Plan for Your Future. Make It Happen.

John W. Carnes, CFP®
Vice President – The Fodor Group at Morgan Stanley
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What Are Your Goals and Dreams?

- Retire Comfortably
- Make a Major Purchase
- Plan for a Key Event
- Save for Your Children’s or Grandchildren’s Education

How Confident Are You of Achieving Your Dreams?

According to recent studies:

- Only 13% of American workers feel “very confident” about achieving their retirement goals.1
- Only 39% of investors have a financial plan.2

However . . .

- Those who do have a plan are significantly more likely to be optimistic about their financial future.
- Investors with a financial plan feel more confident about reaching their financial goals relative to those without a plan.3

Sources:
1 Employee Benefit Research Institute (EBRI) Retirement Confidence Survey: Summary of Findings, March 2013
2 CEB Wealth Management Leadership Council: Positioning Planning at the Center of the Wealth Offering, 2013
3 CEB Wealth Management Leadership Council: Positioning Planning at the Center of the Wealth Offering, 2013

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The Wealth Management Process

The wealth management process is designed to

- Keep you on course to help fulfill your financial goals
- Provide clarity about your finances and financial future
- Give you peace of mind that you have mapped a course and are following it

Ongoing Commitment Tailor Solutions
Develop Understanding Conduct Analysis
Implement and Deliver

Taking Stock – and Looking Ahead

Work with a financial professional to help you quantify and analyze your

- Investments, personal assets and liabilities
- Current portfolio allocation
- Assets earmarked for specific goals
- Current income and savings and anticipated future spending and income

Why Is Spending So Important?

Retirement Savings at Various Withdrawal Rates

Source: ChartSource®, S&P Capital IQ Financial Communications. This data shows how long retirement savings could last at withdrawal rates of 4%, 5%, 6%, 7%, and 8%. The data assumes 4% annual inflation and a 6% annual rate of return. The data is illustrative and hypothetical and not representative of any actual investment. Actual investing includes fees and other expenses that may result in lower returns than this hypothetical example. Your results will vary. Copyright © 2013, S&P Capital IQ Financial Communications. All rights reserved. Not responsible for any errors or omissions.
Are You on Track to Achieve Your Goals?

- Will you have enough money?
- What adjustments will you need to consider?
- Are shortfalls likely?
- How can you address them preemptively?

Aligning Your Investment Strategy with Your Goals

Current Portfolio

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Growth Equity</td>
<td>9%</td>
</tr>
<tr>
<td>Large Cap Value Equity</td>
<td>14%</td>
</tr>
<tr>
<td>Mid Cap Equity</td>
<td>8%</td>
</tr>
<tr>
<td>Small Cap Equity</td>
<td>5%</td>
</tr>
<tr>
<td>International Equity</td>
<td>14%</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>2%</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>2%</td>
</tr>
<tr>
<td>Hedge Funds of Funds</td>
<td>4%</td>
</tr>
<tr>
<td>High Yield Bond</td>
<td>3%</td>
</tr>
<tr>
<td>Short-Term Bond</td>
<td>16%</td>
</tr>
<tr>
<td>Money Market</td>
<td>5%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>3%</td>
</tr>
<tr>
<td>Short-Term Bond</td>
<td>28%</td>
</tr>
</tbody>
</table>

Target Portfolio

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Cap Growth Equity</td>
<td>20%</td>
</tr>
<tr>
<td>Money Market</td>
<td>50%</td>
</tr>
<tr>
<td>Intermediate Term Bond</td>
<td>14%</td>
</tr>
<tr>
<td>Managed Futures</td>
<td>3%</td>
</tr>
<tr>
<td>High Yield Bond</td>
<td>2%</td>
</tr>
<tr>
<td>Hedge Funds of Funds</td>
<td>2%</td>
</tr>
<tr>
<td>Emerging Markets Equity</td>
<td>2%</td>
</tr>
<tr>
<td>Small Cap Equity</td>
<td>5%</td>
</tr>
</tbody>
</table>

What If Things Don’t Go as Expected?

