

Investor Pulse Poll

JULY 2016

Overview

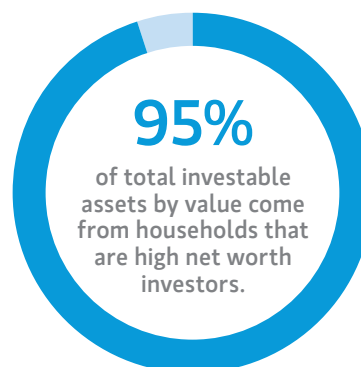
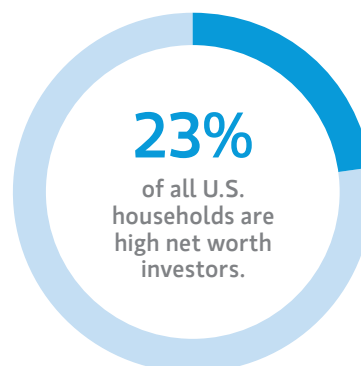
Morgan Stanley releases findings from the “Morgan Stanley Investor Pulse Poll” of 752 U.S. high net worth (HNW) investors ages 25 to 75 with \$100,000 or more in investable household financial assets. Approximately one in four (23%)¹ of all U.S. households fall into this group, representing approximately 28 million households (defined to exclude assets held in real estate and employer retirement plans). The poll was conducted from May 12 to 17, 2016, and includes interviews with hundreds of households that report investable household financial assets of \$1 million or more (approximately 33% of those interviewed). It yields a robust look at a group that makes up only 3.8% of total U.S. households.² All told, households with \$100,000 or more in investable assets account for 95%³ of total investable assets by value. All results reported are from the Morgan Stanley Investor Pulse Poll.

¹ According to aggregated data using results of the Federal Reserve's 2013 Survey of Consumer Finances by CEB, 23% of all U.S. households have non-retirement financial assets of \$100,000 or more and are of ages 25 to 75.

² According to aggregated data using results of the Federal Reserve's 2013 Survey of Consumer Finances by CEB

³ According to aggregated data using results of the Federal Reserve's 2013 Survey of Consumer Finances by CEB

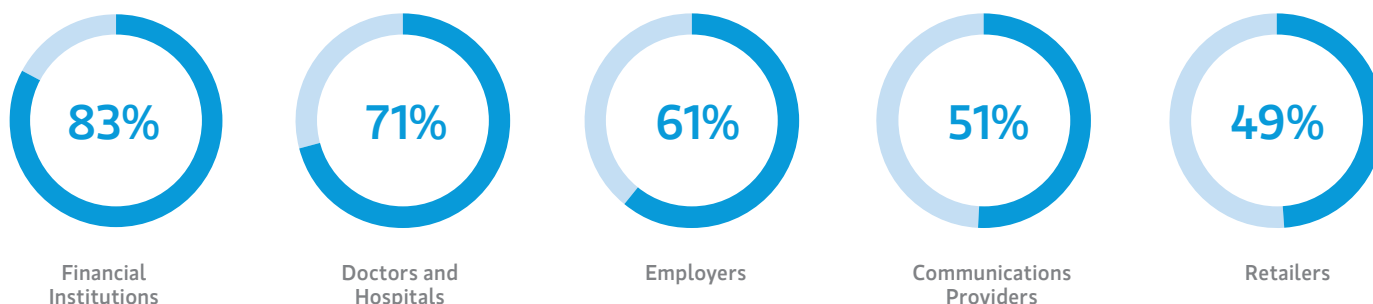
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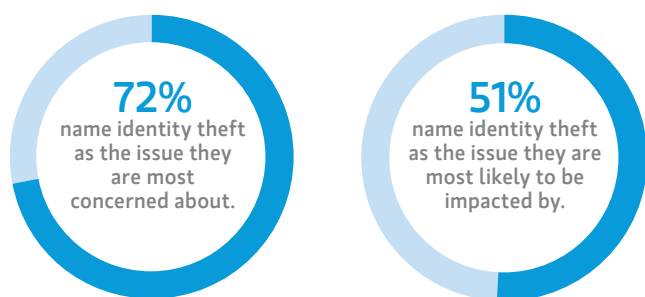
Overview

Nearly all (91%) HNW investors have somehow been touched by data security issues, with security breaches at companies they do business with leading the way (63%). In spite of these breaches, roughly half or more HNW investors trust at least somewhat, if not a great deal, their financial institutions (83%), doctors and hospitals (71%), employers (61%), communications providers (51%) and retailers where they shop (49%) to protect their personal information.

