](#); September 2021

Paying Down Debt

First Things First: Pay Down Your Debt



Best Practices for Paying Down Debt



Get an Accurate Picture of Your Debt

The first and most important thing is to have a full view of what your debt looks like, including:

- Debt Type
- Interest rate
- Interest deductibility



Pay Off The Most Expensive Debt First

Start with the highest interest debt you have and then move down the list.

Typically credit card interest rates are highest, followed by auto loans, student loans and mortgages.



Pay More Than The Minimum

No matter how you build your debt pay down approach, make sure you continue to pay the minimum monthly payments due on all your debt – pay a little more if possible.

You want to minimize additional debt accruing while you pay off other debt.

Not all Debt is the Same

There are Two Types of Debt

1 REVOLVING DEBT

comes from credit cards, where you can carry a balance from month to month. You can borrow as much money as you'd like – up to a predetermined credit limit – and interest rates are subject to change.

If you carry a high balance on your credit cards from month to month, it will have a negative effect on your credit – especially if you're doing it with multiple cards.

Your credit is negatively affected because the amount of available credit you're using – also known as your credit utilization – carries significant weight in calculating your credit score.

2 INSTALLMENT DEBT

comes from mortgages, car loans, student loans, and personal loans. In most cases, the amount of money you borrow, the interest rate, and your monthly payments are fixed at the start.

With installment debt, like student loans and mortgages, having a high balance doesn't have a big impact on your credit.

Tip for Paying Down Debt: Balance Transfers

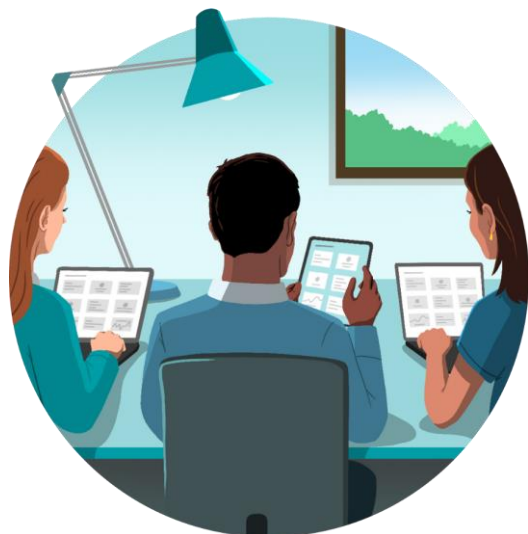


One method people commonly use to help pay down debt faster is to **transfer higher-interest debt to a lower-interest credit card.**

The amount you save in interest per month can be used to pay down the principal each month – reducing your outstanding debt even further in a shorter time.

Note: Be aware that credit card issuers might charge a fee to process your transfer. Ultimately, for your transfer to be cost-effective, the interest you would be saving by transferring should be enough to justify the fee.

Progress is Important: Start with Small Debts to Help You Conquer the Big Ones



If you have a mountain of debt, studies show that paying off the smaller debts can give you the confidence to tackle the larger ones.

For example, paying off a modest balance on a department store card before getting to the card with the bigger balance.

Credit Score Overview

Your Credit Score is a three-digit number that is based on five different categories of information from your credit report



PAYMENT HISTORY

This is the most important factor!