- Will I have enough to retire comfortably?
- Will I be affected by inflation?
- Will my family be provided for?
- Will my assets be protected if the market underperforms?
The 'Dream' World
Growth of $100,000 – Assuming 7.9% Average Annual Return

Source: S&P Dow Jones Indices
For illustrative purposes only. Actual returns would vary. This is a hypothetical portfolio that does not represent any specific investment and does not consider the effects of taxes, fees, or charges that may be assessed on actual investments.

The Real World
S&P 500 Index 1993 – 2012

Source: S&P Dow Jones Indices
Past performance is not a guarantee of future results. Index performance shown is for illustrative purposes only and does not represent the returns of any specific investment. The index performance shown does not reflect the impact of any taxes, transaction costs, management fees, or other expenses that may be associated with certain investments. The index is an unmanaged and uninvestable, market-capitalization-weighted index.

The Real World (cont'd)
Growth of $100,000 – Assuming Actual Returns

Source: S&P Dow Jones Indices
Past performance is not a guarantee of future results. Index performance shown is for illustrative purposes only and does not represent the returns of any specific investment. The index performance shown does not reflect the impact of any taxes, transaction costs, management fees, or other expenses that may be associated with certain investments. The index is an unmanaged and uninvestable, market-capitalization-weighted index.
The Probability of Success
See What Happens If You Experience Bad Timing

1 Safety Margin – Amount of money in both future and current dollars that is projected to be available at the end of the plan.

Important: The projections or other information generated by LifeView Goal Analysis regarding the likelihood of various investment outcomes (including any assumed rates of return) are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Also, results may vary with each use and over time.

Introducing LifeView® Goal Analysis and LifeView® Advisor
LifeView Goal Analysis and LifeView Advisor are sophisticated tools for helping you achieve your financial goals:
- Analyze current investments and financial situation
- Review goals, including:
  - Retirement
  - Important purchases
  - Children’s or grandchildren’s education
  - Major events
- In addition, LifeView Advisor includes these additional features
  - Goal protection
  - Estate planning
LifeView Advisor and LifeView Goal Analysis are powered by MoneyGuidePro.™
Retirement Planning: More Crucial Than Ever

Retirement planning is particularly important today
- Longer life expectancy
- Increasing health care costs
- Changes in corporate benefits
- Social Security uncertainty

How Will You Pay for Your Children’s or Grandchildren’s Education?

College inflation is rapidly outstripping the rate of general inflation
- College costs are projected to rise by 7% annually in the coming years¹
- A child born this year would enter college in 2030, when it’s estimated that a year of private undergraduate study could cost almost $120,000¹
- Ways to meet college funding goals include custodial accounts, trusts and 529 Plans

¹ Source: Annual Survey of Colleges, College Board, October 2012

Protecting Your Goals

Insurance can help protect your goals in the event of a major crisis, so that:
- Your children or grandchildren can go to college
- Your family can maintain a comfortable lifestyle
- Your estate won’t have to be liquidated to pay taxes
Preserving Your Assets for Your Heirs

Estate planning is central to successful wealth management and can:

- Serve to minimize the impact of estate taxes and help reduce or eliminate probate costs
- Enable you to arrange for the distribution of your assets
- Help you carry out your philanthropic wishes

Plan for Your Future. Make It Happen.

Take control of your financial future and . . .

Prepare for unexpected challenges, as well as opportunities.

The process begins with you.

Questions

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Important Information About the Sample LifeView Financial Goal Analysis in This Presentation

Slides 13 and 14 of this presentation are from a sample LifeView Financial Goal Analysis created to demonstrate some important features of the tool. The chart on slide 14 shows the impact that changing the sequence of the rates of return may have on the results of the analysis. This allows for the sensitivity of the results to be calculated, which, when analyzed with the mean return and standard deviation of the portfolio, allows the probability of success for your goals to be directly calculated.