TRUST IN INSTITUTIONS TO PROTECT PERSONAL INFORMATION



Identity theft ranks as both the issue HNW investors are most concerned about (72%) and the issue they feel they are most likely to be impacted by (51%)—even ranking ahead of terrorism and a major illness. Few (15%) of those who have not yet been affected by identity theft feel “very” confident they would know what to do if faced with this situation. Moreover, 58% of these HNW investors (i.e., those who have not been impacted by identity theft) imagine that identity theft would be “very” stressful to deal with.



Most (81%) say that, with changing technology, it is difficult to know how best to protect themselves from identity theft. And while a majority (69%) of HNW investors feel they are doing enough to protect themselves from identity theft, far fewer subscribe to relevant services to help safeguard them—things like credit score (28%) or personal identity theft (24%) monitoring services or online password managers (11%).

HNW INVESTORS WHO SUBSCRIBE TO RELEVANT SAFEGUARD SERVICES



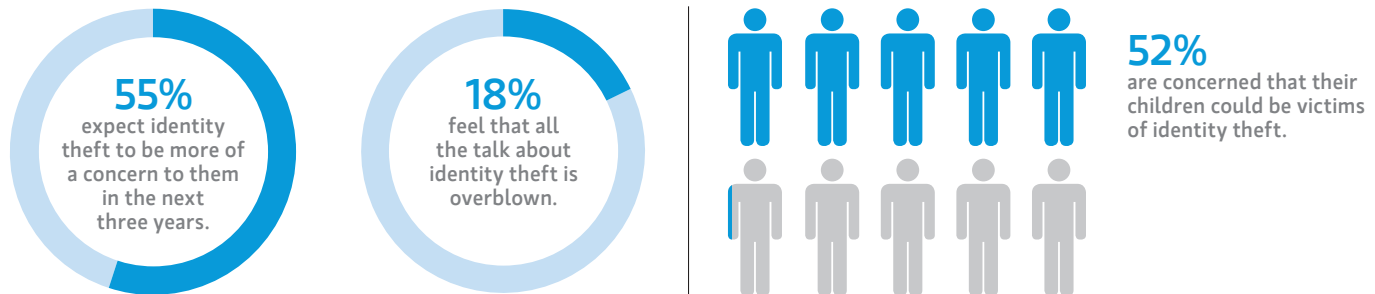
Older investors may be at greater risk. There is a disconnect between perceived and actual preparedness with respect to identity theft among older HNW investors. Older HNW investors, ages 50 to 75, are more likely to feel they are taking the necessary steps to protect themselves (74% vs. 59% among those ages 25 to 49), are less apt to be subscribing to credit score monitoring (24% vs. 37%) and more apt to be writing down all of their account passwords (58% vs. 40%).

PREPAREDNESS AMONG OLDER HNW INVESTORS



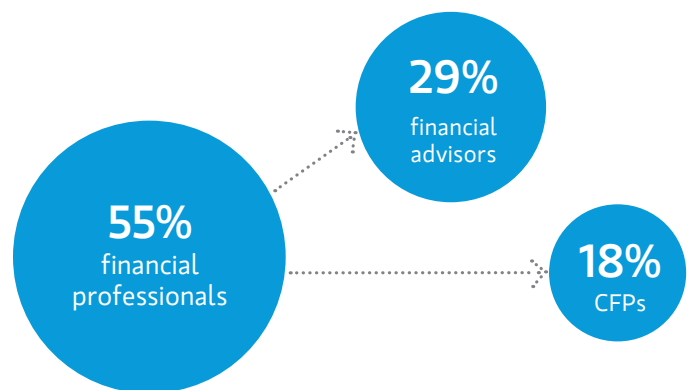
Overview

There is a strong sense that HNW investors themselves (56%) and their loved ones — children (52%) and/or parents/in-laws (47%) — could be victims of identity theft and not even know it. More than half (55%) expect identity theft to be more of a concern to them in the next three years, while relatively few (18%) feel that all the talk about identity theft is overblown.



FINANCIAL PROFESSIONALS THAT HNW INVESTORS SEEK

More than half (55%) of HNW investors in the U.S. currently leverage the insight of a financial professional, with financial advisors (29%) and Certified Financial Planners™ (18%) being the most commonly utilized. Guidance on asset allocation (87%), analysis of the economy and market trends (85%), and clear communication on how assets contribute to a retirement income stream (85%) top the list of services of interest desired by those with a financial advisor.



