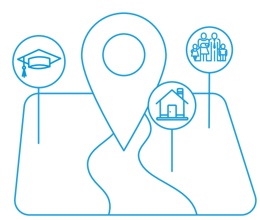
360° Retirement Planning

Goals Planning System | GPS

Planning for retirement has never been easy, but in recent years, it's become increasingly difficult. Chances are, you're not covered by a defined benefit pension plan at work that provides known income payments at retirement. These plans have largely been replaced by 401(k) or other defined contribution plans that put the burden on you to make the right investment decisions.

That's where your Financial Advisor and the Morgan Stanley Goals Planning System (GPS) can help.



The Goals Planning System (GPS) is an innovative platform that leverages Morgan Stanley's intellectual capital and sophisticated institutional capabilities to help clients reach their goals.

An effective plan should recognize the risks faced by investors beyond market volatility.

Challenges you face when making decisions about your retirement savings go far beyond how to accumulate assets during your working years. That's why Morgan Stanley Wealth Management's Global Investment Committee (GIC) embarked on an extensive study to identify the issues most critical to successful retirement strategizing. The results of this study provide a new framework to guide your Financial Advisor when structuring your retirement planning efforts and to help you adjust as necessary through life's stages.

The GIC determined that an effective plan should recognize the risks faced by investors beyond market volatility, including:

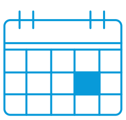
- **Longevity**: The possibility that you will outlive your assets.
- **Judgment:** The possibility that you will retire too early, spend more than your investments can sustain or fail to withdraw less from your retirement funds when markets turn choppy.
- **Behavioral:** The possibility that you will sell holdings out of panic when markets decline or, in some cases, chase gains out of exuberance when markets rise—in other words, the possibility that you will buy high and sell low.

Working with your Financial Advisor, you can

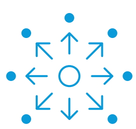
- Create specific strategies designed to reach your retirement goals.
- Address the challenge of a shortfall or the opportunity that a surplus provides.
- Develop an asset allocation that makes sense based on your life stage.

What's Different?

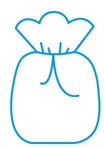
The GIC found that many retirement planning strategies entail nothing more than constructing a portfolio of assets based on an investor's risk tolerance and measuring its performance against a market benchmark. Such a narrow approach fails to consider other issues that can impact your ability to retire as anticipated, including:



Time horizon

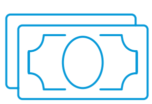


Desire to leave a legacy to loved ones or a favorite charitable organization



Current savings

Risk tolerance



Expected cash flow and additional liquidity needs during retirement

Anticipated savings rate

GPS Process

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

ADVISE
Work with 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*

* This functionality is currently limited to the Retirement Savings Tool.

Life Stages

Objective	EARLY TO MID-CAREER AGE 18-50	LATE CAREER AGE 50+	IN RETIREMENT
	Building Retirement	**Securing Retirement**	**Living Retirement**

Building Retirement

Investors at this stage of their lives should strive to maximize their assets with a specific target date in mind. To foster growth while managing the risk of poor performance as retirement approaches, our Building Retirement model is based on a "custom glide path" approach.[1] Your asset allocation becomes increasingly conservative as you get closer to your target date, reflecting the increasing importance of capital preservation as you approach retirement.

Unlike many of the target date funds so prevalent in today's 401(k) plans, our Target Date Model adjusts your allocation to prevailing market conditions while taking into consideration your planned retirement date. As a result, it is designed to minimize the risk that a late-career bear market will damage your retirement readiness. In addition, you can implement the model with the wide variety of investment alternatives available from Morgan Stanley's open architecture platform, rather than just the limited selection of funds offered by a single mutual fund company.

Securing Retirement

As retirement approaches, you become more vulnerable to adverse market conditions, which can generate losses from which you don't have the time to recover. To mitigate this risk, our Securing Retirement approach allocates your assets among not only traditional asset classes, but annuities with guaranteed income benefits. How your allocation is actually divided among these components is a function of such factors as your funding ratio, savings rate and need for income at retirement.