UTILIZATION

Balance-to-limit ratio on credit cards



LENGTH OF CREDIT HISTORY

Length of time accounts have been open and mix of account types



RECENT ACTIVITY

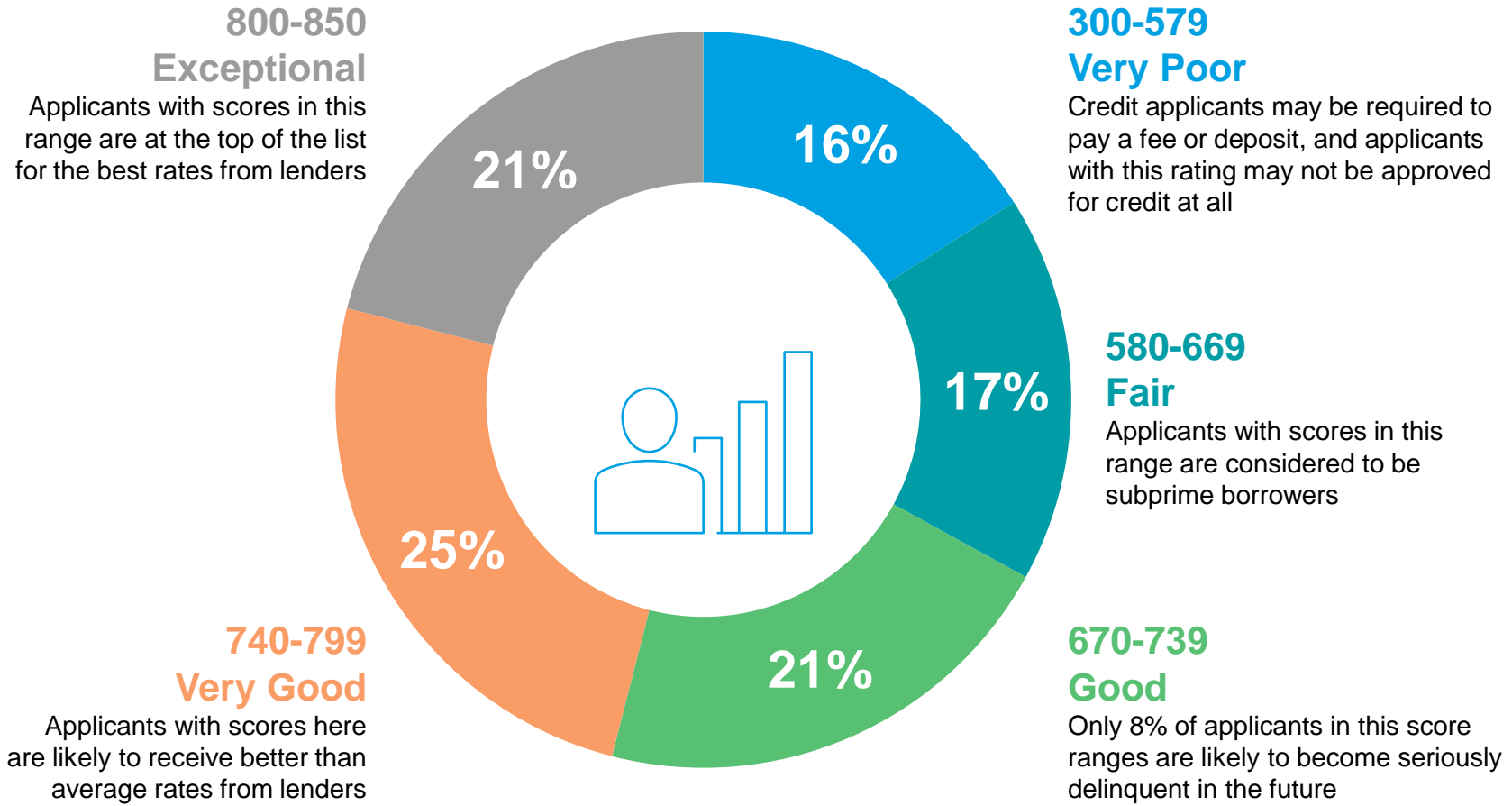
How much credit you've applied for/received in recent months



OVERALL CAPACITY

How much installment debt is outstanding

Credit Score Breakdown



695
average credit score ⁽¹⁾

1. Source: Experian, [State of Credit 2021](#); September 2021
Each credit company could have different scoring tiers.

Credit Score Implications



**Your credit score can
impact the following**



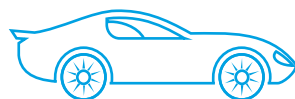
Interest rates on loans
(including mortgages)



Limits on credit cards
or loan amounts



Access to credit card
rewards and interest rates



Car insurance
premiums



Rental home
approval



Need for security
deposit on utilities

Remember



However you decide to tackle debt, make sure you make all your payments on time!

If you miss a payment, it can stay on your credit report for 7 years.

Building Up Savings

Common Savings Goals



EMERGENCY FUND

Any goal can be derailed by an emergency. Having an emergency fund with up to 6 months of living expenses for a cushion can help you stay on track for more meaningful things.