Personal Data Security

Nearly All HNW Investors Touched by Data Security Issues in Some Way; Security Breaches Lead the Way

Fully nine in 10 (91%) HNW investors report being impacted by data security issues in some form. The most common issue these investors have faced is a security breach at a company they do business with (63%). Moreover, a sizable one in six (16%) report a data breach occurring at their employer. In spite of these breaches, roughly half or more HNW investors trust at least somewhat, if not a great deal, their financial institutions (83%), doctors and hospitals (71%), employers (61%), communications providers (51%) and the retailers where they shop (49%) to protect their personal information.

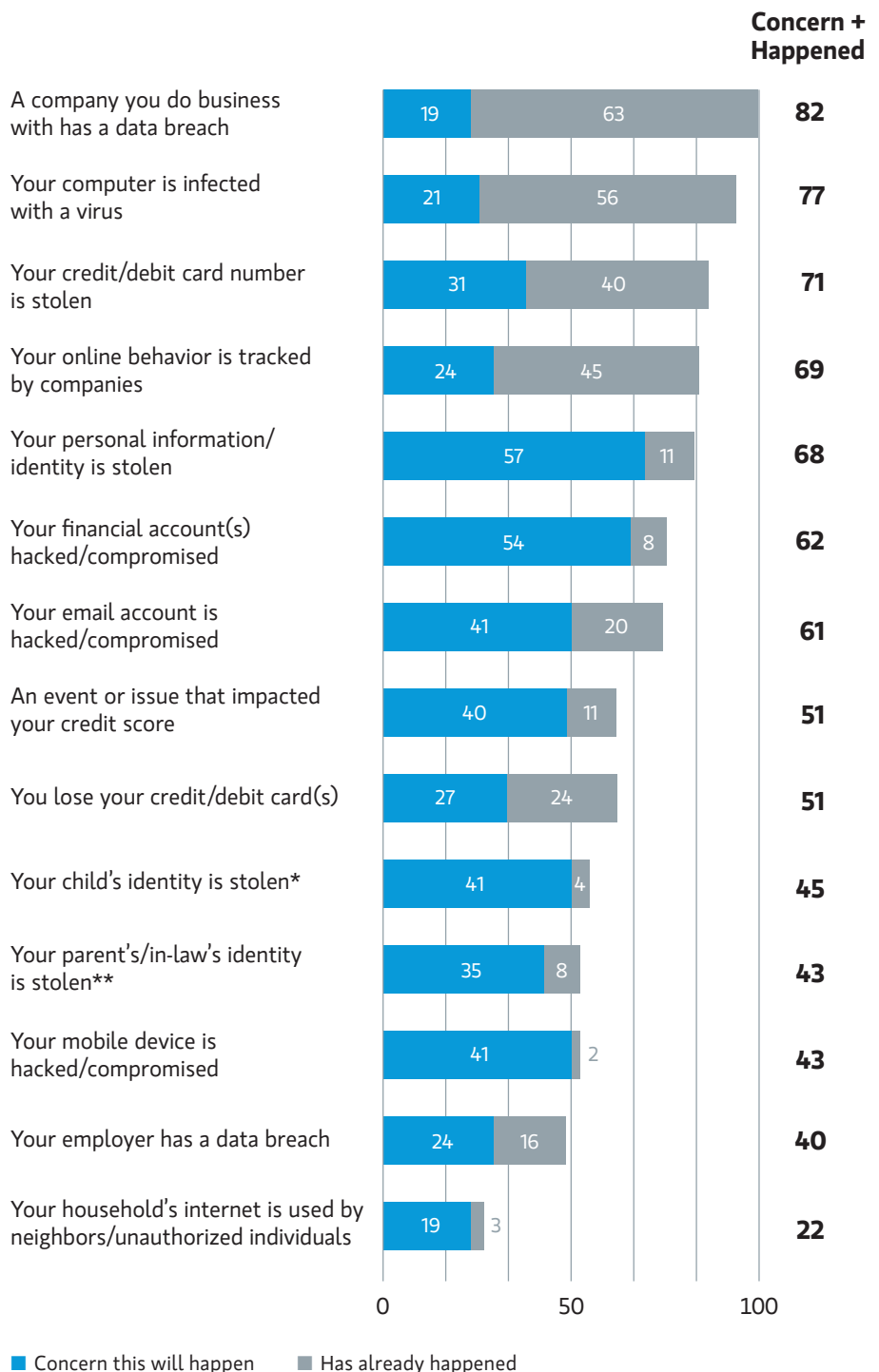
In addition to security breaches, many HNW investors have been victims of computer viruses (56%) and stolen credit or debit card numbers (40%).

