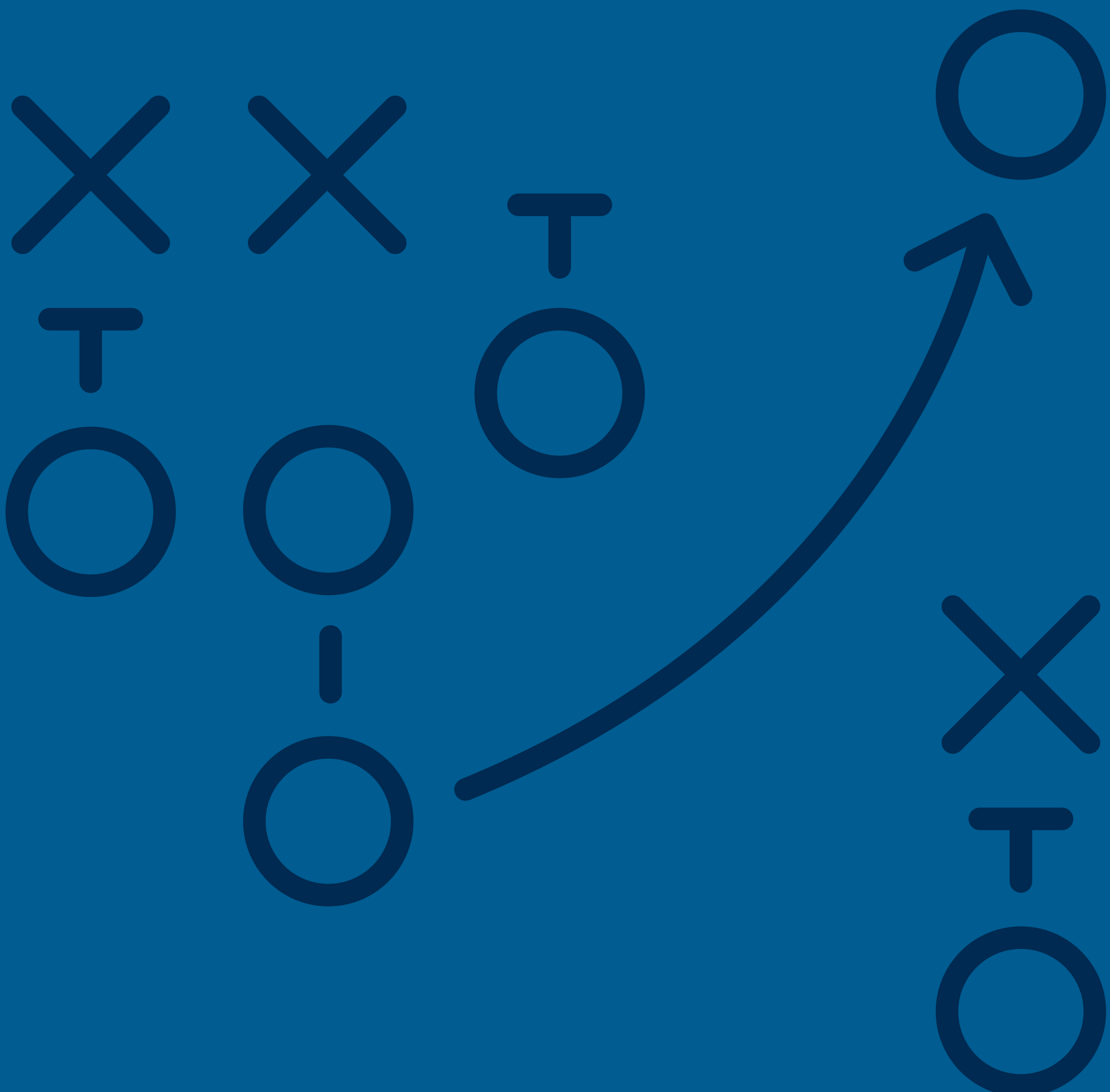
Morgan Stanley

Playbook:

Your Guide to Life & Money



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Playbook: Your Guide to Life & Money

Introduction

How much of your savings should you be investing? Do you need a prenup? How do you know when you're ready to buy a home, or start a business? If you're wrestling with some of these questions, the *Playbook: Your Guide to Life & Money* may have the answers you're looking for.

Money is often considered a taboo topic, but it shouldn't be. When managed intelligently, wealth can be a powerful tool for impact.

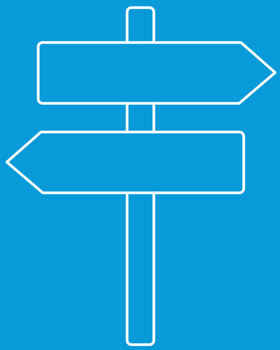
Our goal is to help prepare the next generation of leaders, parents, philanthropists, innovators, trustees, executors, board members, and investors by empowering you with the knowledge and tools needed to achieve your goals: whether you're buying a home, starting a family, pursuing a passion, or giving back. For over 80 years, Morgan Stanley has been helping generations of clients navigate life's milestones, sharing expertise and guidance on subjects such as family dynamics, sustainable investing, and philanthropy. We created the Playbook as a resource to help guide you on this financial journey. Filled with articles, infographics, checklists, interviews, and expert tips that cover 10 major life milestones, the Playbook shares essential money know-how to help you navigate the road ahead and explore new horizons with confidence.

We hope this Playbook inspires honest conversations about money and the role money plays in your life. In addition to your friends and family, I encourage you to view your Financial Advisor as a resource. Take advantage of his or her expertise and professional training by asking questions, brainstorming ideas, and getting unbiased advice on important decisions you will need to navigate along the way.

Enjoy,

Vince

— VINCENT LUMIA,
MANAGING DIRECTOR, HEAD OF FIELD MANAGEMENT, MORGAN STANLEY



"Money is often considered a taboo topic, but it shouldn't be. When managed intelligently, wealth can be a powerful tool for impact."

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Playbook: Your Guide to Life & Money

Graduating College: A Whole New World

"There are far, far better things ahead than any we leave behind." — C.S. Lewis

What Is Covered in This Chapter:

- Figuring out your next step in the real world
- Deciding where to live and what to look for in a location
- Handling the cost of reality with a winning budget
- Why credit is so important and how to make sure you're in the clear
- Determining whether grad school is right for you
- Must reads for college grads

Congratulations! It is finally here—the grand finale after years of self-discovery, sporadic sleeping patterns, and the pursuit of anything and everything that interests you. You have graduated... and now what? Armed with a college degree and a blank slate, your future awaits. You are about to embark on a journey of infinite possibilities, yet without the ability to opt out of early morning classes or charge meals to a student ID card. Get ready for exciting new adventures (and challenges) like figuring out where to live, why credit matters, how to manage debt, what boxes to check on your taxes, and who to call for a dentist appointment (note: "call mom" is no longer the answer). To help ensure you are prepared for what's ahead, it is important to understand how your financial decisions today can impact your opportunities tomorrow. A bright future awaits—go forth and prosper.

Let's Review: Where Exactly Are You Starting From?

When standing at a crossroads of open-ended possibilities, figuring out your next move can feel overwhelming. Here is a series of questions to help assess your starting point, so that you can begin mapping out the path ahead.

1. Have you secured a job?

YES — Congrats! Congrats! See our chapter on *Starting Your First Job* for winning plays on negotiating, employee benefits and career development.

NO — You are not alone. See our chapter on *Starting Your First Job* for useful steps on getting job-ready and resources to help you throughout the search process.

2. Have you updated your social media profiles to help ensure you are portraying your most employable self online?

YES — Like. Make sure to update your LinkedIn profile (or create a profile) to establish a professional presence online as well!

NO — 70% of employers use social media to screen candidates during the hiring process.[1] It's imperative to think about what first impression your future employer may get from your social media profiles.

3. Do you have a strong grasp on your skill set and how to position yourself with potential employers?

YES — See our chapter on *Starting Your First Job* for winning plays on how to find the right career for you.

NO — Consider taking an online personality test or build your repertoire of skills through an online course. You may discover strengths you were unaware of before.

4. Are you considering grad school?

YES — If you're having trouble committing, check out the section on determining if grad school is right for you and what your options are.

NO — Fasten your seatbelt, because it's time to face the professional world head-on. After a few years of work experience, you may even consider revisiting the grad school opportunity.

5. Have you decided what your next zip code will be?

YES — See the section about how to make sure your credit score doesn't prevent you from securing your dream digs.

NO — Turn the page to map out where to consider calling "home."

6. Have you thought about how to manage cash flow in the real world?

YES — You're off to a great start. See our chapter on *Savings* to discover ways to make the most of your savings.

NO — Get started by reviewing the section on post-college budgets. Goodbye dining hall, hello leftovers.

7. Do you have student debt?

YES — Make sure to work that into your budget. See the budgeting section for more on incorporating loan payments into your budget.

NO — Take advantage of your financial freedom and check out our chapter on *Saving* for suggestions on how to get a head start on saving for the future.

“There is no straight path from your seat today to where you are going. Your career and your life will have starts and stops and zigs and zags. Don’t stress out about the white space—the path you can’t draw—because therein lies both the surprises and the opportunities.”

SHERYL SANDBERG — *COO, FACEBOOK*

Master of Your Own Destiny: Where to Drop Your Next Pin?

Oh, the places you'll go. As a recent college graduate, it's easy to feel unsettled and anxious when trying to figure out your next move. Do you choose an occupation or a location first? Do you move back in with your parents? Should you spend some time traveling abroad before joining the workforce?

When deciding where to put down your post-college roots, keep in mind that there's a good chance you may switch employers at least twice over the next five years, so consider choosing a location that has more to offer than your dream job, especially as companies are increasingly adopting more flexible, work-from-home policies. Odds are that your idea of the "dream job" may evolve over time anyway.

Focus on locations that offer opportunities for you to grow, both professionally and personally. "Livability" is based on a variety of different factors but it ultimately comes down to your individual priorities. Here are several things you may want to consider when deciding where to drop your next pin:

Quality Of Employment Opportunities
Unemployment rates don't always tell the whole story. According to Pew Research Center, more than one fifth of young Americans with a bachelor's degree are considered "underemployed."[2] Or in other words, they aren't realizing their full potential in the workforce. One indicator of long-term career growth and quality of employment opportunities can be the share of a city's workforce that is employed in management, professional and related occupations (also known as "non-service" positions).

The U.S. economy is now a work-from-home economy, with 42% of the U.S. labor force working from home full time.[3] If this applies to you, make sure to check that your city offers the necessary infrastructure to support you, like co-working spaces and shared interest community groups.

In many cases, the quality of a professional opportunity will depend on personal career goals. Take the time to research the major employers as well as the dominant industries in and around the city.

Quality Of Workforce
If most of your close friends have job offers in the same city, your decision may already be strongly swayed. However, if you are choosing between several different options, you may want to consider which locations have a lower median age. It can also be worth researching what percentage of 18-34 year olds hold a bachelor's degree, as this can be an indicator of a city's economic potential.

Cost Of Living
Research housing options thoroughly as this is one of the most important factors when choosing where to live. If buying or renting, focus on median home or rental prices as opposed to the average which is often skewed by outliers. Taxes, public transportation and school districts are also important elements to take into consideration.

Quality Of Life
There are many other factors that can influence your final decision, but here are a few to consider:

CLIMATE
Are you a fair-weather fan, or do you take ice-cold winters in your stride?

PUBLIC TRANSPORTATION
What are your options for getting to and from work and how convenient are the nearest public transportation hubs? If you need a car to commute, how expensive is it going to be to get a parking spot or cover your monthly gas bill?

NIGHTLIFE & RECREATIONAL ACTIVITIES
If you are moving somewhere new, ask yourself how you will make new friends. Big cities will most likely offer a more vibrant social scene with plenty of restaurants, bars and pick-up leagues.

PROXIMITY TO FAMILY
Do you want to be within driving distance to home? Are you hoping to benefit from a casual drop-in on laundry day? If being close to family is important to you, prioritize locations that allow you to travel home easily.

EDUCATION & CHILDCARE
If you have school-aged children or are planning to start a family in the future, consider school districts and academic options that meet your needs, as well as child care costs.

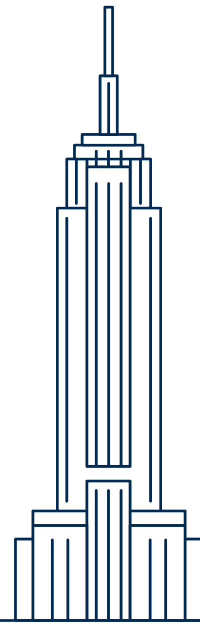
FACT:

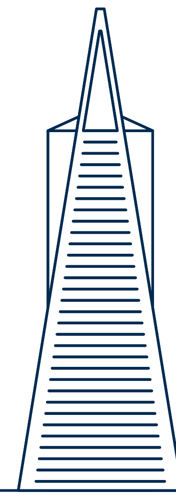
31%

31% of Millennials and Gen Zs plan to leave their current job within 2 years.[4]

Livability Comparison Chart

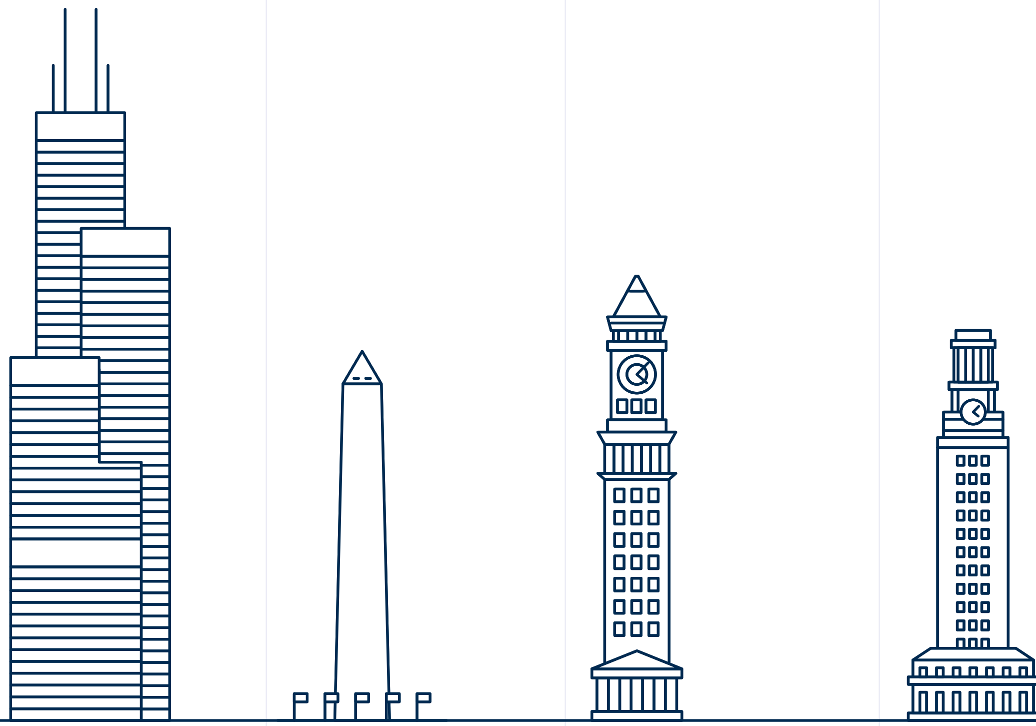
Before dropping your pin, make sure to look at some of the key metrics to get a better overall picture of your future hometown. The chart below will help you understand how each city compares based on affordability, demographics, educational level, housing costs, and general living expenses.





	NEW YORK CITY	SAN FRANCISCO
Average salary per person[5]	$66,790	$75,890
Median age[6]	37.3	38.2
Percentage of population with a bachelor's degree[7]	38.1%	58.1%
Rental vacancy percentage[8]	4.5%	5.3%
Median 2-bedroom apartment rent[9]	$5,102 / month	$4,128 / month
Public transportation rating out of 100[10]	88 — excellent transit	80 — excellent transit
Bars per 1,000 people[11]	0.16	0.42

PLEASE NOTE THAT THESE STATISTICS ARE FROM BEFORE THE COVID-19 PANDEMIC.



	CHICAGO	WASHINGTON, D.C.	BOSTON	AUSTIN
Average salary per person[5]	$57,160	$72,600	$69,240	$55,190
Median age[6]	36.6	33.9	32.7	33.9
Percentage of population with a bachelor's degree[7]	39.5%	58.5%	49.7%	51.7%
Rental vacancy percentage[8]	7.4%	5.5%	4.7%	6.8%
Median 2-bedroom apartment rent[9]	$2,210 / month	$3,128 / month	$3,375 / month	$1,520 / month
Public transportation rating out of 100[10]	65 — good transit	71 — excellent transit	72 — excellent transit	34 — some transit
Bars per 1,000 people[11]	0.23	0.18	0.24	0.23

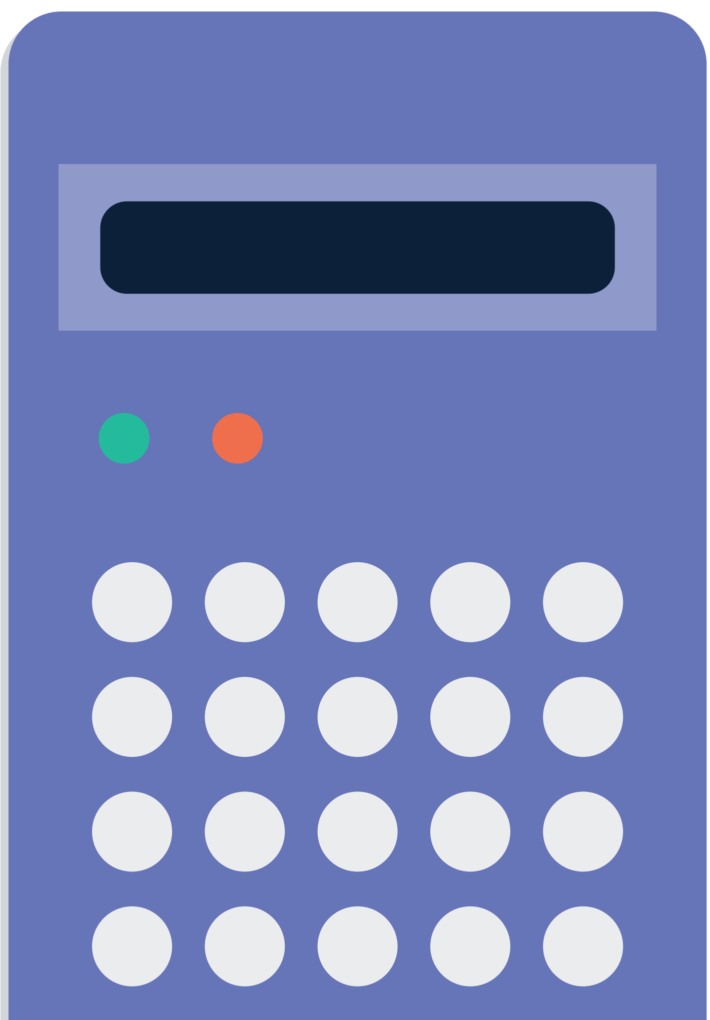
PLEASE NOTE THAT THESE STATISTICS ARE FROM BEFORE THE COVID-19 PANDEMIC.