Assumptions and Limitations

LifeView Goal Analysis uses a specialized methodology called Beyond Monte Carlo™, a statistical analysis technique that provides results that are as accurate as traditional Monte Carlo simulations with 10,000 trials, but with fewer assumptions used to create the analysis shown in the presentation. The assumptions used to create the analysis shown in this presentation are estimates based on average annual returns for the indexes used to proxy for each asset class. The portfolio returns are calculated by applying the actual return assumptions for each asset class according to the sample portfolio allocation.

Glossary of Risk Considerations

- **Glossary of Risk Considerations**

  - **Fixed Income** – bonds that pay interest (called a coupon) at a fixed rate over a specified period of time. Fixed income securities are often described because of the interest rate increase. When interest rates fall, fixed income securities can become less attractive to investors who seek yield, decreasing the value of the bond. For example, if you purchase a bond with a 4% coupon rate and the market interest rate falls below 4%, the value of the bond will increase. An investor who purchases the bond at this lower yield will be able to sell the bond at a higher price than the original purchase price, thereby earning a capital gain.
  - **International Equity / Emerging Markets** – foreign stock investments in the Far East or Latin America, which are more volatile than domestic equity investments. Emerging market investments are often subject to local economic and political instability and may be impacted by currency fluctuations and controls. They involve greater risks than investments in developed markets.
  - **High Yield** – high-yield fixed income securities, also known as “junk bonds,” are lower-rated corporate bonds that offer a higher yield than investment-grade bonds but have a higher risk of default. High-yield bonds may be issued by companies that are considered to be high-risk, such as utilities and retailers, or by companies that are highly leveraged, such as private equity firms.
  - **Hedge Funds** – hedge funds are private investment vehicles that pool funds from investors and use a variety of strategies, including derivatives, short selling, and trading in currencies and commodities. They are managed by experienced professionals who seek to achieve high returns for their investors. Hedge funds typically have a high risk of loss and may experience large losses if the markets move against them. They are classified as alternative investments and are not subject to the same regulations as traditional mutual funds and other investment vehicles.
Managed Futures – Managed futures are commodity pools managed by professional commodity trading advisors ("CTAs"). They typically trade futures, interbank currency forwards, options on futures and forwards. Managed futures investments are speculative, involve a high degree of risk, use significant leverage, are generally illiquid, have substantial charges, subject investors to conflicts of interest and are suitable only for the risk capital portion of an investor’s portfolio.

Money Market Funds – An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund generally seeks to preserve the value of shareholders’ investments at $1.00 per share, it is possible to lose money.

Small/Mid Cap Equity – Stocks of medium-sized companies entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies.

Stocks – Investing in stock securities involves volatility risk, market risk, business risk and industry risk.

Real Estate and REITs – Real estate investments are subject to special risks, including interest rate and property value fluctuations as well as risks related to general and local conditions. Investing in REITs also involves additional market risk.

A LifeView Financial Goal Analysis or LifeView Financial Plan ("Financial Plan") is based on the methodology, estimates and assumptions as described in your report, as well as personal data provided by you. If it is concluded that any of your goals are unattainable, your Financial Advisor can adjust the assumptions to align with your goals. After a Financial Advisor delivers your report to you, if you so desire, your Financial Advisor can help you implement any part that you choose; however, you are not obligated to work with your Financial Advisor or Morgan Stanley.

Important information about your relationship with your Financial Advisor and Morgan Stanley when using LifeView Goal Analysis or LifeView Advisor:

When your Financial Advisor prepares and delivers a Financial Goal Analysis (i.e., when using LifeView Goal Analysis), they will be acting in a brokerage capacity. When your Financial Advisor prepares a Financial Plan (i.e., when using LifeView Advisor), they will be acting in an investment advisory capacity with respect to the delivery of your Financial Plan. This Investment Advisory relationship will begin with the delivery of the Financial Plan and end thirty days later, during which time your Financial Advisor can review the Financial Plan with you. If you have an Investment Advisory relationship with your Financial Advisor, it is important to understand this relationship from Morgan Stanley as it relates to your LifeView Goal Analysis or LifeView Advisor.

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