HNW Investors Most Worried About Identity Theft—and Security of Their Financial Accounts

Identity theft ranks first as the threat HNW investors are most concerned about (57%), with financial accounts being hacked or compromised following closely behind (54%). In both cases, roughly one in 10 HNW investors report experiencing these issues (11% and 8%, respectively).

Middle-tier concerns range from compromised email accounts or mobile devices (each 41%), to an event that could impact one's credit score (40%), to identity theft among loved ones: 41% of those with children and 35% of those with living parents or in-laws worry that these individuals' personal information could be stolen.

Data Security Issues — Concern and Experience



* Asked of those with children, n=537

** Asked of those with parents/in-laws, n=384

Interestingly, fewer than half (45%) of HNW investors believe that their online behavior is being tracked by companies—and this is a relatively low concern (24%). Similarly, relatively few say their household's internet has been used by neighbors or other unauthorized individuals (3%)—or are concerned by this threat (19%).

Strong Sense That HNW Investors and Their Families Could Unknowingly be Victims of Identity Theft

Given the range of experiences above, it comes as little surprise that HNW investors view data security as a growing and worrisome issue. In fact, more than half expect data breaches (59%) and identity theft (55%) to be more of a concern to them in the next three years. Relatively few (18%) feel that all the talk about identity theft is overblown. And, identity theft ranks as both the issue HNW investors are most concerned about (72%) and the issue they feel they are most likely to be impacted by (51%)—even ranking ahead of terrorism (65% and 20%, respectively) and a major illness in their household (56% and 44%, respectively).

Moreover, as noted above, sizable shares of HNW investors worry not only about themselves, but about their loved ones as well. For instance, 56% are concerned they may be the victim of identity theft and not even know it, while 52% of those with children have the same concern for their children. Six in 10 (59%) worry their parents or in-laws will be targeted by identity theft scams.

Echoing HNW investors' concern about identity theft, few of those who have not yet been affected by identity theft feel “very” confident they would know what to do if faced with this situation (15%); most (58%) are only “somewhat” confident they would know what to do. Moreover, 58% of these HNW investors (i.e., those not impacted by identity theft) imagine that identity theft would be “very” stressful to deal with.

Attitudes toward Data Security (% strongly/somewhat agree)

With technology changing so quickly, it is difficult to know how best to protect oneself from identity theft

I am taking all of the steps needed to protect myself from identity theft

I worry that my parents/in-laws will be targeted by scams to obtain their personal information**

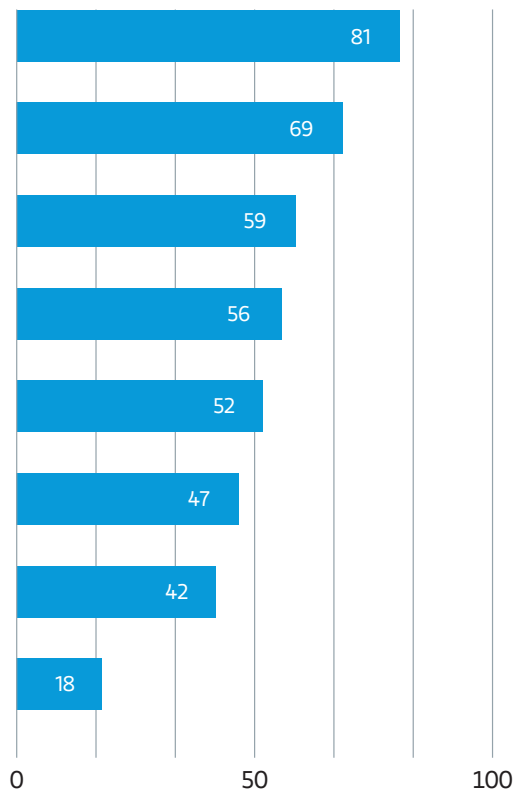
I am concerned I may be the victim of identity theft and not even know it

I am concerned my child(ren) may be the victim of identity theft and not even know it*

I am concerned my parents/in-laws may be the victim of identity theft and not even know it**

I worry that my child's(ren's) activities online could put our personal information at risk*

I think all the talk about identity theft is overblown



*Asked of those with children, n=537

**Asked of those with parents/in-laws, n=384

Majority Feel They are Doing Enough to Protect Themselves, Though Far Fewer Subscribe to Relevant Services

Most (81%) say that, with changing technology, it is difficult to know how best to protect themselves from identity theft. And while a majority (69%) of HNW investors feel they are doing enough to protect themselves from identity theft, far fewer subscribe to relevant services to help safeguard them—things like credit score (28%) or personal identity theft (24%) monitoring services. Similarly, 54% of HNW investors say they are using unique passwords for all of their accounts, though relatively few (11%) are using an online password manager to help secure these passwords. Far more (52%) HNW investors write down all of their passwords.