SHORT-TERM PURCHASES

Saving to buy a car or going on a vacation. Short-term goal savings should be liquid and easy to access when you need it.



HOME PURCHASE

You may need a down payment and/or closing costs, not to mention all the fees that come with a home purchase – make sure you have smart projections of the initial outlay needed.



EDUCATION

Whether you're funding educational expenses for your child or yourself, you can save via a 529 account to take advantage of tax benefits.



RETIREMENT

Life moves pretty fast, retirement will be here before you know it. There are many ways to save for retirement, 401(k)s and IRAs are the most common.

Saving Toward a Goal or Multiple Goals



Prioritize Your Savings Goals Based on Key Factors:

- Time horizon – short, medium and long-term goals
- How much money you need to achieve the goal
- Priority level

SAVINGS CALCULATION:

Amount
you need
to save

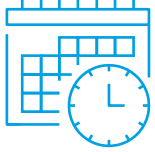


Time
horizon



Amount to save
per month

Savings Timeframes



SHORT-TERM GOAL

1-3 years

Examples

Saving for a vacation, car, or building emergency fund

Best Practice

Keep your money towards these goals liquid so you can access the cash when needed.

Common Investment Options

Savings account, CD



MEDIUM-TERM GOAL

4-20 years

Examples

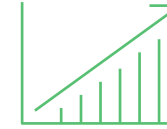
Saving for a wedding, home purchase, child's education

Best Practice

Take advantage of specialized investment vehicles. Keep an eye on how much investment risk you take.

Common Investment Options

529, savings, stock market



LONG-TERM GOAL

20+ years

Examples

Saving for retirement

Best Practice

Build and reassess your plan every few years to ensure you're on track to your goal

Common Investment Options

IRAs, 401(k)s, stock market

Be Sure You Have an Emergency Fund

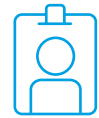
No matter how well you plan, stuff happens. It is best practice to have funds available to cover 3 - 6 months of expenses.

There are different types
of financial emergencies
(1)

Hint: A wedding or a fun
vacation isn't one of them.

If you can't afford it, it's ok
to say no.

Dip Into Your Emergency Savings Account If You Encounter



Unemployment



Family and/or Medical Emergency



Car Trouble



Home and/or Moving Expenses



Travel to a Funeral

1. Source: [Emergency Fund: What It Is and Why It Matters](#); December 2021

Questions to Consider for Retirement

We all have a different vision about what retirement should look like, but everyone benefits from having a sense of what they are working towards.

You can borrow money to fund an education, to buy a home or to start a business.

How will you fund the retirement you want?

Saving early is key to setting yourself up for a secure retirement.

When do you want to retire?

How much income will you need in retirement?

How do I calculate how long I might live?

Who do you need to consider or care for? Partner? Kids? Parents?

How do you start saving for retirement?

Will you work part time or enjoy a life of leisure?

Do you wish to leave an inheritance?

What is your ideal living situation in retirement?

Tools for Saving



DIRECT DEPOSIT

your monthly savings amount directly into your savings account – never let it get into your checking account so you aren't tempted to spend it.

