

Consulting Group Portfolio Solutions

## Tax Management Services Overview

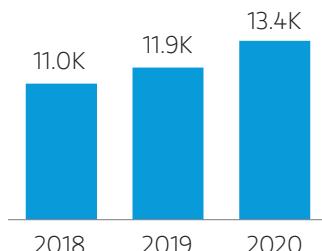
For Select Unified Managed Accounts (UMA)

**Tax Management is an elective service available in Select UMA that utilizes an array of tax-efficient features to potentially improve after-tax portfolio returns. Leverage these features in conjunction with our in-depth portfolio expertise to attempt to reduce your current tax bill.**

Client questions about tax efficiency **double** as wealth grows<sup>1</sup>



<sup>1</sup> Cerulli 2018 Financial Advisor Metrics



Avg. Tax Outflows per Account (\$K) are **increasing yearly<sup>2</sup>**

**25%**

OR **\$11.7 Bn of total account outflows** from Morgan Stanley accounts were used to pay taxes in 2020<sup>2</sup>

2. Outflows include ACH and checks ONLY and do not include wires.  
Source: Morgan Stanley Private Banking Group

### TAX MANAGEMENT IN SELECT UMA SEEKS:



#### **Tax Efficient Trading**

Tax-aware portfolio management and trading



#### **Active Tax Loss Harvesting**

Quarterly and opportunistic to offset gains



#### **Certain Wash Sale Adherence**

When equity securities realize losses, they are only bought back 31 days after the sale



#### **Tax Mandates (Cap Gain Limit)**

Option to set a capital gain limit on taxes and/or realized gains to help manage taxes

### **Key Tax Loss Harvest Stats (2020)<sup>3</sup>**

Total Gains Reduced	<b>\$1.65 Bn</b>
Avg. Tax Savings per Account	<b>\$9,820</b>
Avg. Assets Saved	<b>1.12%</b>

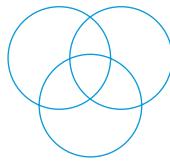
### **Personal Customization**

- Tax Mandates (Cap Gain Limits):** Can help create a custom capital gain budget for your account, or create a custom tax-efficient investment transition plan.
- Client Values Management:** Choose what is important to you and align your values and beliefs with your investments. Choose from many different categories and maintain market exposure through customized replacement options.

<sup>3</sup> From Accelerator trading system

# What are Unified Managed Accounts?

As an experienced investor, you may participate in a number of professionally managed investments, including mutual funds, exchange-traded funds and separately managed accounts. Often, these vehicles are housed in multiple accounts, each of which generates its own statements, trade confirmations and performance reports.



Multiple accounts can also mean multiple fees, overlapping securities positions and fragmented asset allocations that don't consider your overall objectives, time frame and risk tolerance.

## A UNIFIED MANAGED ACCOUNT (UMA)

As its name implies, a UMA is an account in which you can maintain numerous investments in a convenient, comprehensive portfolio. Morgan Stanley Select UMA® goes several steps further by offering a Tax Management Services option.

## How Do Unified Managed Accounts Work?

Morgan Stanley has created an open architecture platform where investors can harness intellectual capital from hundreds of sources, both inside and outside of the firm, adding multiple layers of professional management for each portfolio. Depending on your objectives, time frame and risk tolerance, you or your Financial Advisor may choose an appropriate allocation model and implement it with the numerous mutual funds, exchange-traded funds and separately managed accounts available to you. If you prefer, you can design your own allocation across the asset classes and investment categories you deem necessary to reach your objectives. With any select UMA accounts, you obtain the services of an overlay portfolio manager and can benefit from a number of immediate advantages:

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A single comprehensive asset allocation that guides portfolio structure.

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Consolidated performance reporting that helps you evaluate not only individual investments, but also your entire portfolio.

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A single monthly statement and year-end tax summary to simplify record-keeping and facilitate tax preparation.

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Disciplined rebalancing that adjusts your portfolio for sizable allocation shifts and returns that allocation to its original proportions.