Budgeting for the Real World

When used as a guide, a budget can be incredibly empowering. Having a good understanding of your monthly saving and spending habits will allow you to make smart financial decisions that will position you for success in the long run.

Like dieting, however, budgeting can have the opposite effect if you're too restrictive. (Cutting out sweets altogether is more likely to lead to a midnight Oreo binge, after all). Your goal is to find a balance between living for today and saving for tomorrow.

Things are about to get a bit more complicated (and costly). In addition to your Netflix account and penchant for online shopping, you will have to factor in new expenses like rent, insurance, and utilities. By taking the time to create a monthly budget based on what's coming in and what's going out, you can avoid money-related stressors and get on with life.



CREATING A POST-COLLEGE BUDGET

Ready to tackle real-world realities? Here is a step-by-step guide for creating a post-college budget.

1 **Understand what you're working with.**
Figure out how much money you have in your various savings and checking accounts (include any investment accounts, if applicable). These are known as your "assets" or what you own. Then tally up any debt or outstanding loans you may currently have (student loans, credit card debt, etc.). These are known as your "liabilities" or what you owe. Finally, calculate how much income will be coming in from your new job, internship, and side project(s) each month. Make sure you calculate total income after taxes.

2 **Estimate your fixed expenses.**
Fixed expenses are the expenditures that won't change much from month to month and can be seen as "essentials" for sustaining your lifestyle.

Here is a list of potential fixed expenses:

RENT OR MORTGAGE PAYMENT	
STUDENT LOAN PAYMENTS	
MEDICAL EXPENSES (PRESCRIPTIONS, MEDICATIONS)	
CHILDCARE (IF APPLICABLE)	
INSURANCE	Car Insurance
	Health Insurance
	Dental Insurance
	Property Insurance
UTILITIES	Water, Garbage, Sewer
	Electricity, Heat
	Internet
	Cell Phone
PERSONAL CARE	Food & Groceries
	Laundry
	Toiletries & Personal Care
	Gym Membership
	Household Items
	Pet Supplies
TRANSPORTATION	Car Payment (if leased)
	Parking
	Public Transportation Pass
	Gas

3 Create a savings goal and treat your savings like an expense. We recommend you try saving at least 10% of your income after taxes. This might seem like a lot, but if you automate your monthly deposits, you will soon forget that the money was there in the first place.

4 Estimate your variable expenses. This refers to the "extras" or non-essentials that you can cut back on, if necessary, to increase your savings. Expenses that belong in this category include entertainment (think golf memberships, movie tickets, sports events), eating out, subscriptions, babysitters, clothing, and travel. It is always a good idea to account for "miscellaneous" expenses here as well, like birthday gifts and other unexpected splurges.

5 Do the math. Deduct your fixed expenses, target savings, and variable expenses from your monthly income after taxes. In an ideal world, you will have a small surplus. If this surplus is too big, you might want to consider increasing your savings goal. If you end up with a negative number, you will need to scale back on your variable expenses or find a way to limit your fixed expenses.

6 Use an online tool to create a budget. There are several great budgeting tools that can help you track your spending habits by syncing with your accounts and payment cards. Many of these tools will also allow you to set budget goals for each spending category and receive alerts whenever you are at risk of exceeding your budget.

7 Track your spending and try to stick to your goals. Life happens. Don't be too hard on yourself if you exceed your budget limits every once in awhile. Remember, it's all about finding the balance that works for you.

WINNING PLAYS to Stretch Your Budget:

Pay bills on time.
You'll be stuck paying unnecessary late fees and overdraft fees if you miss a payment. One way to avoid these fees is automating payments whenever possible.

Make your own coffee.
You can save thousands of dollars a year by cutting back on your Starbucks tab. Keep your latté splurges to once a week instead of daily by investing in a coffee maker or sticking to the free coffee at work.

Make the most of credit card rewards and loyalty programs.
While extreme couponing may not be for everyone, there are plenty of freebies to be had in the real world. Cash back programs are another great way to save a few dollars every week.

Live economically.
Shop in bulk. Pack a lunch. Plan a backyard BBQ or picnic at your local park.

Cut your cable bill.
According to Pew Research Center, just 34% of 18– 29-year-olds watch TV using cable or satellite, down 31 percentage points from 2015.[12] Jump on the bandwagon and cut your cable bill by opting for on-demand services like Netflix and HBO Max.

Set up alerts.
Most online tools will allow you to set up personalized alerts when certain payments are due or when your spending activity has exceeded a particular limit to keep you in check.

Start a side hustle.
Thanks to platforms like Etsy and Upwork, it's never been easier to earn a little extra cash on the side.

“There is a misconception among Millennials that they are too young or dealing with too many uncertainties to have a financial plan. The truth is, the more flexibility you want to build into your life, the more important a plan becomes.”

ROSE PALAZZO — *MANAGING DIRECTOR, HEAD OF FINANCIAL PLANNING, MORGAN STANLEY WEALTH MANAGEMENT*

Credit 101: Using Credit Wisely

Your credit report is your personal financial report card. This report gives you a 3-digit score ranging from 300 to 850 that tells lenders how risky you are as a borrower. Every time you pay your credit card balance or repay a loan, the transaction is reported to one of the credit bureaus and counts toward your total credit score.

Score Ranges:

300–629	630–689	690–719	720–850
Bad credit	*Average credit*	*Good credit*	*Excellent credit*

You can find out your credit score by requesting a credit report from one of the three national credit bureaus online: Experian, Equifax, or TransUnion. You are entitled to one free copy a year, or within 60 days of being rejected for credit, employment, insurance, or rental housing due to bad credit. There are also plenty of third-party sites that offer free credit reports, like Credit Karma and freecreditreport.com, but keep in mind that they are still getting their information from one of the three national bureaus.

FACT:

12%

of all U.S. consumers dispute items on their reports that they believe to be inaccurate, but never see those inaccuracies fixed.[13]

THE MAGIC BEHIND THE NUMBERS:
The first step to establishing good credit is to understand how your score is calculated. A credit score takes the following five factors into account:

1 **Payment History**
Paying your bills on time has the greatest impact on your credit score. The credit bureaus prioritize credit card payments over other debt like student loans or mortgages, which is another reason to set up automatic credit card payments and prioritize paying off credit card debt.

2 **Credit Utilization Ratio**
This is the sum of all your outstanding credit balances (i.e., your total debt) divided by your total credit limit — in other words, how much of your total available credit are you currently using. For example, if you have a balance of $1,000 on a card with a $5,000 limit, your credit utilization ratio for that card is 20%. Generally, the lower your utilization ratio, the better.

3 **Length of Credit History**
The longer your credit history, the better, so make sure to start building credit as early as possible.

4 **Total Open Lines of Credit and Types of Credit Used**
There are several types of credit that can influence your credit score. In addition to credit cards, your credit score takes car loans, mortgages, student loans, and several other forms of debt into account. Generally, having multiple open lines of credit may help boost your creditworthiness, as it shows that you have been approved by various lenders, but other factors can have a greater impact on your credit score.

5 **Number of Hard Credit Inquiries**
Checking your own credit once a year may not affect your score, but there are a lot of other people who might be requesting a report on your behalf. Every inquiry made by a third party in your name (known as a hard inquiry) can have a negative impact on your score, so try and keep these to a minimum.

WHO CARES?
So who is interested in your credit score, anyways? More people that you may think, including:

One of the most important reasons you should care about your credit is because a good credit score helps position you as a trustworthy, responsible customer. A low credit score can have significant implications on your ability to access money: It can affect your application for an apartment rental, car financing, a graduate school loan, or a home mortgage. A low credit score can also result in higher interest rates and down payments because you will be considered a "high risk" borrower. To help avoid being scrutinized when it comes to future important financial decisions, make sure you are establishing good credit.

UTILITY COMPANIES	MORTGAGE LENDERS	HOME INSURERS	EMPLOYERS
CREDIT CARD COMPANIES	GOVERNMENT AGENCIES	AUTO INSURERS	LANDLORDS

WINNING PLAYS for Keeping up Your Credit:

Avoid late payments.
Late payments on anything from medical and electric bills to credit card dues and monthly rent can cause your credit score to drop and may be noted on your credit report for up to 7 years. Credit bureaus typically don't report late payments until 30 days after the payment is due, but don't let it get to that.

Avoid canceling credit cards.
Canceling a card will decrease the amount of total credit in your name and lower your credit utilization ratio as a result, even if you have no balance on a card.

Stay below a 30% credit utilization rate.
Keep in mind that your credit score takes your overall credit utilization into account, as well as the credit utilization rate for each individual card.

Automate payments.
Set up automatic payments for your credit cards to avoid being penalized for late payments.

Make copies.
If you know that several people will be inquiring about your credit within a short period of time (e.g., when you're moving or applying for a loan), offer to send them a recent copy of your credit report instead of having them each make a formal credit inquiry on your behalf.

Avoid applying for several credit cards at once.
Credit institutions record all credit inquiries made in your name. Multiple inquiries within a short amount of time can suggest that you might be "high risk," which may have a negative impact on your score.

Be cautious when co-signing a loan.
If your co-signer defaults on a payment, it could have a negative impact on your score, too.

Review your credit report annually.
Many credit reports have mistakes that could result in a lower credit score, so make sure to request a report once a year. Not all institutions report to all three credit bureaus, for example.

Playing With Plastic

Credit Cards
Credit cards allow you to borrow up to a certain limit and pay it back in monthly installments over time. Credit card companies and the banks issuing these cards make money by charging you interest rates on the amount borrowed. In some cases, interest rates can be upwards of 15%.

You have probably been warned about the dangers of credit cards, given their ability to let you spend more than you currently have in your account. It can be very easy to rack up high-cost debt, resulting in a vicious cycle that can have serious consequences for your long-term financial well-being. While you should proceed with caution, there are several benefits to using your credit card wisely. One of the most obvious benefits is that most credit cards reward you for spending money.

Debit Cards
Debit cards or ATM cards can be used in similar fashion to credit cards, but the money you spend is withdrawn directly from your checking or money market account. In other words, you cannot spend more money than you currently have in that account. Unlike credit cards, debit cards do not help you build a credit history, and they don't offer rewards.

> **CONVENIENCE**
> Consider the location of the nearest bank branches, as well as their online and mobile experience. If you travel a lot, you may want to ask about their travel policies and international presence.
>
> **FEES**
> Fees vary depending on the bank and account type. One way to reduce or eliminate fees is to opt for an account with a higher minimum balance requirement, or choose a bank with ATMs close to your home or office to avoid withdrawal fees from non-affiliated ATMs.

Charge Cards
If you have ever made a purchase at a department store or large retail chain, you probably experienced the pitch at the checkout counter: "Receive a 30% discount on today's purchase by opening a store card." These store cards are similar to credit cards, but you are required to pay your balance in full every month. Be careful not to charge more than you can pay off at the end of the month or you may incur large penalties and potentially damage your credit rating. Also, make sure to check fees and interest rates, as these are often higher than those that accompany a bank-issued card.

THERE ARE A FEW TYPES *of* CREDIT CARD REWARDS

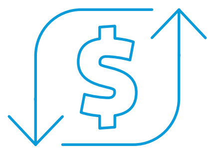
When choosing a credit card, consider which rewards make the most sense for you personally. Are you a frequent flyer? How likely would you be to redeem your points for the rewards offered, or would you rather have cash back?

1

POINTS

Earn points based on the amount you spend and redeem points for a variety of rewards ranging from travel to gift cards.

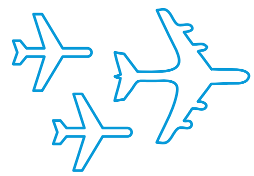
2



MONEY BACK

Earn 1-3% cash back on the amount you spend.

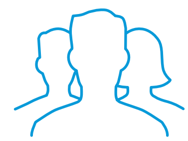
3



FREQUENT FLYER MILES

Some credit cards have partnered with airlines to reward you with frequent flyer miles based on the amount you spend.

4



CARDHOLDER ACCESS

Some credit cards offer access to exclusive discounted offers, VIP experiences and pre-sale tickets.

A Cautionary Credit Tale Through the Eyes of a Recent Grad

After graduating college, Jason moved to New York City to work as a paralegal. Basking in his newfound freedom of receiving a monthly paycheck, he focused on making the most of his time in the city. Living with three of his friends, he spent most of his evenings eating out and going to bars. Although Jason wasn't making any extravagant purchases, his habits of taking Ubers, buying coffee twice a day, and going out multiple nights a week added up.

He monitored his bank account to make sure he could pay his rent and bills each month, but he saved next to nothing, living paycheck to paycheck. Without automated payments set up on his credit card, he occasionally forgot to pay his credit card bill on time.

Five years later, Jason realized he wanted to go to law school to become a lawyer. With barely any savings, he was forced to incur significant student debt to pay for his tuition and find a night job to help pay for daily living expenses. He was denied for several apartment applications before realizing that the late payments on his bills had lowered his credit score, which had in turn affected the interest rates on his student loans.

Fortunately, Jason was able to build his credit back up over time by setting up automatic payments on his credit cards, cutting back his spending in order to keep card balances low, and paying down his debt regularly. The key takeaway? Without savings or good credit, doors may start closing.

Grad School: A Worthwhile Investment?

Questions to Ask Yourself When Considering Graduate School

1 Why are you considering a graduate degree?

Is it necessary for your career aspirations?

TIP: For certain jobs, a graduate degree is required (lawyer, doctor, etc.). For others, it may be additive. Look up the educational background of people who currently have your dream job. Talk to people you know in your particular field of choice to get feedback on the importance and professional value of a graduate degree.

Will it help you find a job or better position you for a particular role or field?

TIP: If you choose to pursue a graduate degree for a specific career goal, try to keep that goal in mind at all times. It can help keep you motivated and position you for targeted opportunities upon graduation.

Will it help improve your existing career, salary and/or growth trajectory?

TIP: It may be useful to talk through the decision with your existing employer or HR department to better understand the pros and cons in relation to your current career. This is also an opportunity to ask about any potential company benefits regarding employee education.

Will it give you access to new opportunities?

TIP: Make a list of all the potential opportunities that graduate school may provide and highlight those you feel would be most impactful for your career. Then, explore whether there are alternative ways to access those opportunities. If so, consider exploring those channels before committing to graduate school.

Is grad school the only path to shift gears or satisfy your intellectual curiosity?

TIP: There are many educational resources available for personal and professional development. Check out local classes, workshops, continuing education courses, or certification programs that may help you achieve your goals with less investment.

2 Are you financially ready for grad school?

In addition to tuition costs, be sure to consider other financial implications such as upfront costs (e.g., application fees, required exams, and prep courses), income reduction, student debt, commuting, and living expenses.

TIP: Create a grad school budget based on your anticipated expenses. Think about how you can best prepare for and plan to ensure your financial stability during and after school. See our chapter on *Savings* for more on the value of milestone-based saving.

3 When should you go to grad school?

If a graduate degree is not required for your next career step, it can be incredibly valuable to get some on-the-job training before heading back to school. If you know a graduate degree is required for your dream career, enrolling immediately after college can allow you to maintain momentum.

TIP: If you are considering starting a business, graduate school can be a strategic way to find a business partner, leverage on-campus resources, or access certain funding opportunities that are only available to students.

4 What type of degree should you pursue?

FULL TIME VS. PART TIME:
Part-time programs can include evening or weekend courses as well as supplemental online modules, providing you with the flexibility to balance work and school if desired. On the other hand, the benefit of being at school full-time is that you will be able to take full advantage of networking events and on-campus activities, as well as other opportunities, such as a teaching assistant role.

MASTER'S DEGREE:
A master's degree can establish your expertise in a professional field (e.g., Master of Business Administration, "MBA") or academic field (e.g., a Master of Science, "MS").

PROFESSIONAL DEGREE:
A professional degree recognizes your ability to practically apply certain knowledge and skills, and is required for particular career paths. Professional degrees include Doctor of Medicine ("MD") and juris doctor ("jd").

DOCTORATE:
A doctorate (such as a "Ph.D.") establishes academic credibility through original research and advanced knowledge in a given field. According to the U.S. Department of Education, "the research doctorate is the highest earned academic degree in U.S. postsecondary education."

5 What are your funding options?

Savings
Loan from family or personal relationships
Student loan
Employer

Questions to Ask Your Financial Advisor

1. As a recent grad focused on learning as much as I can, where should I start?
2. What is the most important thing I can be doing right now as far as my finances?
3. Can you help me understand my portfolio allocation?
4. What market trends are most important for me to monitor?
5. What changes (if any) should I make to align my portfolio with my current lifestyle and goals for the future?

Must Reads

The Road to Character

AUTHOR: DAVID BROOKS

This book is a renowned exploration of the values that drive us and shares life wisdom from some of the world's greatest leaders and thinkers.

The Opposite of Loneliness

AUTHOR: MARINA KEEGAN

This book gives an honest, hilarious and heartfelt perspective from a recent Yale grad, who passed away in a car crash just days after graduation, leaving behind essays and stories that would shape the voice of a generation.