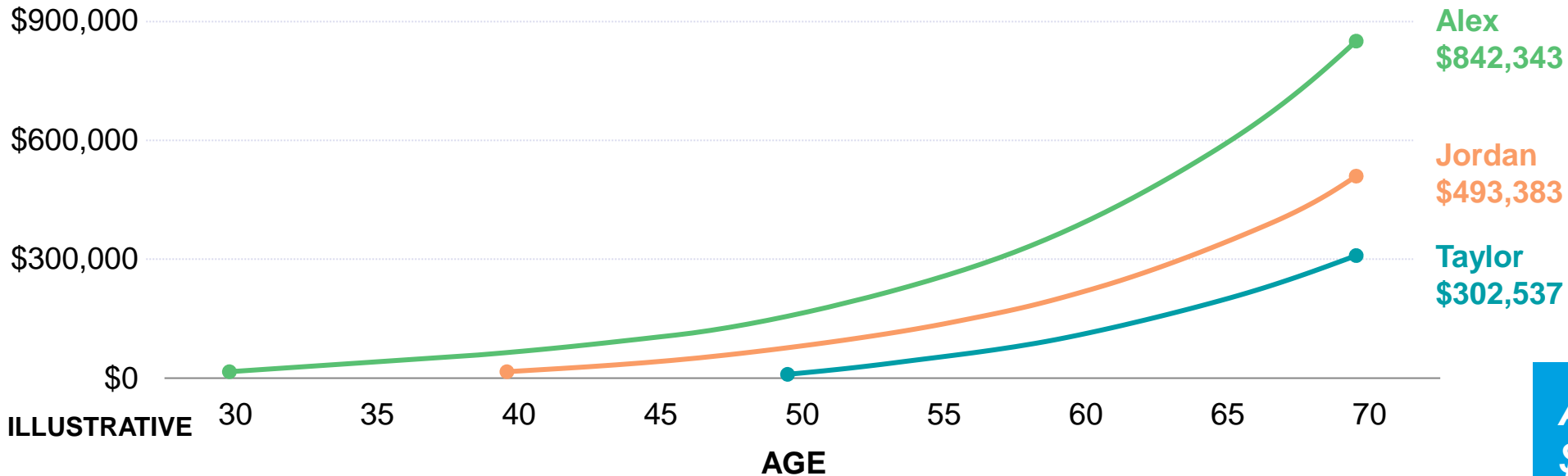


SHOP AROUND

for the best savings rates available – don't be afraid to open a new savings account; even small percentage point improvements can make a difference in your savings.

Start Saving Early: Time is Money

The Power of Investment Returns Over Different Time Horizons Can Yield Dramatically Different Results



The investors all contribute about the same total amount.

At 70, Alex has over \$300,000 more accrued than Jordan and over \$500,000 more than Taylor due to compounding interest.

Alex

- **\$3,000** invested per year between ages 30 and 70
- Total Invested: **\$123,000**

Jordan

- **\$4,000** invested per year between ages 40 and 70
- Total Invested: **\$124,000**

Taylor

- **\$6,000** invested per year between ages 50 and 70
- Total Invested: **\$126,000**

Source: Morgan Stanley Wealth Management GIC. Assumes 8% annual return. For more information about the risks to hypothetical performance please refer to the Risk Considerations section at the end of this material. Past performance is no guarantee of future results. Estimates of future performance are based on assumptions that may not be realized. This material is not a solicitation of any offer to buy or sell any security or financial instrument or to participate in any trading strategy. Please refer to important information, disclosures and qualifications at the end of this material.

Keep in Mind

You Can Have Too Much Savings

It's rare, but possible. If you have more than six months' savings in your emergency account, and you have enough socked away for your short-term financial goals, then you may want to start thinking about investing instead of saving.



Protect Yourself

Be Sure to Check in on Your Progress and Protect Yourself

Track your net worth

Keep an eye on how much money you have in savings and investments.

That knowledge can help keep you apprised of the progress you're making toward your financial goals – or warn you if you're backsliding.



Review Your Credit Reports Annually

It is important to review your credit report. Activity or accounts you don't recognize can be signs of identity theft.

You're entitled to one free copy of your credit report every 12 months from the three nationwide credit reporting companies – Equifax, Experian, and TransUnion



Get Properly Insured

Insurance is a helpful tool to protect what you have worked so hard for. Types of insurance to consider include life, disability, property (home, rental, auto), and long-term care.

Everyone's situation is different, so be sure to speak to a professional when considering your options.

Maintain a Positive Mindset Toward Your Financial Wellness

1 Adopt A Spending Mantra

Pick out a positive phrase that acts like a mini rule of thumb for how you spend.

For example, ask yourself, “Is this [purchase] better than Bali next year?” or “I only charge items that are \$30 or more.”

2 Banish Toxic Money Thoughts

It is easy to fall into the trap of feeling like you are doing the wrong thing or you aren’t doing enough with your finances.

The best way to address this is to stay positive, reaffirm your goals, and remember that every little bit matters.

3 Spend On The Real You – Not The Imaginary You

It’s easy to fall into the trap of buying for the person you want to be: chef, professional stylist, triathlete.