By adding annuities with guaranteed income benefits to your portfolio, you provide yourself with a set level of income for the rest of your life. As a result, you reduce the risk that poor judgment, declining markets or an above-average life expectancy will jeopardize your finances. In addition, the GIC research indicates that increased retirement income security enables some investors to employ a more aggressive approach with the remainder of their portfolio, thereby increasing their retirement income potential.

Living Retirement

Planning doesn't stop at retirement. Investors face a myriad of challenges that include:

- Unforeseen medical and other expenses requiring investors to liquidate portfolio positions.
- The possibility of outliving one's assets.
- Poor performance at a time when funds are being withdrawn to meet retirement expenses.
- The desire to leave a legacy to loved ones.

In addition, retirees are susceptible to panic selling when there is a downturn in the market, simply because they are no longer working and fearful that investment losses will lead to a decline in their standard of living. Our Target Liquidity Model is designed to help retirees meet these challenges by possibly adding annuities to their portfolio, developing a systematic withdrawal strategy and employing what we call a "Custom Time Segmented Bucketing" approach.

As the chart below illustrates, this strategy involves dividing your portfolio into separate pools of assets (buckets) that can be accessed sequentially to meet retirement expenses. For example, the funds you need during the first few years of retirement are segregated in their own bucket and invested more conservatively than funds in subsequent buckets. Allocations become increasingly aggressive with buckets designed for longer time horizons.

Target Liquidity in Action

MOST CONSERVATIVE → MORE GROWTH-ORIENTED

BUCKET 1	BUCKET 2	BUCKET 3	BUCKET 4	BUCKET 5
Immediate Spending Years 1-7	**Years 7-15**	**Years 15-22**	**Years 22-30**	**Years 30+**

A Custom Time Segmented Bucketing approach to creating a retirement decumulation strategy segregates investor assets into different pools of money matched against a specific time horizon, where each pool is assigned an asset allocation deemed appropriate for its horizon. We employ a Custom Time Segmented Bucketing approach to create our Target Liquidity family of models.

It Starts With a Conversation

Our retirement planning framework, with its various life stage goals-based approaches, represents a strong starting point for investors to formulate a strategy personalized for their needs.

Your Financial Advisor is key to maximizing the value of this framework by helping you identify your personal goals, monitoring your progress toward achieving them, and working together to create a customized plan that meets the criteria listed in the sidebar on the right. Contact your Financial Advisor for additional information.

Structuring a Well-Rounded Planning Approach

We believe that a successful retirement planning strategy must meet the following criteria:

1. Your plan should be customized to reflect what you care about most. It should address both the goals you hope to achieve and the risk of outliving your assets.
2. Your plan should address the shifting nature of issues and unknowns you face at different stages of your life.
3. Your plan should consider risks beyond market volatility — inflation, for example — that can make expenses more difficult to meet.
4. Your plan should seek to mitigate judgment and behavioral risks such as panic selling in difficult markets or overspending.
5. Your plan should seek to minimize taxes and fees.
6. Your plan should evaluate the suitability of hedging products such as annuities or other strategies that can reduce the risk you won't have sufficient income at retirement.
7. Your plan should be responsive to changes in both your life and the financial markets.

[1] A Custom Glidepath approach to creating a retirement strategy derives a series of asset allocations whose risk profile declines as investors age. These can be well-suited for solving a goals-based problem with a defined time horizon. We employ a Custom Glidepath Approach to create our Target Date family of models.

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Annuities are offered in conjunction with Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

All guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

Withdrawal and distributions of taxable amounts from annuities are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% federal income tax penalty. Early withdrawals will reduce the death benefit and cash surrender value of annuities.

If you are investing in an annuity through a tax-advantaged retirement plan such as an IRA, you will get no additional tax advantage from the annuity. Under these circumstances, you should only consider buying an annuity because of its other features such as lifetime income payments and death benefit protection.

Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets.

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