Think and Grow Rich

AUTHOR: NAPOLEAN HILL

One of the best-selling success books of all time (originally published in 1937), this book shares wisdom from the likes of Andrew Carnegie, Thomas Edison, Henry Ford, and John D. Rockefeller.

Presence: Bringing Your Boldest Self to Your Biggest Challenges

AUTHOR: AMY CUDDY

This Harvard researcher digs into the science behind mind-body effects and shares techniques for conquering high-pressure moments, harnessing self-confidence and influencing others.

CITATIONS:

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[2] The Deloitte Millennial Survey (2020).

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[6] U.S. Census Bureau Median Age Data (2019).

[7] U.S. Census Bureau City QuickFacts (2019).

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[9] NerdWallet's City Life Guides. (2021).

[10] Walk Score. Live scores available at https://www.walkscore.com/. (2021).

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[13] Federal Trade Commission 2015 Report. (2015).

Morgan Stanley

Playbook: Your Guide to Life & Money

Starting Your First Job: What You Didn't Learn in School

"Life isn't about finding yourself. Life is about creating yourself." — George Bernard Shaw

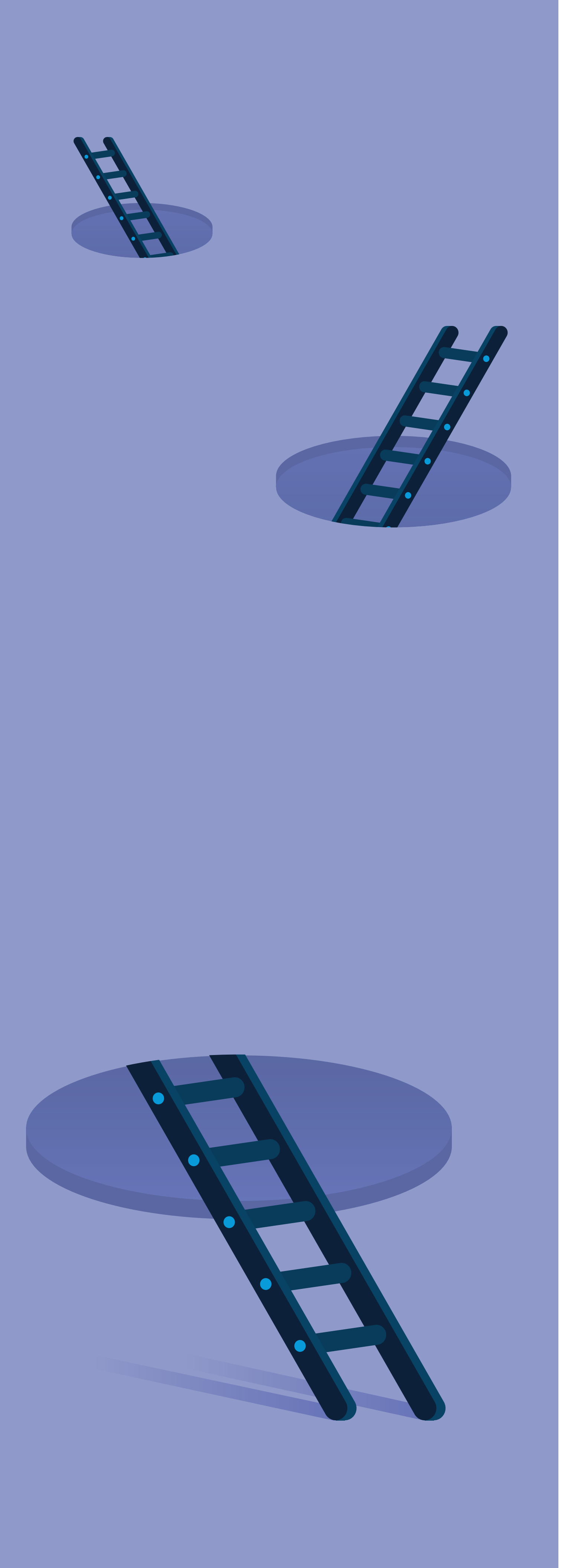
What Is Covered in This Chapter:

- Choosing a career path that is right for you
- Ways to tackle the job search, from prep work to follow up
- Why you may want to review your social media, stat
- Things to know regarding salary and employee benefits
- Tips for building authentic business relationships

Rise and grind! Starting a new job can be nerve-wracking, but it's a crucial first step toward finding a career that gets you out of bed in the morning and inspires you to grow. Getting your priorities in order will help determine what path is right for you (not your parents, not your friends, not your old classmates—just you) and prepare you for making decisions down the road. From professionalism and productivity to paychecks and purpose, get ready to jump-start your career like a #boss. But first, coffee.

"The real test of learning is not what you know, but what you can accomplish with what you know."

AUDREY COHEN — *FOUNDER AND FIRST PRESIDENT OF METROPOLITAN COLLEGE OF NEW YORK*



Choosing a Career Path That Is Right for You

Sure, you probably thought you knew exactly what you wanted to do when you were in the 4th grade. But unless you have spent the past twenty-something years training to be an astronaut, you probably feel a bit overwhelmed by the sheer number of possibilities out there. (Note: for all those would-be astronauts, it's not too late—NASA just reopened applications). So where do you start?

A little self-reflection can go a long way. By digging into what makes you tick, how you work best with others, and the skills you bring to the table, you can better identify the environments and career paths you are most likely to thrive in.

No. 1
Self-Evaluation

Instructions:
For each question in the Self-Evaluation Quiz, select the answer option that best reflects your personality and preferences. Circle your answers as you go, and sum up the numbers associated with each answer option (1, 2, or 3) to get your total score.

"I am a big believer in balance. While it's incredibly important to remain disciplined about your finances, you can't forget to enjoy your life that you work so hard for."

ALICIA BIGGS — CAPITAL MARKETS ASSOCIATE,
MORGAN STANLEY INVESTMENT MANAGEMENT

How do you deal with uncertainty?	**1.** Can't eat, can't sleep, can't handle. **2.** I can handle uncertainty in moderation. **3.** I find it thrilling. What's life without a few surprises?
How much flexibility do you have to explore a variety of options right now?	**1.** Very little. I have clearly articulated goals and people counting on me—I refuse to get sidetracked. **2.** As long as the level of uncertainty is within reason, I am willing to bet on an idea I believe in. **3.** I'm game for anything—even if I fail, I know I'll learn something from it.
What best describes your preferred work environment?	**1.** I get my energy from being around other people and working in a collaborative setting. **2.** I need a balance between people time and alone time, but prefer to be in an office environment at least a few days a week. **3.** I am most productive when I'm alone and have no problem working from home or from a local coffee shop.
How much structure is too much structure?	**1.** You can never have enough structure. I am happiest when I have clear milestones and a clearly defined career trajectory. **2.** It depends. I like having some routines, but I'm pretty good at creating these for myself. **3.** Structure makes me feel claustrophobic—I never know what my day will look like and I prefer it that way.
Are you willing to put time and effort into building your personal brand?	**1.** No. I'm only on Instagram so I can keep up with other people's lives. **2.** I would be willing to make more of an effort if I had to. **3.** Absolutely. I am constantly managing my various social feeds and I make sure to post something at least once every few days.
How would you describe your working style?	**1.** I am a master at multitasking and am happiest when working on several things at once. **2.** It depends on a lot of things—my mood, the task itself, and the time of day. **3.** I am most productive when I can dedicate large, uninterrupted chunks of time to a task.
How motivated are you to learn new things?	**1.** I will take on a new learning challenge if I think it's necessary or if I have some extra time on my hands, but it isn't a priority. **2.** I'll read a nonfiction book and watch a good documentary every once in awhile, but that's about it. **3.** I am extremely curious and regularly find myself watching video tutorials online in my spare time.

SCORE YOURSELF: Self-Evaluation Results

Corporate Gig

7 — 12 POINTS

There is no need to cause unnecessary stress or sleepless nights. You may want to opt for a stable, structured environment where you know precisely where you stand. Your hours, benefits, salary, and career trajectory are clearly defined. All you have to do is show up and kick some corporate booty. There are both pros and cons to working in the corporate world, but big companies have the resources to make a difference at scale, and many of them are abandoning cubicles for a more purposeful and open work culture. Don't expect to roll in at 11 a.m. after a late night, however, or jump the line and get a promotion. To climb the corporate ladder, you must pay your junior dues.

#StartupLife

13 — 17 POINTS

If you're looking for an opportunity to be an integral part of building something—even if it means less certainty around compensation and job security—you may consider working at a startup. There can be days of utter chaos; startups move quickly and you are expected to keep up (often with very little direction). But if you're up for the challenge, being part of a startup can be an incredible learning opportunity.

Freelance or Contractor work

18 — 21 POINTS

There are two main reasons you may want to consider this route. One reason is that you may be incredibly disciplined and drawn to the opportunity of being in control of your own destiny; another is that you may be someone who works best when you don't have to report to a boss or manager. Maybe it's a little of both. As a freelancer or contractor, you may be juggling multiple projects at once. In addition to client work, a successful freelancer also stays focused on business development by investing in a strong personal brand and the ongoing refinement of your skills. While freelancers may have the option to stay in their PJs until noon, it is by no means a "balanced" lifestyle. Be prepared for stressful weeks to meet project deadlines while simultaneously searching for the next contract to pay the bills.

No. 2
The Job Search

Armed with a better understanding of the types of environments in which you're likely to thrive, it's time to begin looking for a job. Without a plan of attack, it can be disheartening spending hours scrolling through online job boards or sending carefully crafted emails to HR representatives only to get the silent treatment. Here are several steps you can take to prepare yourself for the search.

Preparation Is Half the Work

A big part of the job search is timing. While this part may be hard to control, preparation can help ensure that you are ready whenever an amazing opportunity might present itself. Help position yourself for success by getting your basic career assets in order.

STEP 1: Spruce up Your Resume
The purpose of a resume is to communicate your talents and qualifications as a job candidate, but it is not always easy to describe these qualities on a piece of paper. Make yourself stand out by clearly demonstrating the value you could bring to the role. Don't be afraid to show potential employers a bit of your personality by adding some creativity to your resume.

STEP 2: Revamp Your Online Presence
Here are a few ways to help ensure that you are portraying the most employable version of yourself to the public:

1. Review your social media accounts and what public information can be viewed on each profile. Google yourself.
2. Check your privacy settings. This is particularly important for Facebook.
3. Clean up any public photos, posts, and comments that may be seen as inappropriate for the workplace or could be misconstrued out of context. Never share anything negative about previous employers online.
4. Establish a presence on professional sites such as LinkedIn.

STEP 3: Work Your Network
Your network is perhaps the most powerful tool in your arsenal. Between people you already know, family contacts, friends of friends, and alumni circles, you have an ever-growing list of people that may be appropriate to reach out to. Investing in professional relationships can not only help you land a job in the near-term, but can also result in potential partnerships, future client work, or interesting opportunities down the road. Leveraging your relationships effectively can be challenging, so here are some tips to get the most out of your network.

Some Example Questions

INDUSTRY OR COMPANY PERSPECTIVE	What do you see as the major issues/changes/opportunities in the industry today?
	Where do you see the industry heading in the next five years?
	What trends are influencing the industry's direction?
PROFESSIONAL DEVELOPMENT	What skills are most in demand? Is there a particular skill set that would be valuable to develop (e.g., taking an intensive workshop on Excel)?
	What relevant books or online resources would you recommend reading or following?
JOB SEARCH	Do you have any feedback regarding my job search strategy or suggestions on what I can do to get in front of the right people?
	Do you have any suggestions for other people that I could reach out to?

Meeting Prep: How to Prepare for a Meeting

DO YOUR RESEARCH.
Make sure that you have an understanding of the individual's career experience to avoid wasting his or her time discussing general information that is available online. If the individual works at a company that you are interested in joining, review job listings on the website beforehand to ask about specific opportunities.

PREPARE QUESTIONS.
Remember that with informal networking meetings, it may be up to you to guide the conversation. Looking to learn more about a company, understand a particular industry, or navigate a specific challenge? Prepare questions in advance to help get the information you need.

PREPARE FOR VIRTUAL INTERVIEWS.
When prepping for virtual interviews, keep these best practices in mind to ensure things run smoothly. Download the app or program you will be using and make sure your camera, microphone and Wi-Fi are working. Dress professionally and opt for a neutral background and space with minimal background noise. Making a connection virtually can be more challenging than in person, so try to find a common interest or share a personal anecdote that will set you apart. Ultimately, if you come prepared and just be yourself, you will do well!

WINNING PLAYS for
Resumes & Cover Letters:

Resumes:
Include a summary phrase or descriptive "elevator pitch" (one or two sentences) at the top to highlight why you would be a great fit for the role.

- List your experience starting with most recent experience in reverse chronological order.
- Try to quantify your accomplishments by providing data points whenever possible to demonstrate results.
- Play around with layout, add color, and bring basic contact information to life with icons.
- Add relevant social media handles if appropriate.
- Depending on the career opportunity, you may even consider creating a video resume, personal website, or online portfolio to showcase your expertise.

Cover Letters:
Writing a cover letter gives you the opportunity to tell your future employer exactly why you would be the best fit for the job, beyond the experience and skills listed on your resume. Here are a few guidelines to consider when crafting your story.

- Take the time to research. Dig into the company: what it does and what your responsibilities would be in the advertised role. This can make it easier to communicate why a company might consider hiring you.
- Share information that isn't found on your resume. Cover letters allow you to communicate why you are excited about a company and why you believe you are an ideal fit for the role.
- Address someone by name. If you can gather intel about a blind date before agreeing to meet for dinner, finding the name of the right HR person shouldn't be too challenging.
- Be authentic. Describe your value add to the specific job you are applying for rather than just highlighting your general strengths.
- Show you care. Mention something that the company or team has recently accomplished or point out a specific responsibility that is particularly interesting to you. Show how excited you are about the opportunity on a personal, as well as a professional, level.

Following up:
You Met With Your Uncle's Friend About Your Job Search. Now What?

Following up is critical—and not just because it's polite. A well-crafted note can help to ensure that you remain at the top of their lists, while also providing another opportunity to demonstrate your professionalism, values, and skills. A handwritten thank-you note can be a thoughtful gesture, but nowadays a sincere thank you email can work just as well—especially given the fast pace at which businesses and people move.

Beyond showing appreciation for someone's time and advice, here are three ways to make the most of your follow up:

> Mention an actionable takeaway to show that you are taking proactive steps: "*After our conversation, I… (e.g., looked up the company you had mentioned, reached out to a particular person, reviewed available positions on the team, etc.).*"
>
> If you were able to talk about a relevant project, article, or program you worked on or were involved with, provide some additional detail and reiterate how the item showcases your skills and experience: "*I have attached [insert example] that I mentioned during our conversation…*"
>
> Make an ask. If you are looking for an introduction or a follow-up meeting, now is your time to muster up the courage and make the request. The worst they can say is no.

1.
2.
3.

70%

FACT:
of employers use social networking sites to research job applicants.[1]

No. 3
Making a Decision

Career development can come in many forms. Even though a job may not be perfect, it may have potential to be a valuable experience or stepping stone depending on what you are looking for. For some of you, location is non-negotiable, while others would move practically anywhere if it might provide a means to pay off student loans. Everyone's priorities are different, so take time to consider what is most important to you when choosing a career.

STEP 1.
This framework can serve as a tool to help you evaluate each job based on seven key criteria. Rank these seven criteria from most important to you (7) to least important to you (1).

Seven Evaluation Criteria:

1

ROLE
Do the role and responsibilities of the work excite me? Will I be challenged?

2

GROWTH
Is there a clear growth trajectory in this role? Will there be people invested in my professional development and/or will I be developing a valuable skill set? Will this job help me figure out where I want to be in the long term and will it help me get there?

3

PEOPLE
What type of people will I be working with? What are their skillsets, personalities, and experience levels? Is this a work culture I want to be a part of?

4

LIFESTYLE
Does this job offer the balance I need? Will I be able to pursue my passions outside of work? Do I care?

5

PURPOSE
Do I feel passionate about the company's mission and the impact it can have on the world? Do I feel like my work will be directly contributing to this mission?

6

MONEY
Will this job provide the income I need to support myself? Does the company provide benefits like health insurance or a 401(k)? If not, are the other benefits important enough to me to prompt me to accept an offer?

7

LOCATION
With work policies becoming more flexible, what are other factors that weigh on where I'm located? Are there co-working spaces? Community groups that share my interests?

STEP 2.
Use the questions as a guide to score each job on the seven criteria. A score of 1 suggests the job does not perform well in that particular area, while a score of 10 suggests that the job provides everything you dreamed of and more.

STEP 3.
Multiply the rank you gave each criterion by the score you gave a particular job on that criterion. When you tally up the final score, the jobs with the highest number of points should be the most compelling.

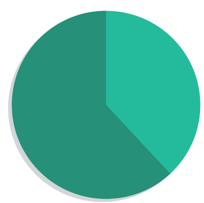
TIP: The top-ranked opportunity does not necessarily mean it is the best option for you. This exercise is simply meant to help you clarify what trade-offs or sacrifices you are willing to make, as well as the aspects of a job that are most important to you.

NON-NEGOTIABLES
Consider what your non-negotiables are and take these "must haves" into account when comparing opportunities. Non-negotiables can include company culture, office environment, schedule flexibility, team dynamics, or creative freedom. Remember that your preferences may shift over time so be sure to consider whether the job offers room to evolve alongside your lifestyle.

No. 4
Working It

First day on the job and you're ready for action. As a new employee, you may have a bunch of logistics to finalize before jumping in. Spoiler alert: There is a lot of paperwork involved.

EMPLOYEE BENEFITS:
The [Boring] Stuff That's Worth Paying Attention To
Selecting your benefits can seem unnecessarily complex, but educating yourself about benefits prior to signing new employee HR forms can make the process a lot less overwhelming (and may even end up saving you some of that hard-earned income).



FACT:
A report found that only 34 percent of Millennials participated in their employer-sponsored retirement plan, compared with about 50 percent for older generations.[2]

A 401(k) is a company-sponsored plan that allows you to save a portion of your money for retirement. 401(k)s are not offered by all companies, however. If your company does not offer a 401(k), be sure to check out some of the other retirement savings vehicles in our chapter on *Savings*.