It is great to have goals, but be sure to periodically reassess if your goals are still relevant or if you’ve moved on.

REMEMBER

You aren’t in this alone. There are resources available.

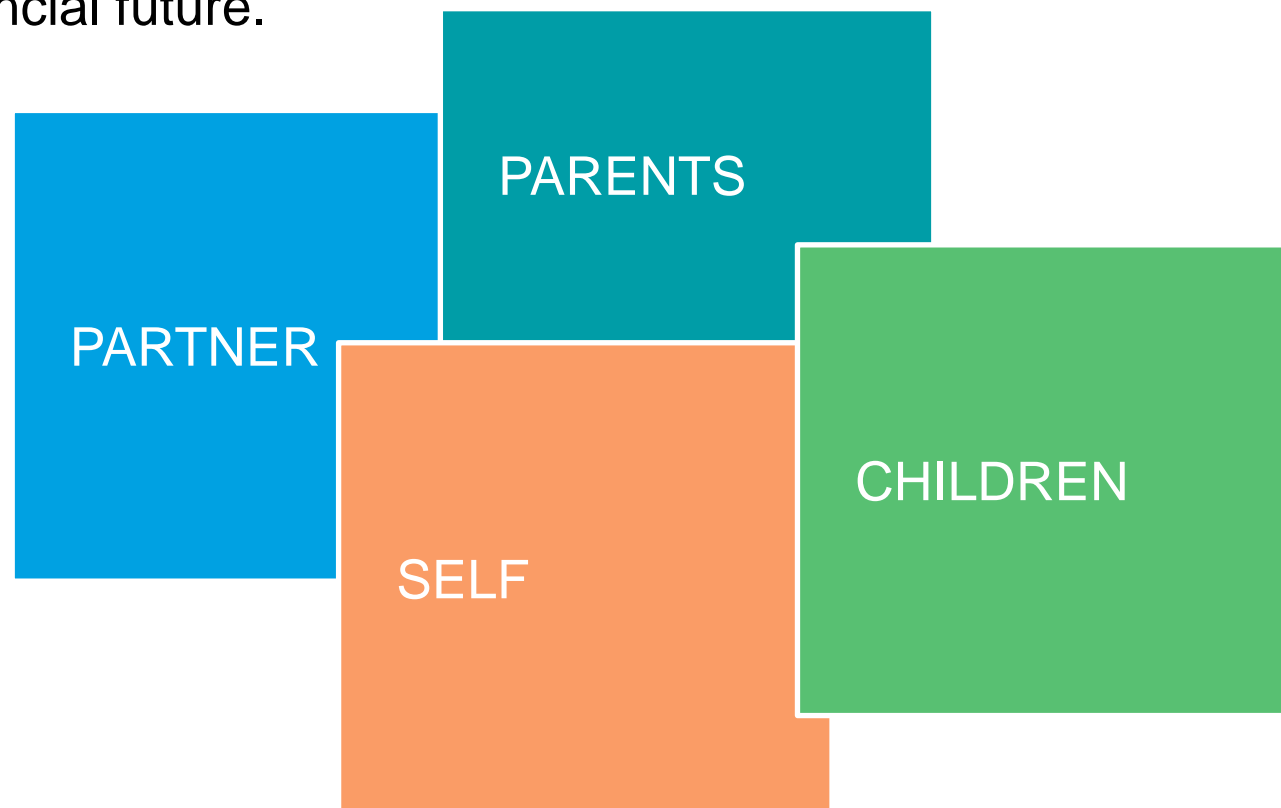
Help Along Your Journey

Talk to the People that Matter to You



CONVERSATIONS ABOUT MONEY ARE NEVER ONLY ABOUT MONEY

Start the conversation with those who matter and then start planning your financial future.



