



Morgan Stanley

How Are You Financing Your Tax Obligations?

During tax season, you may have to decide whether to dip into cash reserves, liquidate assets or take out a traditional bank loan to pay your tax bill. Each option presents its own challenges. Using cash reserves may cause you to miss investment opportunities. Liquidating your investments may come with other costs—such as taxes on capital gains, a potential loss of future asset growth or possibly creating an asset allocation imbalance in your portfolio. Obtaining a traditional bank loan may require a lengthy application process, the submission of personal financial statements or multiyear tax returns and the payment of loan fees.

Some use credit cards for their tax payments in order to amass rewards points, frequent flier miles or cash back, but the fees to pay by credit card can often be higher than the rewards earned. Surcharges imposed by the payment processors for credit card payments could also be costly.¹

A potentially more efficient way to satisfy your tax obligation this year may be with a securities-based loan (SBL). An SBL allows you to use the eligible securities in your personal brokerage account as collateral for a line of credit that you can use for many purposes. Because your investments are not liquidated, as long as the required level of collateral is maintained, you may be able to preserve the growth potential of your portfolio and reduce the chance of having an asset allocation imbalance. An SBL may allow you to meet short-term financing needs while preserving your longer-term wealth management strategy. Borrowing against securities may not be suitable for everyone. You should be aware that there are risks associated with a securities-based loan, including possible margin calls on short notice, and that market conditions can magnify any potential for loss. For details, please see the important disclosures on the reverse side of this flyer.

WHY CHOOSE AN SBL?

- There is a simple application process and credit decisions are usually made within 1-2 days
- Competitive floating or fixed rates with typically no fees²
- After approval, funds are easily accessed by check or wire
- Flexible repayment options
- You can pay your taxes and potentially keep your investment strategy on track and working for you

USE FOR TAX OBLIGATIONS AND MORE

After establishing an SBL, you can gain quick and efficient access to funds that may enable you to achieve a number of other objectives, including:

- Purchasing real estate
- Providing for business needs
- Consolidating debt
- Funding education costs
- Covering unexpected expenses
- Making luxury purchases

Speak with your Financial Advisor (and your personal tax and legal advisors³) about using an SBL to pay your taxes or other expenses.

¹ IRS fees (<http://www.irs.gov/uac/Pay-Taxes-by-Credit-or-Debit-Card>) and (<http://www.irs.gov/uac/Pay-by-debit-or-credit-card-when-you-e-file>) for tax payments to the IRS by Internet, phone or mobile device for e-file, paper file or response to a bill or notice.

² Clients may be responsible for the fees of a third-party law firm engaged to review complex transactions (e.g., review of trust agreements). Clients may also be charged a fee for the issuance of a letter of credit, for prepayment of principal on fixed rate advances, and upon a client's request for certain cash management services (e.g., duplicate statement or check reorder).

³ Morgan Stanley Smith Barney LLC and its affiliates and their employees (including Financial Advisors and Private Wealth Advisors) are not in the business of providing tax or legal advice. These materials and any statements contained herein should not be construed as tax or legal advice. Individuals should consult their personal tax advisor or attorney for matters involving taxation and tax planning, and their attorney for matters involving personal trusts and estate planning.

Important Risk Information for Securities-Based Lending: You need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association or Morgan Stanley Smith Barney LLC

(collectively referred to as "Morgan Stanley") reserves the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities-based loan that is identified as a committed facility; (5) Morgan Stanley reserves the right to increase your collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call securities-based loans at any time and for any reason.

With the exception of a margin loan, the proceeds from securities-based loan products may not be used to purchase, trade or carry margin stock (or securities, with respect to Express CreditLine); repay margin debt that was used to purchase, trade or carry margin stock (or securities, with respect to Express CreditLine); and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.

To be eligible for a securities-based loan, a client must have a brokerage account at Morgan Stanley Smith Barney LLC that contains eligible securities, which shall serve as collateral for the securities-based loan.

Asset allocation does not guarantee a profit or protect against a loss.

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