The bottom line? You can decide what percentage of your paycheck you'd like to invest in your 401(k). That percentage is then taken out of your pre-tax income and stashed safely away before your paycheck hits your bank account each month. As a young professional, it can be tempting to minimize savings to maximize your income, but a 401(k) provides an easy way to start preparing for your life in the future. Not totally sold? Learn more about compound interest, one of the greatest money hacks, in our chapter on *Savings*.

The catch? You can't take your money out of a 401(k) (with a few exceptions) until you're 59 ½ years old. Start planning that 60th birthday extravaganza.

WINNING PLAYS for Your 401(k):

Some companies will match their employees' 401(k) contributions up to a certain amount or percentage, no strings attached. If your employer offers matched 401(k) plans, consider contributing the maximum amount allowed in order to take full advantage of the opportunity.

Health Insurance

Securing health insurance is incredibly important. It might seem like a lot of money for a healthy twenty-something to pay every month, but without insurance you may find yourself spending your entire paycheck on an unexpected emergency room visit.

TIP: If you're under the age of 26, you may be able to piggyback on your parents' health insurance plan. If they aren't thrilled about this idea, you may want to offer contributing the additional amount it will cost them to add you to their policy, as typically it is more cost-effective to add a family member to an existing policy than it is to take out your own.

Your employer may offer you a particular health insurance plan as part of your employment package. You may also have the option to upgrade your plan for an additional cost. Depending on your (family) health history and lifestyle, certain plans may be a better fit for your needs, so make sure to read the paperwork carefully when considering your options.

In between policies?

You may be eligible to get short-term coverage. If you do not have access to health insurance at the moment, there are alternatives—such as purchasing coverage from your previous insurance provider for up to 18 months through COBRA.

Need-to-know insurance jargon:

DEDUCTIBLE
"You go first"—the amount you must spend on certain expenses before your insurance company will begin paying

CO-PAYMENT
"Shall we go halfsies?"—the amount you pay alongside your insurance company's contribution to cover certain costs

PREMIUM
"Pay to play"—the cost for having health insurance

HMO	EVERYTHING IN THE MIDDLE:	PPO
Typically least expensive and least flexible	One example of the many plans that fit somewhere between a HMO and a PPO is a POS	Typically most flexible and most expensive
Covers in-network doctors; you pay for out-of-network doctors	Price and flexibility can fall somewhere in between	Covers in-network doctors and may share cost of out-of-network doctors
Requires a referral from primary care doctor to see any specialists	Out-of-network doctors may have an added cost	Does not require a referral to see other doctors
	Requires a referral from primary care	

Salary: The Art of Negotiation

Negotiating can be an important part of your growth trajectory. In order to negotiate effectively, it is important to have a strong understanding of the position within the company and the unique value you will add to it, and then to be able to clearly articulate that value.

FACT:

70%

of managers expect a salary negotiation when they make a job offer.[3]

46%

of men negotiate upon receiving a job offer.[3]

34%

of women negotiate upon receiving a job offer.[3]

7.4%

Average increase in starting wage gained by countering an initial offer.[3]

HERE'S SOME ADVICE ON WHEN AND HOW TO NEGOTIATE EFFECTIVELY:

Do your homework.
Research the average salary range for comparable jobs in your industry. Check out Salary.com's salary wizard, payscale.com, and glassdoor.com for company salary information and resources to help determine if you're underpaid. Remember that an employee's level of education, experience, and track record can also influence salary.

Have a magic number in mind.
Be prepared to suggest a specific number when negotiating to demonstrate you have put significant thought into your request. It may be a good idea to start high, assuming they will come back with a counter-offer; just make sure you are able to back it up with sound reasoning.

Timing matters.
Some companies determine pay raises in advance of performance reviews, so you may want to speak to your boss about your salary earlier rather than waiting to negotiate during your review.

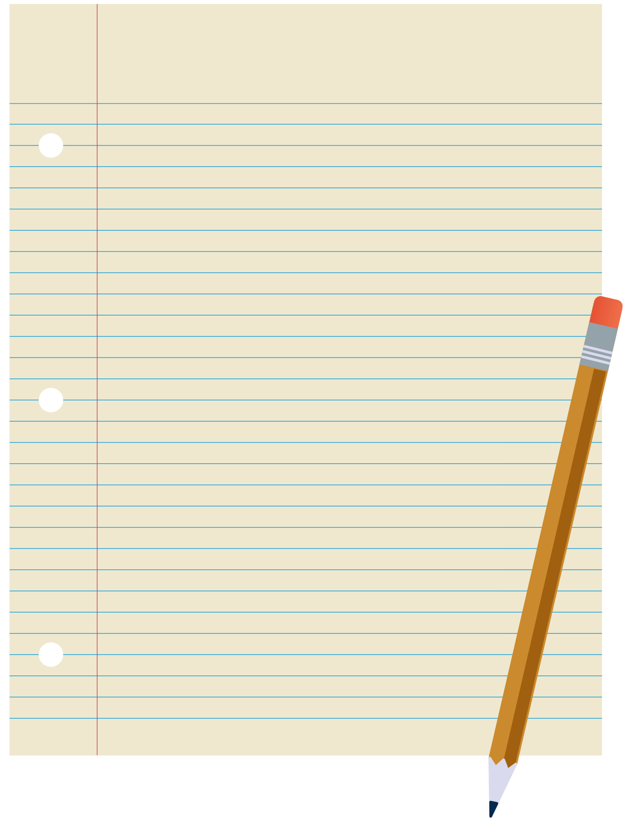
Show and tell.
It is important to keep track of your successes while in a particular role so that if you plan to ask for a raise, you have concrete examples to help communicate why you feel that you deserve it. Research industry comparables online to compare your salary against those of similar roles. Review how long you have been at your job. Highlight new responsibilities you have taken on since your last review. Most importantly, identify what you have achieved, how your output can be measured, and where you have gone above and beyond. Be specific about your value add and provide relevant examples that show how your performance has helped move the needle for the company.

"In this world, nothing can be said to be certain, except death and taxes."

BENJAMIN FRANKLIN

Taxes

Get ready for judgment day. Whether you're working full time, starting a career as an entrepreneur, heading back to school, or on the hunt for a new opportunity, taxes are a reality we all have to face each year come April 15th. The three main ways to file your taxes are hiring an accountant, using an online tool (e.g., TurboTax), or for you brave souls, choosing to go the DIY route and finding the necessary forms at IRS.gov.



Pre-tax benefits

As an employee, you may be able to take advantage of pre-tax benefits—the ability to pay for certain expenses before you are taxed. This generally allows you to take home a larger paycheck than paying for those expenses post-tax. Eligible expenses can include transportation and health-related costs such as subway passes and gym memberships. Make sure to ask your HR department about the expenses you may be able to deduct pre-tax.

Here's a line up of key tax documents to be aware of. However, tax implications can vary depending on your professional and personal circumstances, so make sure to speak to your own independent tax advisor about any specific questions.

W-4

Upon starting a job, you will be required to fill out a W-4 form, which asks about your marital status, any children you may have, and potential exemptions you might be eligible for. This tells your employer how much of your salary to withhold for tax purposes. You may want to review form W-4 with your tax advisor to determine whether or not you should have more income tax withheld from your pay, particularly if you have multiple jobs or if you're married and your spouse works as well.

W-2

This is the form that your employer is generally required to send you as an employee at the end of the year to document what you earned in wages and how much they withheld on your behalf in taxes. Keep an eye out for it in the mail, because you need your W-2 to prepare your income tax returns (and should retain it for your tax records) and may be required to send a copy to the Internal Revenue Service (IRS) when reporting your taxes. The IRS uses this form to calculate whether you paid too much or too little in taxes that year, so they can either slap you on the wrist and request more money, or issue a tax refund (hooray for payday). To avoid an unexpected bill, talk to your tax advisor about your personal situation to help ensure you have sufficient income tax withheld from your pay and/or make estimated tax payments if necessary.

1099

If you are self-employed, a freelancer or an independent contractor, you may receive a 1099-MISC reporting the amount paid to you. Similar to the W-2, the 1099 helps the IRS determine whether you under- or over-paid the government that year. At the end of the year, you will also receive 1099 tax forms for any bank account that has earned at least $10 in interest. You will receive 1099 tax forms for your investment accounts detailing the amount of dividends and interest you have earned and any capital gains and/or losses. You will need these forms to prepare and file your taxes.

TIP: It's important to have documentation of any expenses that may be eligible for a tax deduction (meaning they may reduce your taxable income, saving you money). Subject to certain limitations, these can include student loan payments, charitable donations, health insurance premiums, mortgage interest, and business expenses if you are self-employed. Check out our chapter on *Starting a Business*.

WINNING PLAYS for Your Taxes:

Make sure to save records of your tax returns and supporting documents for at least three years after filing. You may need them for certain applications or background checks, or to substantiate your income or deductions for the IRS or other taxing authority.

“No matter what stage you are at in your career, you must keep your learning curve as steep as possible. When you prioritize learning and growth, you can make yourself a more capable and valuable asset to any business.”

RANDY BRANDOFF — *FOUNDER, ELEVEN JAMES*

No. 5 **Professional Development**

"I find the best thing you can do with mentors or sponsors is have something non-business related to talk to them about (something that you both care about like a hobby). Cultivating a dynamic relationship over time means that when you actually need help it's easy to ask for it, and can be a part of a larger conversation, not the sole purpose."

CHARLES LEISURE — EXECUTIVE DIRECTOR, MORGAN STANLEY GLOBAL CAPITAL MARKETS

Networking Events

Networking may not be your favorite way to spend your time, but it is an essential practice for career success. It can help you expand your professional circles, introduce you to new opportunities, and push you to step outside of your comfort zone. Here are some helpful hints to help you work a room at networking events.

COME PREPARED

It never hurts to have a plan. If you know who will be attending the event, take some time to determine whom you want to talk to and what you want to get out of those conversations. Be prepared with business cards if you have them. If you don't, bring a few copies of your resume (which should have your contact information on it).

BREAKING THE ICE

"What do you do?" may be the single most uninventive way to start a conversation, rivaled only by commenting on the weather. Great conversations start with great questions.

Some alternative lead-ins may include:

How was your weekend?

What is the most interesting thing that has happened to you today?

What is something you recently tried for the first time?

What is something most people find surprising to learn about you?

MAKE THE MOST OF NEW CONNECTIONS

Always try to exchange contact information so that you can follow up with questions or revisit the dialogue at a later date when you have a more specific ask. It can be helpful to jot down a few notes on the back of someone's business card to help jog your memory when you get home.

"Every man is my superior in that I may learn from him." — *Thomas Carlyle*

Ask how you may be able to provide value to their efforts; it shows your commitment to developing the relationship and will most likely prompt others to want to collaborate or help you in the future. There is a limit to how much you can offer, however, so use your best judgment to determine what is appropriate.

TIP: Remember that networking can be just as useful online as it is offline. Use professional networks such as LinkedIn to join relevant professional communities and connect with industry peers.

NETWORKING IN A VIRTUAL WORLD

In a world of social distancing, virtual networking events are part of our new reality. Attending virtual events to maintain relationships and connect is important, from one-on-one check-ins via Zoom or FaceTime to larger virtual seminars, panels and social events. Make sure to reach out to speakers or other attendees afterwards via email or LinkedIn. Participate in online forums and communities by sending out links to interesting articles or highlighting your subject-matter-expertise.

WINNING PLAYS for LinkedIn:

Have an appropriate headshot that is aligned with the work environment you are looking for. (Note: not the beach photo from your recent vacation.) Your photo is often the first thing viewers will look at on your profile.

Manage your privacy settings to be able to view other profiles anonymously, or show interest by purposefully allowing others to see you are looking at their page.

Ask your colleagues and mentors to endorse you for certain skills.

Join groups related to your expertise or field of work.

"Before I joined the corporate world, physical activity was a major part of my job as a professional athlete and of my routine as a collegiate athlete. Once I made the transition, I quickly found how absolutely vital it is for me to create "sacred time" to move my body and reset my mind – especially outdoors where I can connect with nature. Some of my best strategic thinking happens on a morning hike, or a lunch walk, or a sunset surf when I can give myself space to reflect meaningfully. I always come back to the office with a fresh perspective and new energy to make better business decisions."

TAYLOR DUNSTAN – PHILANTHROPIC ADVISOR, CHIEF OF STAFF PHILANTHROPY MANAGEMENT, MORGAN STANLEY

Mentorship

Mentors can be catalysts for both professional and personal growth. They can be colleagues, managers, peers, or occasionally strangers you happen to cross paths with. Every relationship is different: While some mentor-mentee relationships are cultivated in a more formal setting at work, others can be more informal in nature.

There are three types of roles a mentor can play in your professional and personal development. The type of advice and support you need will vary based on your life stage and priorities. Understanding the various types of mentorship and the purpose of each type can help you make the most of these relationships.

MENTOR	ADVOCATE	SPONSOR
Your sounding board; someone who helps you talk through decisions, shares experience and coaches you professionally or personally.	Your champion; someone who helps represent your strengths and interests to others on your behalf.	Your secret weapon; a decision maker who has the influence to help advance your career by opening doors and making introductions.

MODERN HUSTLING:
Pursuing a Side Project in Addition to a Full-Time Job
If your 9-5 job isn't giving you the fulfillment or cash flow you need, consider starting a side hustle. A "side hustle" is a sideline business that gives you something worthwhile in return.

While some are motivated by the extra cash, others may pursue side hustles to build a new skill set, exercise their creativity, support a cause they're passionate about, or try out a particular industry or role before deciding to make a more permanent move.

A "portfolio career" is not just for freelancers anymore—nowadays you'll find corporate employees running online shops on Etsy and retirees spending their weekends driving for Uber. The rapid growth of the on-demand economy now makes it easier than ever to find the side hustle that is right for you.

WINNING PLAYS for Boss Talk:

Come prepared. Before meeting with your boss, even informally, make sure to define your objectives and goals and be ready to support what you say with additional information and data.

Collect yourself. If you are frustrated, upset or angry, take time to cool off and gather your thoughts before speaking with your boss. Getting caught up in your emotions in the workplace can give the impression that you are unreliable rather than establishing your ability to deal with a crisis in a mature and professional manner.

Always be open to feedback. By checking in with your boss to ask for constructive feedback on what you could have done better after a presentation or what you should focus on developing further for next time, your boss will see your dedication to improving on the job.

Be positive. If you are facing an issue with a team member, avoid harping on the negative by focusing on what others did wrong. Rather, approach the dialogue in a proactive manner by acknowledging that you may work slightly differently and suggesting what would be most helpful for for you to do to be part of the solution. A positive attitude is always a good place to start.

WINNING PLAYS on Mentorship from Alexandra Wilkis Wilson, Co-Founder of GLAMSQUAD and Gilt:

Mentorship is a two-way street. Both parties have to get something out of the relationship for it to be sustainable.

Do not force it. Mentorship may not work as well in a forced environment. Rather, try finding a shared interest or mutual experience to connect over first.

Seek out balance. It's important to have a variety of mentors. At different moments throughout your career, you may look to different types of people for advice.

Be direct, yet respectful. Everyone's time is limited, so take advantage of the moments you have. Be clear and upfront about what you want.

"Seek out balance. It's important to have a variety of mentors. At different moments throughout your career, you may look to different types of people for advice."

ALEXANDRA WILKIS WILSON — *CO-FOUNDER OF GLAMSQUAD AND GILT*

Questions to Ask Your Financial Advisor

1. How can I make the most of tax-advantageous retirement accounts offered by my employer?
2. How should I start reducing any outstanding debt?
3. Do you have any suggestions about how I can maximize the advantage of compound interest at this stage in my life?
4. What is the appropriate risk tolerance for my investment strategy?
5. Do you host any events or recommend any conferences that I should attend to meet like-minded young investors and professionals?

Must Reads

7 Habits of Highly Effective People

AUTHOR: STEPHEN COVEY

This guide on achieving success through personal and professional effectiveness has transformed the lives of presidents, CEOs, educators, and readers of all ages.

How to Win Friends and Influence People

AUTHOR: DALE CARNEGIE

This “grandfather of people-skills” book on dealing with relationships in life and business has been an invaluable resource for millions, including Warren Buffett who noted, “it changed my life.”

The 4-Hour Work Week

AUTHOR: TIM FERRISS

This book provides step-by-step directions for designing your lifestyle to maximize productivity, minimize stress, and live with greater fulfillment.

What Color is Your Parachute?

AUTHOR: RICHARD BOLLES

The world’s most popular job-hunting book focuses on figuring out your career and what matters to you as a person.

Getting to Yes: Negotiating Agreement Without Giving In

AUTHORS: ROBERT FISHER AND WILLIAM URY

A bestselling guide to negotiating professional and personal disputes effectively.