Helpers on Your Journey



TAX PROFESSIONAL

- Prepares and files your tax return(s)
- Identifies applicable deductions
- Provides strategic advice on how to potentially lower your tax burden



ATTORNEY

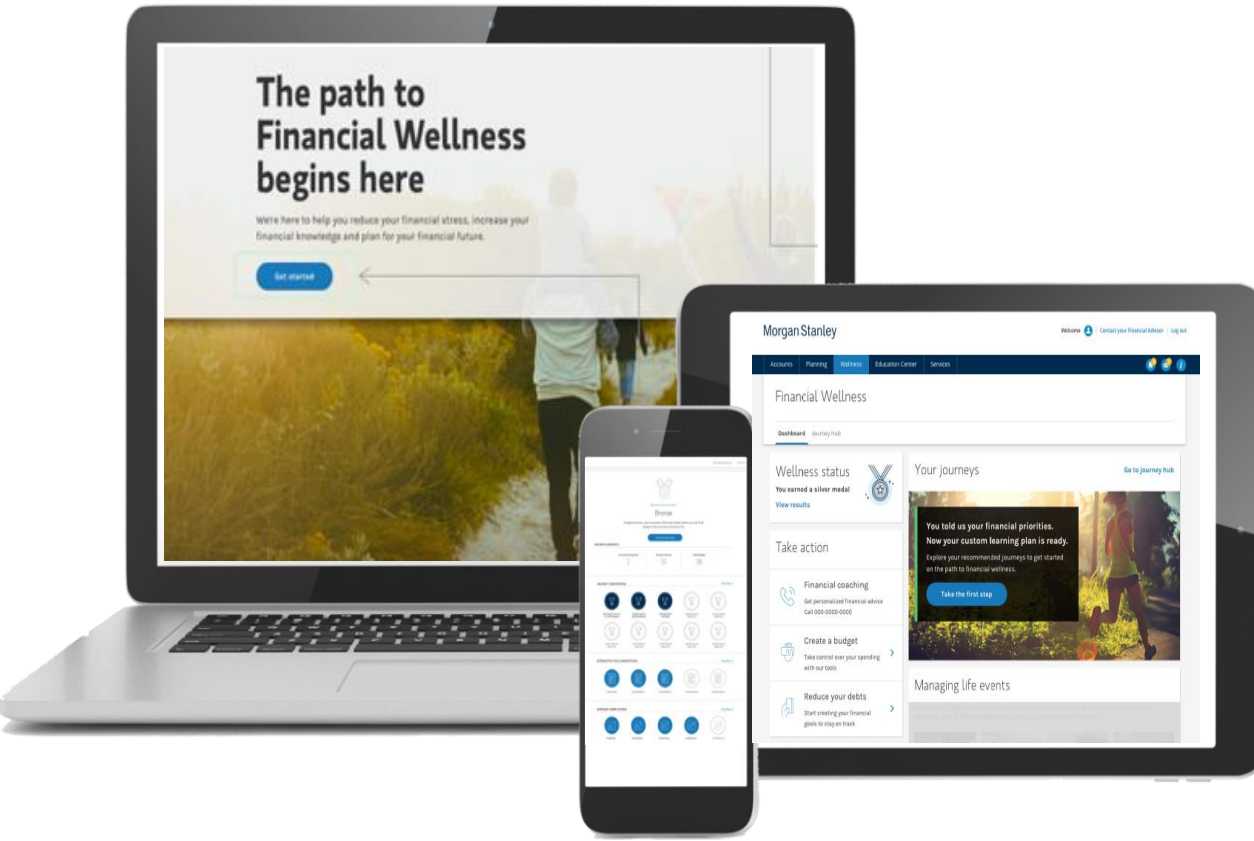
- Drafts or revises important documents like Wills, Estate Plans, Trusts, and Prenuptial Agreements
- Negotiates real estate contracts and divorce settlements
- Represents you in court, arbitration, or other legal hearings



FINANCIAL PROFESSIONAL

- Provides investment advice
- Buys or sells securities on your behalf and/or provides you recommendations
- May provide strategies to help pay off debt and/or save for education or retirement
- Provides estate planning and insurance planning support

Morgan Stanley Financial Wellness Digital Portal



We can help you measure and improve your financial wellbeing by providing access to a range of topics online, based on your individual needs, to empower you with information to help you make better financial decisions.