Notably, there are some differences in data security attitudes and level of preparedness by both age and assets. Older HNW investors, ages 50–75, are more apt to believe they may unknowingly be the victim of identity theft (61% vs. 46% among those ages 25–49) and that changing technology makes it difficult to know how best to protect oneself (84% vs. 74%). Perhaps compounding matters, there is a bit of a disconnect between perceived and actual preparedness with respect to identity theft among older HNW investors. While they are more likely to feel they are taking the necessary steps to protect themselves (74% vs. 59%), older HNW investors are less apt to be subscribing to credit score monitoring (24% vs. 37%) and more apt to be writing down all of their account passwords (58% vs. 40%).

Millionaires, on the other hand, project a greater sense of confidence in this area. They are more apt than HNW investors overall to believe they are taking the necessary steps to protect themselves from identity theft (77% vs. 69%)—and less likely to feel that changing technology is making it harder to protect oneself (76% vs. 81%, though sizable majorities among both groups hold this view). And while millionaires are less apt to be subscribing to credit score monitoring services (20% vs. 28%), they are more likely to be using unique passwords for their accounts (61% vs. 54%) and to be using an online password manager to secure these passwords (17% vs. 11%).

Data Security Attitudes & Preparedness	ASSETS		AGE	
	HNW investors overall	Millionaires	25–49	50–75
Are concerned they may be the victim of identity theft and not even know it	56%	58%	46%	61%
Believe that with technology changing so quickly, it is difficult to know how best to protect oneself from identity theft	81%	76%	74%	84%
Believe they are taking all of the steps needed to protect themselves from identity theft	69%	77%	59%	74%
Subscribe to credit score monitoring	28%	20%	37%	24%
Use unique passwords for all accounts	54%	61%	51%	55%
Write down all passwords	52%	56%	40%	58%
Use online password manager	11%	17%	15%	9%

■ Represents a statistically significant difference between groups at the 95% confidence level

Use of Financial Professionals

HNW Investors Looking Most to Financial Professionals for Asset Allocation, Analysis of the Market and Retirement