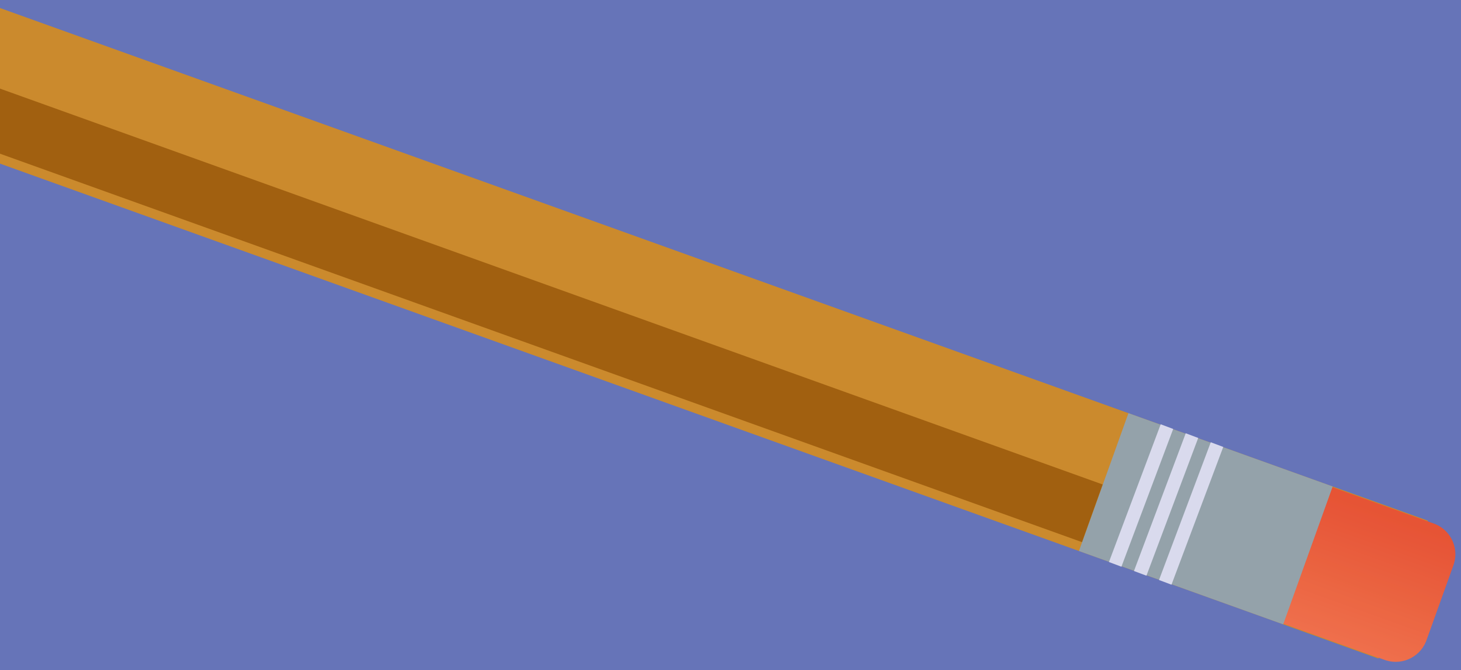
Quiet: The Power of Introverts in a World That Can’t Stop Talking

AUTHOR: SUSAN CAIN

This book explores the psychological, neurological, and social traits of introverts and the important role they play in society.

CITATIONS:

[1] CareerBuilder Social Media Recruitment Survey. (2018).
[2] National Institute on Retirement Security Report (2018).
[3] The Most Critical Reason You Need To Negotiate & How To Do It Effectively. Forbes. (2020).



Morgan Stanley

Playbook: Your Guide to Life & Money

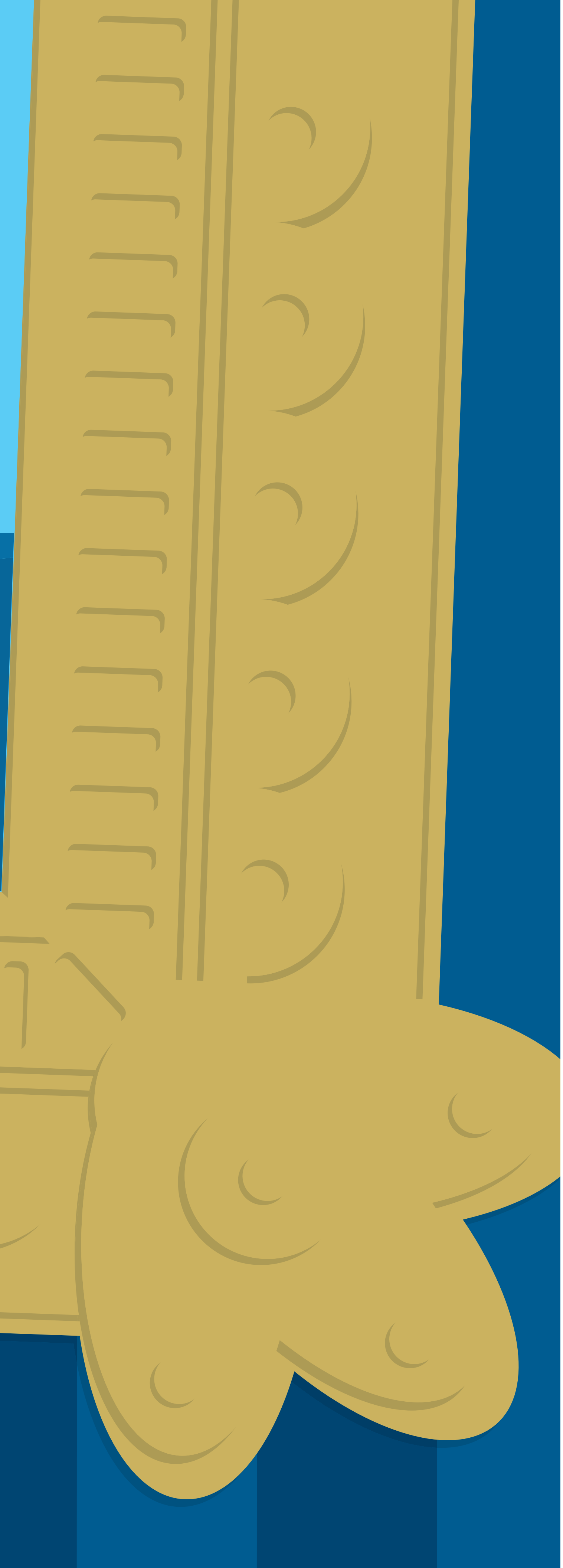
Saving: A Penny Saved Is a Penny Earned

"Look to the future, because that is where you'll spend the rest of your life." — *George Burns*

What Is Covered in This Chapter:

- Ways to use saving as a tool to plan for the future
- Why compound interest can be a game changer
- Savings strategies for different timeframes
- Understanding retirement accounts
- Managing student loan debt

"**Oops,** I have saved too much money for all those things I've always hoped to do one day," said no one, ever. Whether it's 18 holes of golf, a trip around the world, a poolside mojito (complete with a mini umbrella), or quality time dedicated to a local non-profit, the possibilities for your own post 9-to-5 paradise are endless. The key to making your daydream a reality? Retire the notion that it is still too early to save, and start saving early so you will have the freedom to enjoy your future in style.



The Art of Saving

Take advantage of your twenties. You probably hear this a lot, but not necessarily in relation to your saving habits. The art of saving is more than simply putting money aside: It's a practice, a philosophy, and a tool for accumulating wealth, reaching your goals, and most importantly, achieving financial freedom.

Saving is not just about retirement. It is about creating a plan to help finance your dreams—big ones like selling your home and retiring on a yacht in the South of France, but also shorter-term aspirations like adopting a pet or buying your first car. Saving can also make life cheaper. Living paycheck to paycheck may increase your probability of racking up credit card debt (which you will then pay interest on) or encountering additional costs associated with low account balances and bounced checks.

For most, life will gradually become more expensive as you take on additional responsibilities. More responsibilities mean more bills, and more bills mean less disposable income to stash away in your proverbial piggy bank. No more excuses—the time to start saving is now.

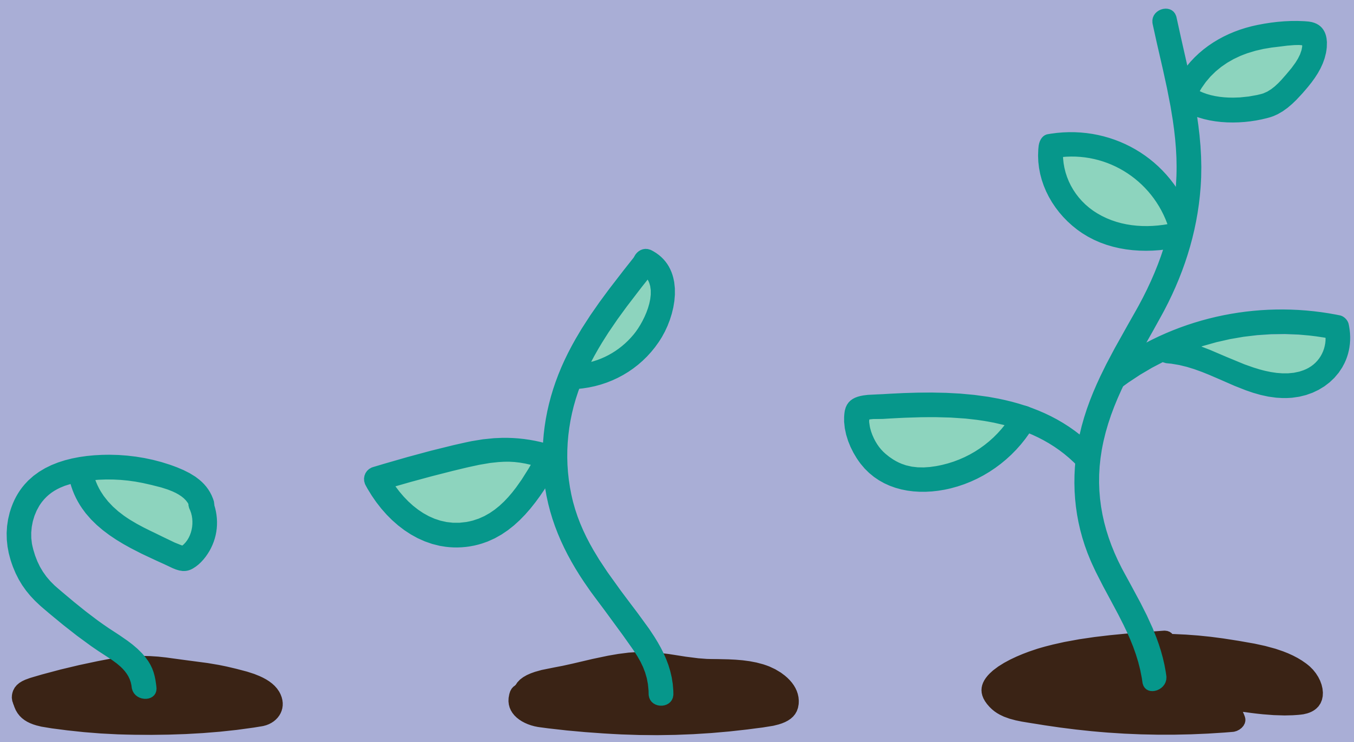
Americans today are living longer, healthier lives. Since 1965, the average American's life expectancy has increased by almost 10 years. If people continue to retire at age 65, our savings may have to last us more than 30 years. Fortunately, personal savings rates in the U.S. have increased from around 2.2% in 2005 to almost 14% in 2021.[1] This is encouraging, because we may not be able to "bank" on Uncle Sam to make up the difference.

Personal Savings Rates in the U.S.[1]

Practicing sound saving habits can help provide you with the option to pursue more, experience more, and achieve more because you have the financial foundation and flexibility to do so.

It's Never Too Early: The Magic of Compound Interest

Why is it so important to start saving early? Here's the deal. Over time, your money can benefit significantly from something called "compound interest." Compounding is the process of earning interest on your interest. For example, when you first open a savings account, your initial deposit grows by the percentage you earn in interest annually. The next year, however, you will earn interest on the original amount you put in as well as the interest you earned last year. It may not seem like much at first, but over time it adds up.



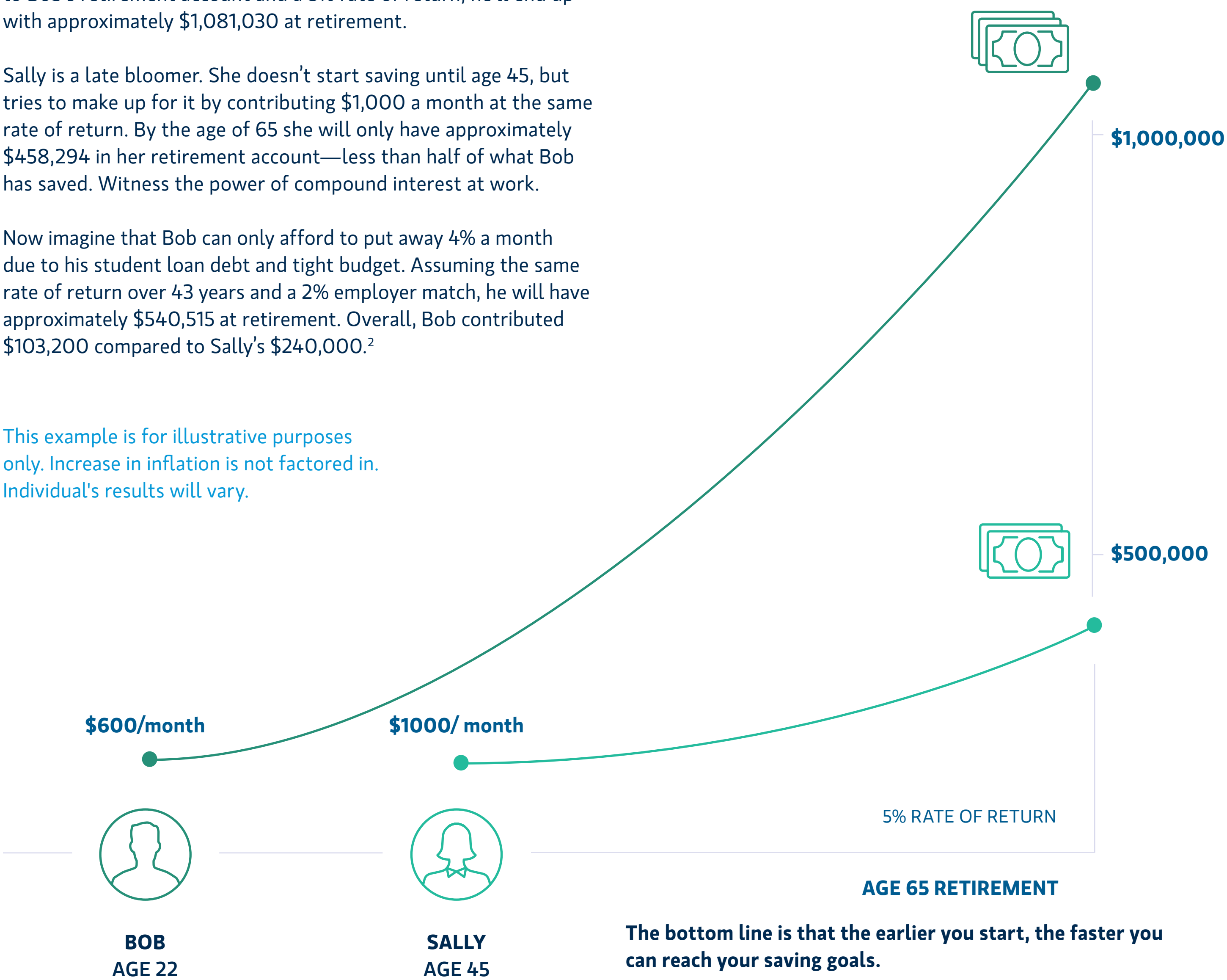
COMPOUND INTEREST AT WORK

Imagine 22-year-old Bob makes $60,000 a year and retires at 65. He contributes 10% of his pre-tax salary into his 401(k) retirement account and his employer matches up to 2% of that amount. Assuming a combined contribution (i.e., salary deferral contribution, plus employer match) of 12% ($600 a month) is consistently made to Bob's retirement account and a 5% rate of return, he'll end up with approximately $1,081,030 at retirement.

Sally is a late bloomer. She doesn't start saving until age 45, but tries to make up for it by contributing $1,000 a month at the same rate of return. By the age of 65 she will only have approximately $458,294 in her retirement account—less than half of what Bob has saved. Witness the power of compound interest at work.

Now imagine that Bob can only afford to put away 4% a month due to his student loan debt and tight budget. Assuming the same rate of return over 43 years and a 2% employer match, he will have approximately $540,515 at retirement. Overall, Bob contributed $103,200 compared to Sally's $240,000.[2]

This example is for illustrative purposes only. Increase in inflation is not factored in. Individual's results will vary.



The bottom line is that the earlier you start, the faster you can reach your saving goals.

TIP: Don't be discouraged by a slow start. The true magic of compound interest might not kick in until you've been saving for a decade or more. Use the Rule of 72 to forecast the time it will take to double your money with the help of compound interest.

DO THE MATH: 72 / interest rate = number of years it will take to double your money

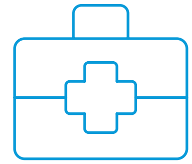
Step 1: **Save for the Basics**

It is always a good idea to keep at least a couple of month's worth of living expenses available in your checking account for day-to-day transactions.

WINNING PLAY to Prep Your Plastic:

Consider setting up overdraft protection on your account to help avoid fees from accidentally spending more than you have available. If you have outstanding credit card debt, make it a priority to pay it off before focusing on additional savings.

Step 2: **Save for the Unexpected**



To make sure you're prepared to deal with any and all unexpected costs that come your way, consider creating an emergency fund. These "emergencies" can include events such as losing your job and steady income stream, getting evicted from your home, or paying for care related to an urgent medical condition. As a general rule, your emergency fund should cover about three to six months of expenses.

Ensure your emergency fund is readily accessible by keeping the allocated money in a vehicle that is highly liquid, such as a savings account or money market account. A savings account helps protect your money from market swings and allows you to easily withdraw funds at any time.

WINNING PLAY for Combined Accounts:

Many banks will link accounts and give you credit for all assets you hold in combined accounts. It may be worth accepting a lower interest rate on savings if it qualifies you for free checking and other reduced fees.

Another option to consider is investing in a money market deposit account. Money market deposit accounts can offer the best of both worlds—they often pay higher interest rates than savings accounts while also allowing you to write checks. Similar to checking and savings accounts, your money is easily accessible; however, most money market deposit accounts require a minimum deposit to open the account.

THE FDIC EXPLAINED

When opening a bank account, choosing a chartered bank with FDIC insurance tends to be the safest move. The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects depositors of insured banks against the loss of their deposits if any of the banks fail. FDIC insurance provides dollar for dollar coverage (up to $250,000 per depositor, per insured bank) for deposits in checking accounts, NOW accounts ("Negotiable Order of Withdrawal" accounts that are similar to interest-bearing checking accounts), savings accounts, money market deposit accounts, cashier's checks, and money orders. The FDIC does not insure money invested in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities even if these investments are purchased at an insured bank.[3]

Step 3:
Save for the Future

In general, a good rule of thumb is to try and save at least 10-15% of your post-tax income. Once you have saved up enough money to cover your day-to-day expenses and any unexpected emergencies, you can start planning for your longer-term goals.