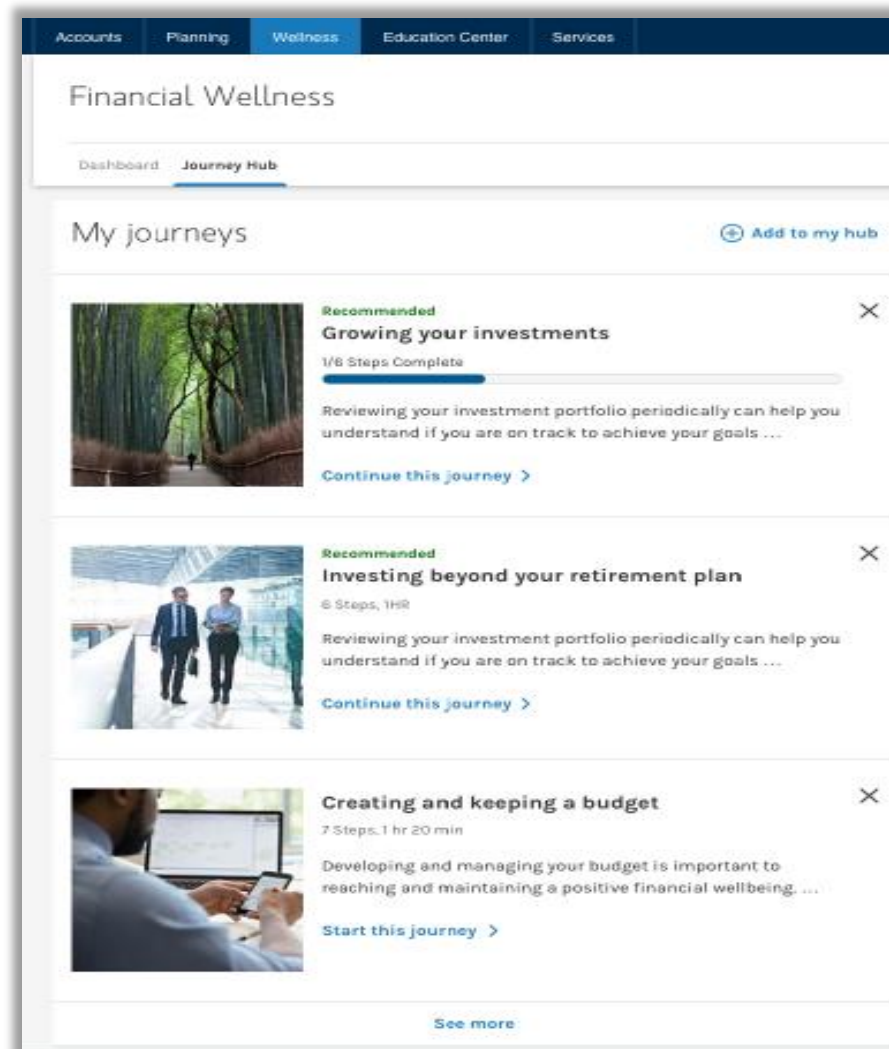
Screenshots for illustrative purposes only.

Morgan Stanley Financial Wellness Digital Portal

Financial Journeys

including:

- Creating and Keeping a Budget
- Paying Down Debt
- Paying Off Student Loans
- Retirement
 - Starting Out
 - Getting to the Max
 - Investing Beyond Your Retirement Plan
- Understanding Equity Compensation



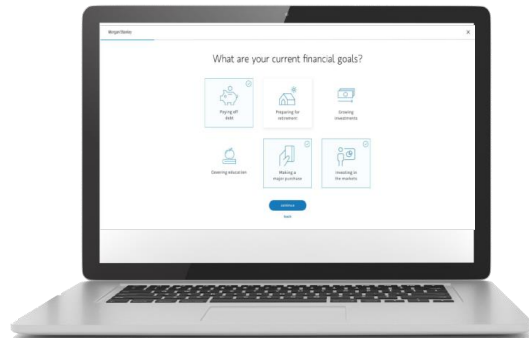
Pre-recorded webinars and multiple **tools** to walk through at your own pace.

Screenshot for illustrative purposes only.