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Account oversight that watches for overlapping positions in your UMA investments and helps you avoid overexposure to specific securities, industries and economic sectors.

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Optional Tax Management to help you preserve investment returns and potentially reduce your current tax liability.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC ("Morgan Stanley"), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Individuals are urged to consult their personal tax or legal advisors to understand the tax and legal consequences of any actions, including any implementation of any strategies or investments described herein.

Tax Management Services are only offered in a Unified Managed Account that meets the following criteria: 1. Account must be taxable 2. Certain tax inefficient investment products may be discouraged from use. A client may elect Tax Management Services for the account by notifying their Financial Advisor, and indicate what Maximum Tax or Realized Capital Gain Instruction is desired for the account, if any. The Tax Management Services Terms and Conditions attached to the Morgan Stanley Smith Barney LLC Select UMA ADV brochure as Exhibit A will govern Tax Management Services in the account. Clients should review the Morgan Stanley Smith Barney LLC Select UMA ADV brochure carefully with their tax advisor. Tax Management Services are not available for all accounts or clients and may adversely impact account performance. Tax Management Services do not constitute tax advice or a complete tax sensitive investment management program. There is no guarantee that Tax Management Services will produce the desired tax results.

Investment advisory accounts are subject to an annual asset based fee which is payable monthly in advance (some account types may be billed differently), (the "Fee"). In general, the Fee covers Morgan Stanley investment advisory services, custody of securities with Morgan Stanley, trade execution with or through Morgan Stanley or its affiliates, as well as compensation to any Morgan Stanley Financial Advisor. In addition, each account that is invested in a program, including the Select UMA program, that is eligible to purchase certain investment products, such as mutual funds, will also pay a Platform Fee (which is subject to a Platform Fee offset) as described in the applicable ADV brochure. Accounts invested in the Select UMA program will also pay a separate Morgan Stanley Overlay Manager Fee and any applicable Sub Manager fees. The Morgan Stanley Smith Barney LLC Select UMA program is described in the applicable Morgan Stanley Smith Barney LLC ADV Brochure, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).

Overlay Managers or Executing Sub Managers ("Managers") in some of Morgan Stanley's Separately Managed Account (SMA) programs may affect transactions through broker dealers other than Morgan Stanley or our affiliates. If your manager trades with another firm, you may

be assessed costs by the other firm in addition to Morgan Stanley's fees. Those costs will be included in the net price of the security, not separately reported on trade confirmations or account statements. Certain managers have historically directed most, if not all, of their trades to outside firms. Information provided by managers concerning trade execution away from Morgan Stanley is summarized at: [www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf](http://www.morganstanley.com/wealth/investmentsolutions/pdfs/adv/sotresponse.pdf). For more information on trading and costs, please refer to the ADV Brochure for your program(s), available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).

If your account is invested in mutual funds or exchange traded funds (collectively "funds"), you will pay the fees and expenses of any funds in which your account is invested. Fees and expenses are charged directly to the pool of assets the fund invests in and are reflected in each fund's share price. These fees and expenses are an additional cost to you and would not be included in the Fee amount in your account statements. The Morgan Stanley Smith Barney LLC Select UMA program is described in the applicable Morgan Stanley Smith Barney LLC ADV Brochure, available at [www.morganstanley.com/ADV](http://www.morganstanley.com/ADV).

The investment management services of Morgan Stanley Smith Barney LLC and investment vehicles managed by Morgan Stanley Smith Barney LLC or its affiliates are not guaranteed and could result in the loss of value to your account. You should note that investing in financial instruments carries with it the possibility of losses and that a focus on above-market returns exposes the portfolio to above-average risk. Performance aspirations are not guaranteed and are subject to market conditions. High volatility investments may be subject to sudden and large falls in value, and there could be a large loss on realization which could be equal to the amount invested. Asset allocation, diversification and rebalancing do not assure a profit or protect against loss. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because sustainability criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. Select UMA® is a registered service mark of Morgan Stanley Smith Barney LLC.