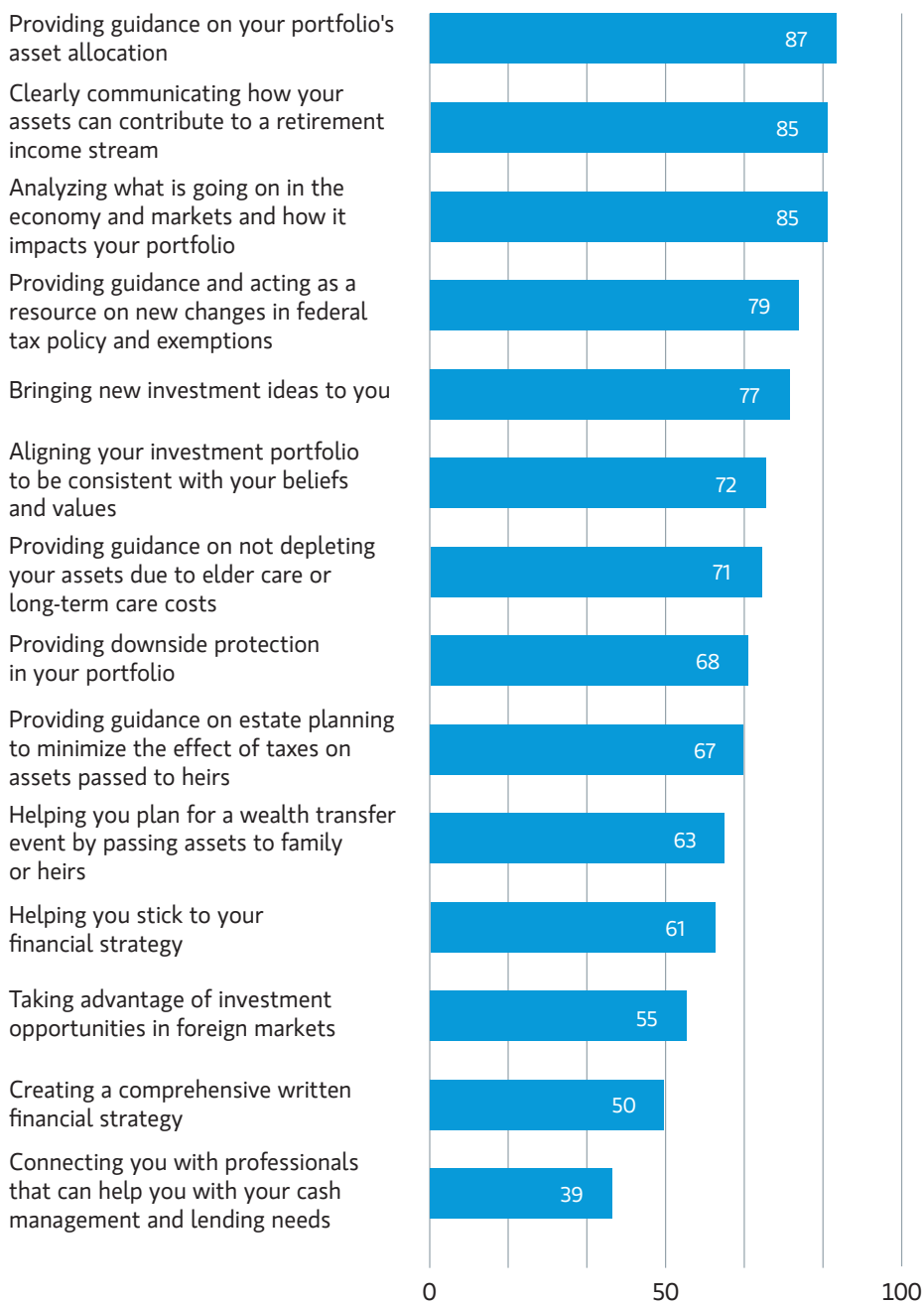
More than half (55%) of U.S. HNW investors leverage the insight of a financial professional. Among all HNW investors, financial advisors (29%) and Certified Financial Planners™ (18%) are the most commonly utilized professionals. One in 20 or fewer uses a stock broker (5%), Certified Public Accountant™ (5%) or Chartered Financial Analyst® (3%) as their primary investment professional.

HNW investors are open to employing financial professionals in a myriad of ways. In fact, half or more of HNW investors with a financial advisor express interest in 13 of 14 possible types of assistance surveyed. Guidance on asset allocation (87%), analysis of the economy and market trends (85%), clear communication on how assets contribute to a retirement income stream (85%), guidance on the government's changing tax policy and exemptions (79%), and new investment ideas (77%) make up the top-five services of interest—and are each selected by three in four or more HNW investors with a financial advisor.

Though of lower relative interest, roughly two-thirds or more want help with aligning their investments to be consistent with one's beliefs and values (72%), not depleting assets due to elder care or long-term care expenses (71%) and downside protection (68%), as well as estate planning (67%) and planning for a wealth transfer event (63%). Half or more would appreciate having a comprehensive financial strategy created (50%) and help sticking to their financial strategy (61%), as well as help in taking advantage of international market opportunities (55%).

Desired Help from Financial Advisors

(among those with a financial advisor)



Methodology

The Morgan Stanley Investor Pulse Poll was conducted by GfK Public Communications & Social Science using the GfK KnowledgePanel—the only large-scale representative panel of the adult population in the U.S., for which members are recruited using a probability-based, address-based sampling methodology. In order to maintain full representation of all adults, households without internet access are provided computers and ISP as well. From May 12 to 17, 2016, a random sample of 752 respondents across the U.S. were interviewed. In order to qualify for this

study, respondents were required to have \$100,000 or more in household liquid investable assets, be between the ages of 25 and 75 years old, and to be one of the primary decision makers in the household for financial decisions. Quotas were applied in order to obtain approximately one-third in each of the following categories: \$100,000 to \$499,000; \$500,000 to \$999,000; and \$1 million or more in investable assets. Results were then weighted to age within each of these three asset classes using benchmarks from the federal government's Survey of Consumer Finances data.

Contacts

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Poll commissioned by Morgan Stanley but independently conducted by GfK Public Communications, May 2016.

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