Morgan Stanley Financial Wellness Digital Portal

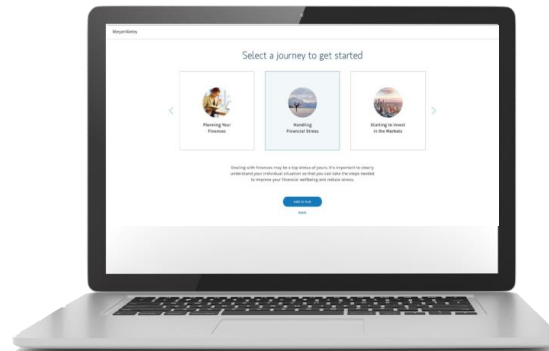
1

Answer a simple set of questions...
it takes less than 5 minutes



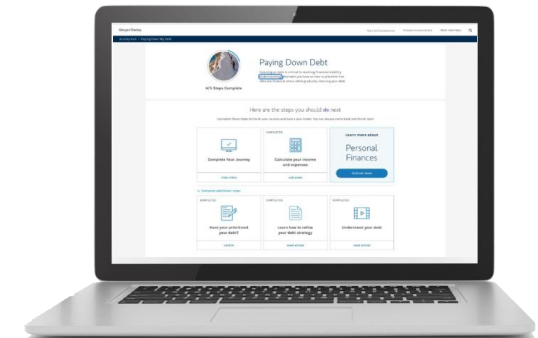
2

Receive personalized educational
journeys based on your answers



3

Take action by starting your journey
and completing each step to receive
a new badge



Screenshots for illustrative purposes only.

Morgan Stanley Wealth Planning Approach

Wealth Planning with Morgan Stanley is an ongoing process



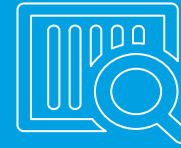
DISCOVER

Start with a conversation to uncover your goals and understand your entire financial picture



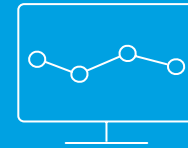
ADVICE

Help you to assess various scenarios and advise you on the appropriate strategies designed to meet those goals



IMPLEMENT

Look across multiple accounts / products to identify the combination to help meet spending needs and invest tax-efficiently



TRACK PROGRESS

Periodic review of your financial situation with the ability to make adjustments according to your needs, life events and changing market conditions ⁽¹⁾

1. This functionality is currently limited and will expand with future phases of the tool.

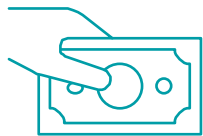
Working with a Morgan Stanley Financial Advisor



How will I achieve my financial goals?

Your Financial Advisor gets to know you and your finances. Together you build a holistic wealth plan to help achieve your goals.

- Retirement Planning
- Education Planning
- Health Care Expense Planning
- Life & Long Term Care Insurance
- Trust & Estate Service Coordination
- Philanthropy Management
- Tax Efficient Investment Strategies
- Lending & Cash Management
- Succession Planning



How should I be invested?

Your Financial Advisor creates an investment strategy tailored to your goals and risk tolerance, and can assist with various investment functions.

- Asset Allocation
- Portfolio Construction
- Investment Analysis
- Manager Selection
- Risk Management
- Liquidity Planning
- Alternative Investment Selection
- Impact Investment Selection



Am I on track to reach my goals?

Your Financial Advisor can help you periodically review your investments and progress toward your goals.

- Account Performance Reviews
- Portfolio Reviews
- Budget & Spending Tracking
- Tax Efficient Investing
- Contribution (IRA, 529) Deadline Reminders
- Year-end Planning
- Wealth Plan adjustments due to changes in your life and family situation



Who can help me make decisions?

Your Financial Advisor is there to help you with wealth planning for major financial and life decisions.

- Significant Purchases
- Helping children and other family members
- Life Transitions
- Work with tax and legal advisors to help achieve financial goals
- Referrals to other professionals
- Continuity of wealth plans over generations
- Family Governance

MY WELLBEING

Be In the Know

200 Firm Benefits, Resources and Perks for You and Your Family

Comprehensive Guide: Online and Mailed Home

Video and Testimonials

Webinars for Employees and Partners

Employees + Partners
No password required

mybenefits.ms.com

Employees
From Firm network

TYPE IN BROWSER
beintheknow/



Questions?

Feel free to email us at:

financialwellnessquestions@morganstanley.com

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