To encourage people to save for the future, the government created several tax-deferred accounts. This means that over the years, your contributions (the money you put in) can grow faster because the taxes are being deferred to a future date. (Think back to the value of compounding!) In general, you will only be taxed when you make a distribution (or withdraw money). Keep in mind that most tax-deferred accounts are structured to help you save for retirement and therefore you may be subject to a penalty tax if you withdraw assets before reaching age 59 1/2.

CERTIFICATES OF DEPOSIT (CD)[4]
Purchasing a certificate of deposit (CD) can be a useful saving tool because CDs pay a set interest rate for a pre-defined period of time ranging from 3 months to over 10 years. Generally, the longer you are willing to lock up your money, the higher the rate will be, so CDs may be an option to consider for predictable longer-term expenses such as buying a home.

There are several types of retirement accounts to consider. Different types of accounts have different rules about who is eligible, how much you can contribute, when the money is taxed, and at what age you can access the funds. The following is a non-exhaustive list of tax-qualified arrangements that may be available to you.

1 401(k) Plan
401(k) plans are employer-sponsored plans that allow employees to make pre-tax contributions into a tax-qualified account. If your employer offers a 401(k) plan, you can choose to automatically deposit a portion of your pre-tax salary into your 401(k). This can be a good option for those who have trouble staying disciplined when it comes to saving.

WINNING PLAY for Your 401(k):

Some companies will match their employees' contributions up to a certain amount or percentage. If your employer offers matched 401(k) plans, consider contributing the maximum amount allowed in order to take full advantage of the opportunity.

2 403(b)
403(b) plans are essentially 401(k) plans for employees of certain organizations such as 501(c)(3) organizations and public schools.

3 Traditional IRA
A traditional IRA is an "Individual Retirement Account." Unlike a 401(k) or 403(b), a traditional IRA is not offered by employers, but by financial institutions. An IRA has a lower pre-tax contribution limit than a 401(k) and there is no employer-matching involved, but your IRA contributions may be tax-deductible. So if your annual salary is $60,000 and you contribute $5,500[5] to a traditional IRA, you may only need to pay income taxes on $54,500.

4 Roth IRA
If you earn below a certain income threshold, you may qualify for a Roth IRA. The difference between a traditional IRA and a Roth IRA is that contributions made to a Roth IRA are not income tax-deductible, meaning you don't get a tax deduction on your federal income tax return for your contributions to a Roth IRA. However, distributions from a Roth IRA are not subject to federal income taxation if certain conditions are met. Unlike a traditional IRA, Roth IRAs do not force the Roth IRA owner to withdraw money by a certain age, but after the death of the Roth IRA owner, the beneficiaries are required to take distributions in accordance with the required minimum distribution rules. You can also contribute to a Roth IRA after age 70 ½, as long as you continue to earn below the income limits. Talk to your own independent legal and tax advisors, along with a Financial Advisor, about what retirement account may be appropriate for your long-term goals.

“Carpe per diem—seize the check.”

ROBIN WILLIAMS

5 SEP IRA
A SEP (Simplified Employee Pension) IRA allows employers to make tax-deductible contributions on behalf of eligible employees, including self-employed individuals. Employers can contribute up to a certain percentage of compensation, or the annual SEP IRA contribution limit, whichever is lower.

6 529 Plan
Instead of helping you save for retirement, a 529 plan helps you save for your future child's college expenses. Also known as "qualified tuition plans," these are offered by your state, state agencies, or educational institutions.

WINNING PLAY for Retirement Plans:

You may be eligible to participate in multiple retirement plans simultaneously, such as an employer-sponsored 401(k) and an IRA. Take time to understand the tax advantages, eligibility requirements and contribution limits of various accounts before mixing and matching. Talk to your legal and/or tax advisor, along with a Financial Advisor, to help determine the most effective way to put your retirement strategy into practice.

PRO TIP

"While it is never too early to start saving for your kids' education, it's important to make sure you are adequately prepared for other long-term milestones first. There are a lot of ways to pay for education, but very few alternatives when it comes to saving for retirement."

•

ROSE PALAZZO, MANAGING DIRECTOR, HEAD OF FINANCIAL PLANNING, MORGAN STANLEY WEALTH MANAGEMENT

SAVING FOR SHORT-TERM GOALS

There are probably countless other milestones you'll want to save for before you even think about leaving the workforce. We get it. So let's look at how to approach one of these shorter-term goals, such as saving for a new pet.

As with saving for anything, it starts with a plan. Figure out your total expected costs upfront and work backward from there. How much do you need to put away each month to foot the bill? Then determine the necessary sacrifices in your day-to-day spending that you may need to make to start saving that money.

Keep in mind that you may encounter unexpected costs that you did not budget for. For instance, when it comes to a share house, you typically will be charged a security deposit up front (10-20% of the total rental price), and some landlords may even ask for a utilities or services deposit to cover things like fuel, cable, internet access, lawn and pool maintenance, garbage removal, and house cleaning.

WINNING PLAYS for Smart Savers:

Start early.
Take advantage of compound interest so that you can enjoy the fruits of your labor in the future.

Set clear goals.
It's a lot easier to save when you know what you're saving for. Get specific about your goals as well as any upcoming expenses or life milestones and calculate how much you will need to save within what time horizon.

Pay off your debts.
While you should never compromise your ability to cover day-to-day expenses, debt is expensive and has a way of overstaying its welcome. Focus on eliminating high-interest debt first, which is typically comprised of credit card or store card debt. While it is important to pay off lower-interest debt, such as student loans, don't sacrifice building up personal savings in case of an emergency.

Automate your savings.
People have a tendency to spend what they have. Treat your savings as an additional expense and set up an automatic deposit to transfer a percentage of your income to your savings account each month. Some employers allow you to do this through payroll, but you can easily set this up via your online banking account or a mobile app like Digit or Acorns.

Take advantage of tax-deferred savings accounts.
If your employer offers a 401(k), consider it as an opportunity to build long-term wealth. If this option is not available to you, consider one of the other types of accounts covered earlier in this chapter.

Master the art of saying "no."
One of the biggest obstacles to overcome when trying to remain disciplined about your saving strategy is FOMO or "Fear Of Missing Out." This doesn't just apply to exotic trips and dinners with friends, but can also relate to saying "not right now" to that pair of shoes you've had in your virtual shopping cart for the past two weeks. If you find yourself feeling tempted, turn to your savings goals for inspiration.

Don't forget to treat yourself.
When it comes to saving, recognize what small expenses give you the most pleasure and allow yourself to enjoy these in moderation. These occasional rewards can help keep you motivated as you build healthy money habits.

Save on taxes.
Make sure you educate yourself about any tax deductions you may be eligible for. If you're in grad school, you may be eligible for an education credit or certain deductions. Similarly, if you are self-employed, you can deduct expenses related to transportation, health insurance, a home office, and any client-related activities.

"Get into the habit of saving a little bit of money each and every paycheck. You won't miss it if you never got used to having it in the first place and it's surprising how quickly that small monthly amount begins to add up to a nice rainy-day fund."

TOKS AFOLABI-AJAYI — *MANAGING DIRECTOR, MORGAN STANLEY INVESTMENT BANKING*

Questions to Ask Your Financial Advisor

1. When looking at my income, can you help me determine how much should be allocated toward any outstanding debt and how much I should save?
2. What are some ways that I can save for nearer-term expenses such as a big trip, wedding, or grad school without jeopardizing my retirement savings?
3. What lifestyle factors should I consider when calculating the amount I will need to retire, and should I be thinking about this now?
4. Should I have different saving strategies for different milestones like buying a house or having children? What can I do now to start preparing?
5. Given my upcoming milestones, what savings vehicles are most appropriate in relation to my goals, risk tolerance, and time horizon? Are there alternate types of accounts that provide more compelling interest rates when it comes to saving money for medium-term goals?
6. What are some strategies to accelerate my student loan payments without compromising my other saving goals?

Must Reads

MONEY Master the Game: 7 Steps to Financial Freedom
AUTHOR: TONY ROBBINS

This book shares the wisdom of 50 leading investors in a 7-step blueprint for achieving financial success.

The Index Card: Why Personal Finance Doesn't Have to Be Complicated
AUTHORS: HELAINE OLEN & HAROLD POLLACK

Inspired by an idea that everything you need to know about money fits on a 4 x 6 index card, this book shares simple rules and how-tos for taking control of your finances.

Get a Financial Life: Personal Finance In Your Twenties and Thirties
AUTHOR: BETH KOBLINER

This book is a comprehensive, practical guide to financial basics and managing your money in the real world.

The Total Money Makeover
AUTHOR: DAVE RAMSEY

Focused on the idea that "winning at money is 80% behavior and 20% head knowledge," this bestseller provides a results-driven plan for developing the right money habits.

CITATIONS:

[1] U.S. Bureau of Economic Analysis. (2021).

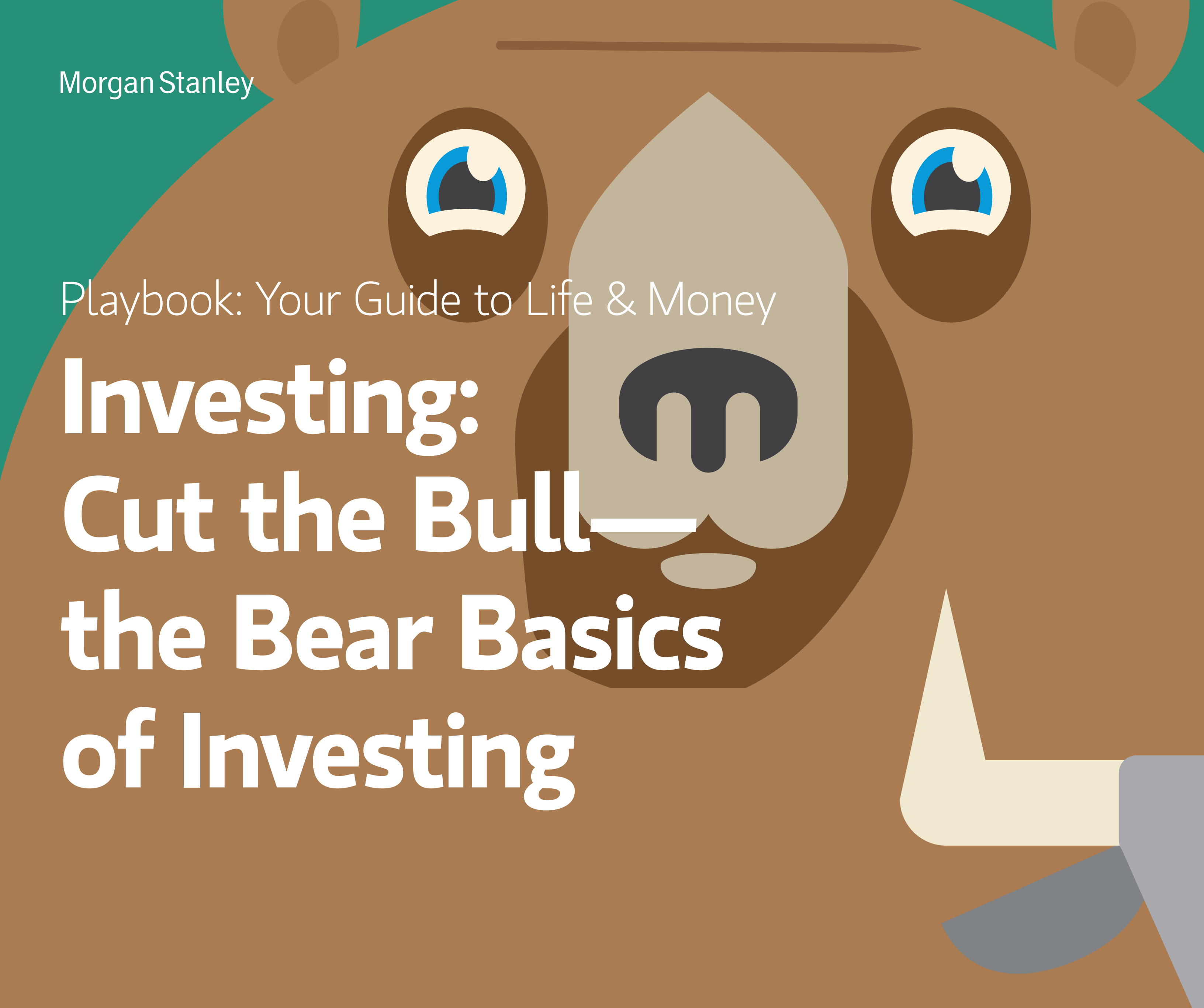
[2] National Institute on Retirement Security Report. (2018).

[3] Federal Deposit Insurance Corporation, *What's Covered*. Retrieved from https://www.fdic.gov/deposit/covered/. (2020).

[4] CDs are insured by the FDIC, an independent agency of the U.S. Government, up to a maximum amount of $250,000 (including principal and accrued interest) for all deposits held in the same insurable capacity (e.g. individual account, joint account, IRA etc.) per CD depository. Investors are responsible for monitoring the total amount held with each CD depository. All deposits at a single depository held in the same insurable capacity will be aggregated for purposes of the applicable FDIC insurance limit, including deposits (such as bank accounts) maintained directly with the depository and CDs of the depository.

[5] Contribution limits can vary year over year.

Morgan Stanley



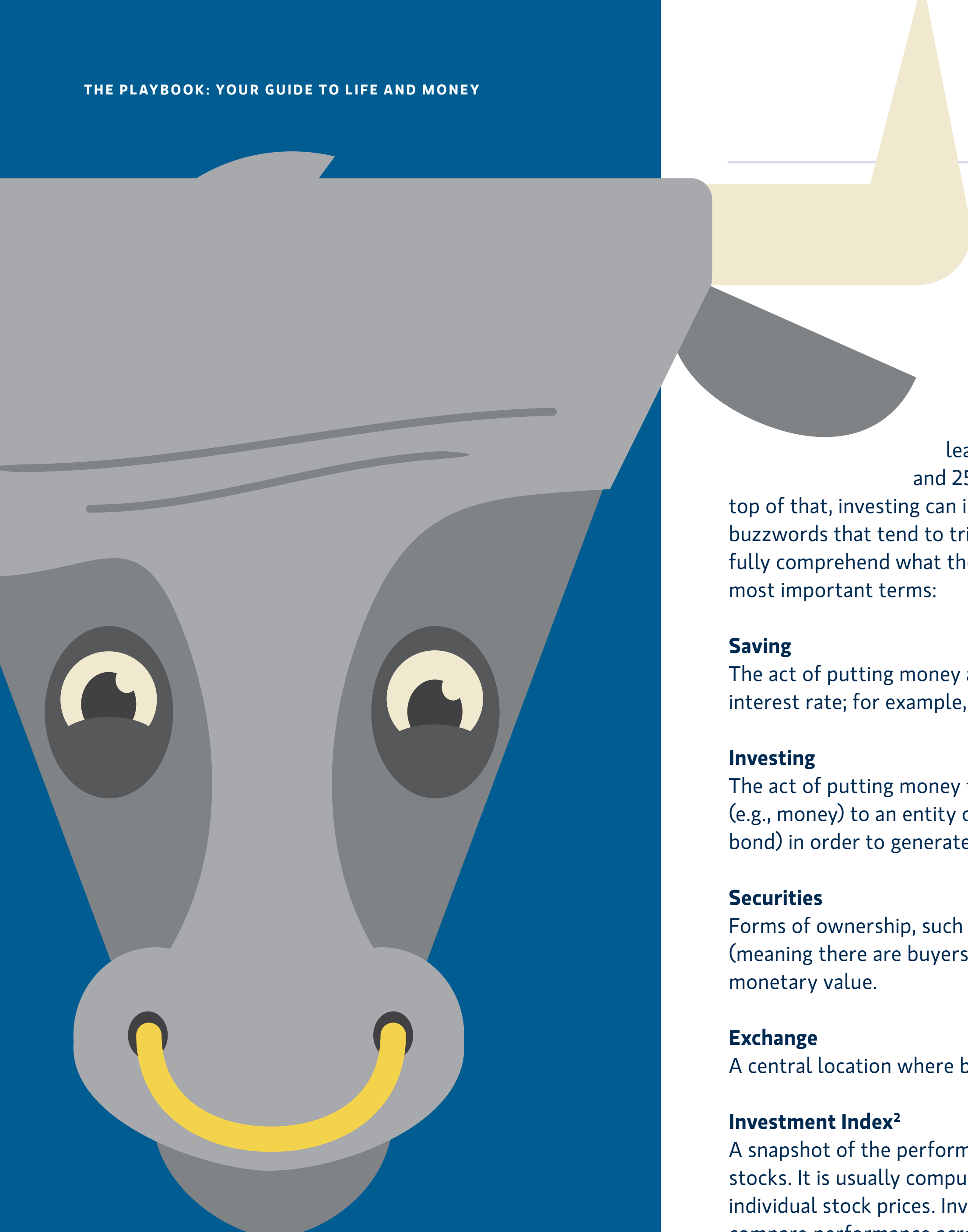
Playbook: Your Guide to Life & Money

Investing: Cut the Bull—the Bear Basics of Investing

What Is Covered in This Chapter:

- The basics of investing, including asset classes, stocks vs. bonds, and the long-term play
- What "the market" actually means and ways to talk about it
- The principles of investing and the importance of managing risk
- Getting started and determining your investment strategy
- Ways to find the right Financial Advisor

In today's fast-paced reality, balancing work, family life, and social engagements can be challenging enough—let alone finding time to create an investment plan. But creating an investment strategy that incorporates your lifestyle goals and tolerance for risk is essential. Setting clear goals for the short-term, long-term, and everything in between will help you decide what trade-offs you are willing to make to prepare for the important milestones ahead. This chapter will cover some of the basic principles of investing so that you can build your financial confidence and make more informed decisions about creating and managing your wealth.



The Basics

On the surface, investing can be intimidating. According to a survey, more than 62% of Millennials report not learning about investing until after college, and 25% waited until after turning 30.[1] On top of that, investing can involve an endless number of financial buzzwords that tend to trigger the snooze button before you can fully comprehend what they mean. Let's break down some of the most important terms:

Saving
The act of putting money away in an account with a relatively low interest rate; for example, a bank account.

Investing
The act of putting money to work by committing financial capital (e.g., money) to an entity or a financial product (i.e., a stock or bond) in order to generate a potential profit.

Securities
Forms of ownership, such as stocks, that can be traded on a market (meaning there are buyers and sellers) and have a measurable monetary value.

Exchange
A central location where buyers and sellers can trade securities.

Investment Index[2]
A snapshot of the performance and value of a certain selection of stocks. It is usually computed based on a weighted average of the individual stock prices. Investors use indices as a benchmark to compare performance across categories and industries.

Cash and Cash Equivalents
The money you have saved in your checking and savings accounts, as well as short-term, low-risk investments like money market funds and certificates of deposit.

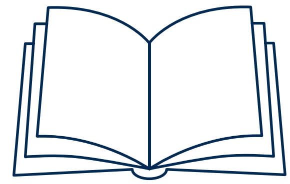
Stock[3]
A share of the value of a company that can be bought, sold, or traded as an investment; this ownership is also referred to as equity.

Bond[4]
Essentially an IOU from the issuer to pay the bondholder a specific sum of money at specific intervals and to repay the principal amount of the loan at maturity. A bond is also referred to as fixed income.

If you thought investing was only for the super-wealthy, think again.

There are lots of ways that people at every asset level can start investing—as long as they have sought out appropriate advice and understand the risks involved.

Remember, saving is a prerequisite to investing. Make sure you have sufficient savings to cover monthly living expenses as well as cash reserves available in case of emergencies before you begin investing money in the markets.



Dividend[5]
A payout from a company to its shareholders using company profits.

Market Capitalization
A company categorization found by multiplying the current market price by the total shares outstanding. It basically measures the current price tag of a company. For example, "large-cap" refers to a company whose capitalization is typically $10 billion or higher in outstanding market value.

Diversification
The process of spreading your investments across multiple asset classes to manage risk.

Broker-dealer
A financial institution that is licensed to facilitate the buying and selling of financial securities.

Investment advisor
A person or firm that is in the business of providing investment advice to investors.

FINRA
The Financial Industry Regulatory Authority, Inc. is a private organization that regulates the securities business in the United States.

There's a good chance you already know how to invest. Time spent learning a new skill, studying a foreign language, getting outside—all of these activities represent instances when you've given something up in order to get something in return (whether it was an education or set of summer-ready biceps). "Investing," in a financial sense, is really no different. Quite literally, financial investing is defined as the act of "committing (money) in order to earn a financial return."[6]

After witnessing the impact of the 2008 financial crisis first-hand, it is no surprise that only 23 percent of those aged 18 to 37 say that the stock market is the best place to put money they won't need for 10 years or more.[7] Don't give up on the markets just yet, though—investing is an integral part of building wealth.

By putting your money to work, investing may help you achieve higher returns than the lower interest rate earned in a savings account. However, the potential for higher returns comes at a price. Investing involves more volatility than saving and, as a result, the risk of losing your money is also considerably higher. Wise investing starts with understanding the different investment strategies that can help you manage risk and finding quality advice to help guide you through the process.

The Market

"The market is down. The market is up." No doubt you've heard these phrases before, but what do they actually mean? What exactly is "the market?"

A financial "market" consists of people buying and selling (also referred to as "trading") certain assets or valuables. There are many different types of markets: a wheat market, a car market, a market for commodities like gold, and yes, you guessed it...a stock market.

The stock market itself is made up of several exchanges. An exchange is a central location where investors can buy and sell securities in a regulated environment. Most stocks in the United States are traded on two exchanges: the New York Stock Exchange (NYSE) and the NASDAQ Stock Market. Exchanges can be in a physical location, also known as "floor-based" where industry professionals can do trading in-person, or computer-based, meaning that all trading is done electronically. The NASDAQ is a computer-based trading system, while the NYSE, formerly floor-based, is now a mix of both floor-based and electronic trading.

Making Sense of It All
When it comes to the stock market, financial professionals and investors love looking for clues and patterns to help uncover opportunities. Market trends are important because they can give investors a heads up about what might happen next and influence decisions about when to buy or sell certain securities. To help them track the performance of specific categories, such as a particular industry or company size, the concept of an "index" was created. An index represents a group of securities and acts as a performance benchmark for other similar investments. While it is not possible to invest directly in an index, there are funds that attempt to recreate the returns of a particular index.

Index Name	What it Reflects	# of Securities	Serves as...
Dow Jones Industrial Average[8]	Very large, well-established U.S. companies (e.g., American Express, Chevron, Johnson & Johnson, McDonald's)	30	An indicator of overall market trends; most referenced U.S. market index
Standard & Poor's (S&P) 500[9]	U.S. companies with capitalization of at least $3 billion (e.g., Apple, The Coca-Cola Company, Ford Motor, Hewlett-Packard)	500	An indicator of the strength or weakness of the larger U.S. economy, business growth and consumer confidence
Russell 2000[10]	Small-cap stocks (e.g., Alaska Air, Cracker Barrel Old Country Store)	2,000	A benchmark for smaller U.S. companies
NASDAQ[11]	All stocks that are traded on the NASDAQ stock market, the second largest stock market in the world.	Over 3,000	An indicator of how the information technology sector is performing

Disclosure: The companies mentioned in this table are used as examples only and are not a solicitation of an offer to buy or sell any security or other financial instrument or to participate in any trading strategy.

Types of Investments

Types of Investments
There are lots of ways to get in the game. Take candy as an example: you can choose to invest in your favorite chocolate brand, but you can also buy shares in the company that supplies the chocolate factory's energy, or the company that produces the aluminum foil wrappers for the chocolate bars. All of these investments are counting on your candy brand of choice performing well and all are considered to be financial assets since they represent something you own that has a measurable monetary value.

An "asset class" refers to a particular type of investment or category of securities. There are three main asset classes you should know about:

1. Cash and cash equivalents
Generally, the money you hold in cash and cash equivalents is meant to be the liquid part of your total assets (meaning if you needed to access that money to pay for something tomorrow, you could).

2. Bonds
Essentially an IOU, a bond allows investors to lend money to companies or governments (called "issuers") for a certain amount of time in exchange for interest payments until the money is repaid.

3. Stocks
When you buy a stock, you are buying a piece of a company (also known as a "share"). The value of the company (and your ownership stake) on any given day is determined by the forces of supply and demand. When a company is growing and making money, there can be more demand for its stock and the value of your share can increase as a result. But when a company experiences tough times and has to publicly lay off employees, people may start selling their stocks and the supply can soon outpace demand, which can decrease the value of your piece of the pie.

Bonds

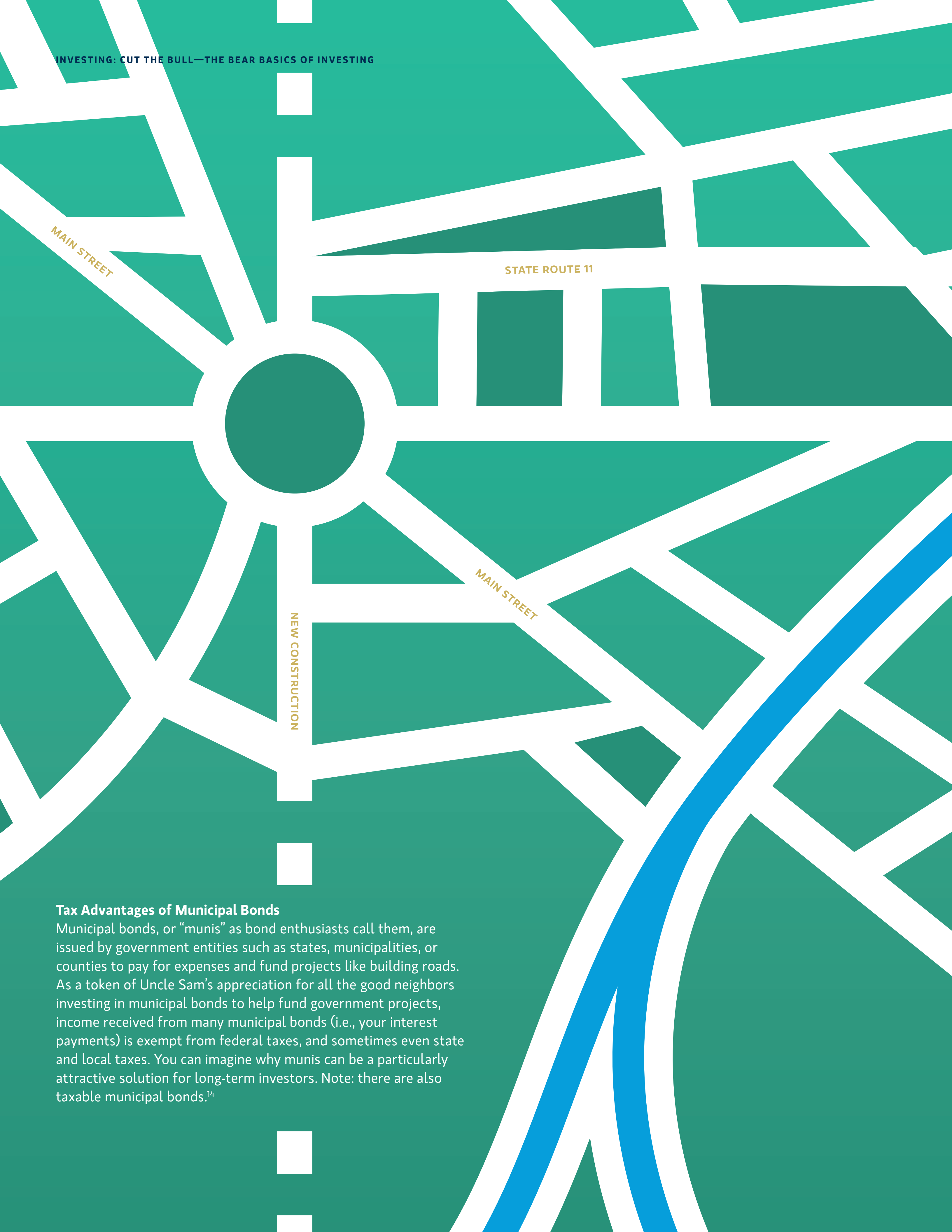
Bonds are also known as notes, fixed income securities, debt securities, or debt obligations. When you buy or invest in a bond, the entity issuing that bond promises to pay you interest for lending your money to them. These interest payments, usually paid semi-annually, are based on the interest rate, also known as a "coupon". The coupon is one of the factors that determine the price of the bond. When interest rates rise, bond prices typically fall and the yield increases to compensate for new comparable bonds issued in the market at higher rates.

When the bond reaches its "maturity date", the investor is repaid the original amount or "face value" of the bond.

Bond ratings help investors make more informed assessments about the credit risk of a bond issuer. There are three dominant rating agencies: Standard & Poor's, Moody's and Fitch. Agencies may assign ratings ranging from AAA or Aaa to BBB- or Baa3 for Investment Grade, and BB+ or Ba3 to C for Non-Investment Grade Bonds (also known as High Yield Bonds).[13] As rating agencies downgrade the bond issuer due to a deterioration of the company's credit quality, the bond's market price may potentially decline causing yields to rise to compensate investors for the additional risk.

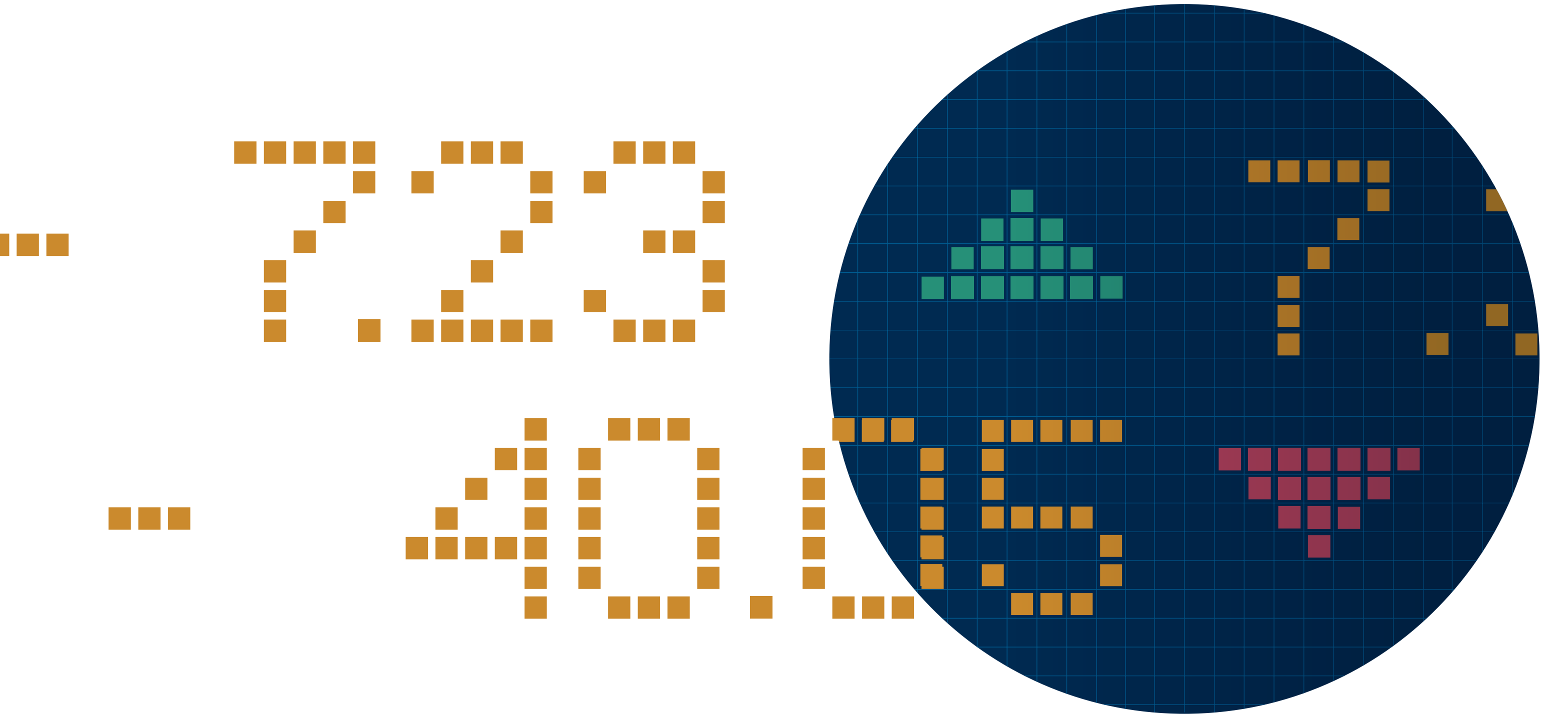
Bond Characteristics[12]

Bond Type	Maturity Period	Tax Status	Risks and Returns
Corporate Bonds Issued by companies to finance expansion and other activities.	1 to 40 years	Taxable	Considered higher risk than government bonds, particularly where issuers have higher potential for default. To compensate, they typically have higher coupons.
Municipal Bonds Issued by state and local governments to pay for construction and other projects.	1 month to 40 years	Exempt from federal, state, and local income taxes under certain conditions	Risks vary significantly depending on fiscal health of the issuing state or municipality. Lower pre-tax rates than comparable corporate bonds due to tax exemption.
T-Bonds Issued by the federal government as a major source of long-term financing.	20 and 30 years	Exempt from state and local income taxes	Very low risk of default because they are backed by the U.S. government, though the long maturities increase inflation risk and interest rate risk. Generally lower rates than comparable corporate or municipal bonds.
T-Notes Issued by the federal government to fund operations and pay interest on the national debt.	2 to 10 years	Exempt from state and local income taxes	Considered low risk, with commensurately low coupons.
T-Bills Issued by the federal government for immediate spending needs.	4 to 52 weeks	Exempt from state and local income taxes	Generally considered the lowest risk, lowest return of all fixed income investments due to government backing and short maturities.
Agency Bonds Issued by U.S. government agencies or government-sponsored agencies.	30 days to 20 years	Varies depending on issue	Considered marginally higher risk and higher interest than Treasury bonds.



Tax Advantages of Municipal Bonds

Municipal bonds, or "munis" as bond enthusiasts call them, are issued by government entities such as states, municipalities, or counties to pay for expenses and fund projects like building roads. As a token of Uncle Sam's appreciation for all the good neighbors investing in municipal bonds to help fund government projects, income received from many municipal bonds (i.e., your interest payments) is exempt from federal taxes, and sometimes even state and local taxes. You can imagine why munis can be a particularly attractive solution for long-term investors. Note: there are also taxable municipal bonds.[14]



Stocks

Companies sell stocks to investors in order to raise money. If you buy stock in a company, your ownership is calculated by dividing the number of shares you own as an investor by the total number of shares outstanding. For example, if a company issues 5,000 shares and you own 500, you technically own 10% of the company. The value of that ownership stake is based on the stock price, which can go up and down throughout the course of the trading day.

One benefit of investing in stocks is that you may be eligible to receive dividends. A dividend is a payout from a company to its shareholders. Whether or not companies pay dividends and how frequently they do so is up to the discretion of the company.

Types of Stocks

All stocks are not created equal. Stocks issued by large, established companies will have a different risk-return profile than smaller technology start-ups that recently went public. The following table outlines the various classifications to help you understand the differences between each type of stock as well as how each can affect your portfolio's performance.

Market Value and Pricing

The value of a stock can go up or down throughout the course of the day. This market value (equivalent to the price of the stock) is influenced by several factors:

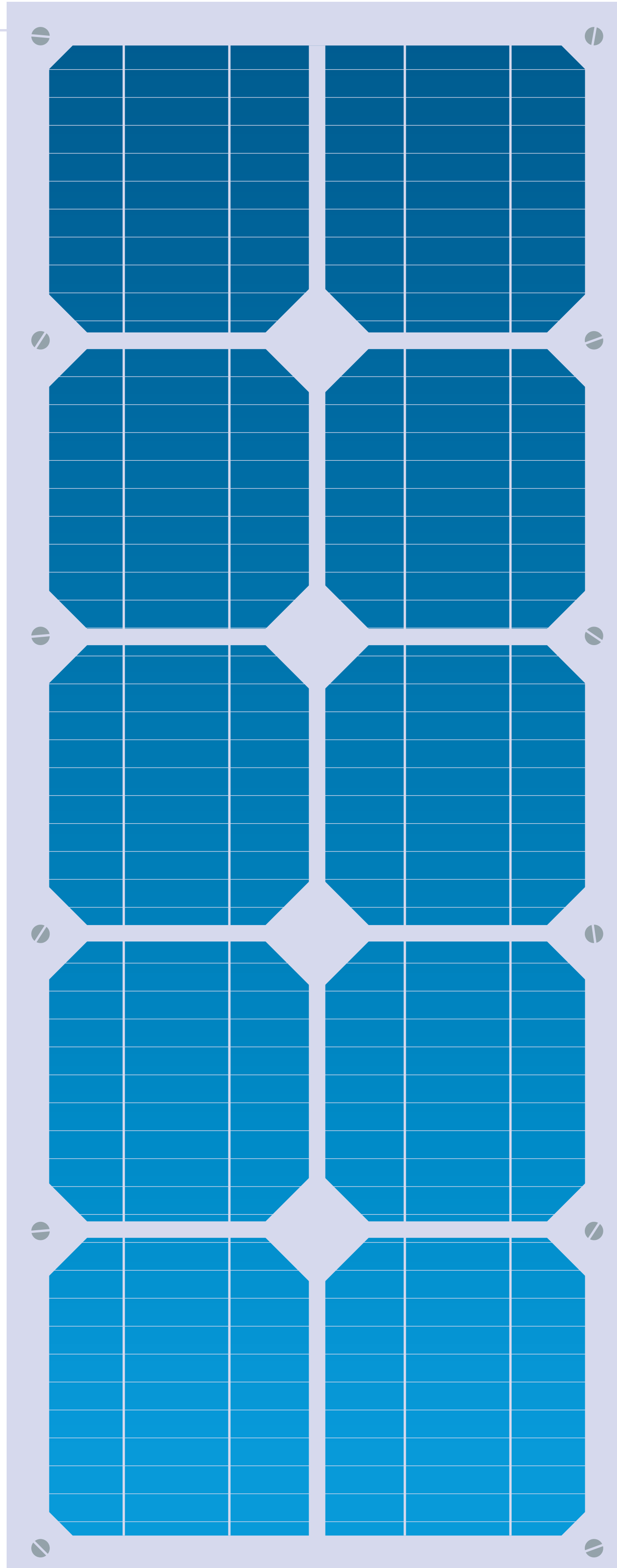
- How profitable the company is
- How quickly the company is growing
- The amount of debt the company carries
- Changes that impact the prospects for future profitability (e.g., a product launch, a new CEO, or a regulatory change)
- Interest rates
- Uncertainty in the geopolitical climate

Remember that one factor sets the actual price of a stock: the most recent trade, which reflects the opinions of one buyer and one seller about the stock's value.

Types of Stocks

Classification	Description	Example
Blue-chip stocks	Blue-chip stocks are stocks of large, established companies that have a long history of growth, profit, and dividend payout.	Large, reputable companies like General Electric, Walt Disney, and Johnson & Johnson.
Growth stocks	Growth stocks are stocks of companies whose earnings are expected to grow at a faster rate than the industry average. Growth stocks typically do not pay dividends because the company would prefer to reinvest earnings into research and development or other projects.	Fast growing companies such as Apple, Amazon, and Amgen.
Income stocks	Income stocks are stocks of companies that pay regular, often higher than average, dividends. In general, income stocks have lower levels of volatility than the overall stock market.	Telecoms such as AT&T, Real Estate Investment Trusts, and Utility companies including electric and natural gas companies.
Cyclical stocks	A cyclical stock's price moves in sync with ups and downs in the business cycle or overall economy. Cyclical stocks typically include companies that sell discretionary items that consumers can afford to buy more of in a booming economy (e.g., technology, luxury goods), but will cut back on during a recession.	Includes retail companies and automotive companies.
Defensive stocks	Defensive stocks, also called non-cyclical stocks, are stocks of companies whose business performance and sales are either unaffected by or not highly correlated with changes in the business cycle. As their name suggests, defensive stocks may help defend your portfolio from losses during uncertain times because they tend to be less vulnerable to economic downturns.	Includes utility companies and healthcare companies.
Value stocks	Value stocks are stocks that tend to trade at a discount to their intrinsic value. Their valuation is also priced lower than broader market or similar companies in their industry.	Companies trading below their intrinsic value like McDonald's.
Penny stocks	The term "penny stock" generally refers to a stock that trades at less than $5 per share. They are considered high-risk and have low trading volumes.	Small, growing companies with limited resources and no track record. Can include companies that have filed for Chapter 11.

Disclosure: The companies mentioned are used as examples only and are not a solicitation of an offer to buy or sell any security or other financial instrument or to participate in any trading strategy.



Additional Asset Classes

Anything that is not a stock, bond or cash equivalent is referred to as an "alternative investment." Investing in alternatives is another way to diversify your portfolio and help manage your risk. Some of the most notable alternative asset classes include:

HEDGE FUNDS

These are funds that are actively managed by professionals. Generally, these are only accessible to institutional and accredited or qualified high net worth investors because you have to commit large sums of money for a relatively long period of time.

REAL ESTATE

In addition to the investment you might make in your own home, there are a few ways to incorporate real estate holdings into your asset allocation. You can either invest directly in an investment property or choose to invest indirectly through a publicly traded Real Estate Investment Trust (REIT)[15] or limited partnership (LP). The latter two options require you to pool your money with others to invest in a portfolio of properties (similar to a mutual fund).

COMMODITIES[16]

Wheat, gold, crude oil, live cattle, soybeans...pretty much anything you grow, raise, or dig out of the ground are commodities that can be traded. While the quality of the item traded may differ slightly based on the producer or source, it is generally uniform or "commoditized." Most commodities are traded in the form of futures, which means that two parties agree to buy or sell a commodity at a predetermined price in the future.

ART AND COLLECTIBLES

Valuables such as art, antiques, sports cars, or rare collectibles are purchased for aesthetic or personal reasons. In some cases, a collection or individual pieces in that collection can be considered an asset. Because the market is fairly opaque and unpredictable, investing in art and other non-traditional assets typically requires high transaction costs and highly specialized knowledge. Given the unique nature of alternatives, including potential barriers to entry and generally less transparency surrounding pricing, seek advice from a qualified Financial Advisor to help determine what strategies are appropriate for you.

The Rules of the Game

Principle #1: Risk and Return
Investing is not just about betting on that once in a lifetime new app opportunity, it's about the long-term plan. By thinking strategically about your future and making smart investment decisions today, you can reap the potential rewards of those choices down the road. Like any journey, there are various routes and each has their own potential for traffic, delays, or roadblocks. There is always the risk that the trip may not turn out exactly as planned, but in order to get there, you have to be willing to take that risk.

The balance of risk and reward is at the core of each investment decision—higher returns require greater risk, while lower returns denote lower risk. As an investor, you will have to take on some level of risk or uncertainty in order to make a return. However, with no guarantees, the key is to create a portfolio of investments that balances your risk and the potential return. Each asset class has a different risk-return profile:

Relationship of Risk and Return

Principle #2: Inflation
Inflation is the increase in the prices of goods and services over time. In other words, life gets more expensive each year even if you keep shopping at the same stores. Although the rate of inflation only increases a small amount from year to year, it adds up over time. For example, with a 4% inflation rate, a house that costs $250,000 in 2014 will cost $360,000 in 2025.

In order to maintain your current standard of living, you should consider making investment returns that are equal to or greater than inflation. For example, if inflation is 4% and your investment portfolio is only returning 3% each year, you are technically losing money.

Principle #3: Diversification[17]
You probably know that having all your eggs in one basket is never a good thing; you risk losing everything if something happens to the basket. In finance, one of the best strategies for avoiding this scenario is diversification. Diversification is the process of spreading your investments across multiple asset classes (or "baskets") to manage risk. The rationale behind diversification is that over time, a portfolio that includes different asset classes may be less risky because when certain investments perform poorly, your downside can be balanced out by assets that are performing well.

Stocks can provide higher returns to investors, but these investments are also much more volatile than bonds. In other words, their price can fluctuate quite a lot from day to day based on market activity and company performance. A diversified portfolio helps manage this risk by including lower-risk securities (e.g., bonds) as well as higher-risk securities like stocks. If stocks are performing very poorly, your bond investments could help limit your downside.

Principle #4: Asset Allocation
Asset allocation is an investor's bread and butter. It is the process of deciding how to divide your investment portfolio amongst the different financial asset classes to balance your risk tolerance, time horizon, and investment goals.

Conservative investors who do not want to take on a lot of risk or have shorter investment horizons may be better off with a portfolio that is weighted towards money market securities and bonds (which have lower risk, but also lower returns). Aggressive investors, on the other hand, are often willing to tolerate the higher risks associated with stocks.

Typically, the longer your investment horizon, the more risk you can take. This is because you won't need to access your money for a while and can afford to ride out the inevitable ups and downs of the markets.

Asset allocation, diversification, and rebalancing do not assure a profit or protect against loss in declining financial markets. There may be a potential tax implication with a rebalancing strategy. Please consult your tax advisor before implementing such a strategy.

Dollar Cost Averaging[18]
Dollar cost averaging is an investment strategy used to help minimize the impact of a volatile market. By investing equal amounts periodically over a longer period of time regardless of the price, rather than one lump sum at a particular price in one lump sum, you can reduce the risk of a sudden market downturn affecting your total investment.

"Life is about balance.
The good and the bad.
The highs and the lows.
The piña and the colada."

ELLEN DEGENERES

A Conversation With Audrey Choi

MANAGING DIRECTOR, CHIEF SUSTAINABILITY OFFICER, MORGAN STANLEY

Your investment strategy can be more than just a means of accumulating wealth; it can be a tool for supporting the positive change you wish to see in the world. Audrey Choi, Managing Director, Chief Sustainability Officer of Morgan Stanley, shares her wisdom on aligning investment portfolios with personal values and putting your money to work toward a brighter future.

What defines sustainable investing?
We define sustainable investing as an investment approach that aims to generate market-rate financial returns while demonstrating positive environmental and/or social impact. For example, at Morgan Stanley, we talk about four broad categories of sustainable investing: Values Alignment, Environmental, Social, and Governance (ESG) integration, Thematic Exposure, and Impact Investing.

Do you need a certain level of wealth to start making sustainable investments?
Up until 3–5 years ago, sustainable investing was largely viewed as a private equity play. Most of the sustainable investment products were not accessible to the average investor. Today, there is a much broader range of products and managers available, spanning asset classes and themes such as fossil fuel aware, faith-based, gender lens, and mission-aligned approaches. There is something for all ages and at all asset levels—from ESG mutual funds and thematic ETFs to green bonds and customized portfolios.

What advice would you give someone who is new to sustainable investing?
Start by asking yourself what issues are most important to you and whether you want to focus on "screening out" (avoiding investments that do not meet certain criteria) or "investing toward" (proactively selecting investments that reflect your values or address issues you care about). Take a closer look at the investments you already own and evaluate whether there are any changes you can make to better align your portfolio with your values.

Are you seeing any generational differences when it comes to sustainable investing?
Because of the convergence of technology and big data over the past decade, there is a much higher degree of transparency across the whole value chain today. As a result, not only are Millennials three times more likely to choose an employer based on their commitment to sustainability, but they are increasingly aligning their investment preferences with their personal values.[19]

The fact that Millennials have a longer investment time horizon is particularly advantageous, because the value proposition of a sustainable investment may not come to fruition within a 12-month earnings period. These companies are incredibly strategic about operational efficiencies and managing their reputation, but incorporating these business practices takes time and patience.

How do you anticipate the industry evolving over the next 5 years?
Philanthropic and governmental resources are not enough to solve the pressing social issues we are facing; we need to incorporate investing as another means of addressing these problems. Within 5 to 10 years, sustainable investing may become a redundant term. When making an investment, people will consider environmental and social impact potential right alongside the traditional financial risk/return analysis.

"A focus on sustainability is a critical part of sound, far-sighted investing. Thinking about environmental and social implications of investing can help investors be more attuned to risk and find valuable opportunities."

AUDREY CHOI — *MANAGING DIRECTOR, CHIEF SUSTAINABILITY OFFICER, MORGAN STANLEY*

Creating a Diversified Portfolio With Managed Funds

Picking individual stocks and bonds takes a lot of time, effort, and experience. Investing without these things can be quite risky, especially if you're new to the stock market. Fortunately, there are people who do this for a living. In exchange for a fee, a knowledgeable person will do the heavy lifting for you by creating a diversified portfolio that you can buy into as an individual investor. Instead of purchasing hundreds of individual stocks and bonds, you simply buy a share in a fund that is already made up of a mix of securities.

Two of the most popular types of managed funds are mutual funds and exchange-traded funds.

1 MUTUAL FUNDS[20]

A mutual fund pools the capital of many individual investors and invests it in a collection of stocks, bonds, and other securities. The company that issues the mutual fund manages the pool of money on behalf of the investors. The fund is traded on an exchange and the price is set at the end of the trading day. Because of this, you can only purchase mutual fund shares once a day after the market has closed.

Fund managers are compensated through commissions and fees. Sometimes referred to as "loads," commissions can be charged when you buy (i.e., "front-ended") or sell (i.e., "back-ended"). Fees typically range from 0.1-3% of the amount invested.

Mutual funds are not guaranteed or insured by the FDIC or any other government agency.

2 EXCHANGE-TRADED FUNDS (ETFS)[21]

An exchange-traded fund operates very similarly to a mutual fund. The difference is that you can buy an ETF from any brokerage firm at any time you want. ETFs are not actively managed and can be bought and sold at any time throughout the trading day just like stocks on the exchange. Because there is less management involved, fees are often lower than mutual fund fees.

Index Funds [22]

For the passive investor who does not have the time, interest, or expertise required to buy and sell individual securities on a daily basis, index funds can be an attractive solution. These funds track a particular index (like the S&P 500) or benchmark with the goal of mimicking their performance over time.

The Way to Invest

There are a wide variety of investment solutions to accommodate an equally wide variety of needs. Here are a few of the service providers who can help you get in the game.

Brokers: The Middlemen
A broker helps investors buy and sell securities. For investors looking for trading support and guidance on investment decisions, a "full-service broker" offers access to research and customized advice as well. Typically, full-service brokers charge an annual fee of 1–2% of the assets they are managing on your behalf in exchange for a more personalized, goal-based approach.

For investors who prefer to do their own research, "discount brokers" also facilitate trade execution, but without the added advice. Like the name suggests, discount brokers are often less expensive than full-service brokers because they charge a fee per transaction (i.e., trade commission) rather than an annual fee to cover the personalized advice.

Discount brokers can be a cost-effective option for the DIY investor; however, since their revenue is based on the quantity of transactions rather than the quality of service, their "discount" service can end up costing you a pretty penny.

TIP: Check the details on a broker or Financial Advisor's background and qualifications for free on FINRA's BrokerCheck website.

Robo-Advisors: The New Kids on the Block
The rapid growth of technology has given rise to new, digitally-driven investment providers. These "robo-advisors" run on autopilot, cost just a fraction of traditional advisory fees, and are typically available to people with smaller amounts to invest. However, as an automated service, they can fall short of a human-based solution when it comes to understanding your needs and providing customized advice.

Investment Advisory and Brokerage Relationships[23]
Money is a sensitive topic. It is the primary source of stress for many Americans and has a profound impact on everything from your romantic relationships to your ability to achieve long-term goals.

The emotions associated with money can easily cloud your judgment, creating unintended blind spots. People often shy away from talking about their finances with others because it is so personal and requires an established foundation of trust.

Your Financial Advisor may be registered as an investment advisor, a broker-dealer or both, and may offer investment advisory services, brokerage services or both. Either or both types of services may be appropriate for you. It is very important that you ask your Financial Advisor which type of services they are providing, and that you understand the differences between investment advisory and brokerage services, including the manner in which you pay for these services.

When your Financial Advisor provides brokerage services to you, they assist you with individual securities transactions and are paid a commission on each transaction. In an investment advisory relationship, your Financial Advisor provides you with ongoing investment advice and other services related to your investment portfolio. In an investment advisory relationship, your Financial Advisor is paid an annual advisory fee for their services, as opposed to transaction-specific fees. This fee for applicable programs is known as a "wrap fee" and generally covers investment advisory services, compensation of Financial Advisors, execution of transactions, custody of account assets and reporting.

Factors to consider when choosing a broker:

- Do they charge a commission for trades?
- Is the fee per trade or does it vary depending on level of trading?
- How many shares are being bought or sold?
- What range of products is available on their platform?
- Is there a minimum for opening an account?
- Do they offer trading on foreign exchanges?
- Do they offer their own mutual or index funds?

When your Financial Advisor acts as your investment advisor, they are a fiduciary to you under applicable law. As a fiduciary, they are obligated to act in your best interests by providing investment advice that is based on your stated overall financial situation and investment objectives.

When your Financial Advisor provides brokerage services to you, they may recommend that you purchase, sell, hold or exchange a security. As a broker, your Financial Advisor must have a reasonable basis for believing that the recommendation is appropriate for you. However, when your Financial Advisor acts in a brokerage capacity, they do not have a fiduciary or investment advisory relationship with you, and their obligations to disclose information regarding their business, conflicts between their interests and yours, and other matters are more limited than if they did.

In general, brokerage services are more appropriate for investors who wish to pay only for assistance with their individual transactions. Investment advisory programs may be appropriate for investors who want to receive ongoing investment advice that is tailored to their investment objectives and risk tolerances, as opposed to an engagement on a transaction-by-transaction basis, and who are willing to pay an annual fee for this advice and associated services.

PRO TIP

"If your financial goals entail directing basic monthly savings to a simple allocation of stocks and bonds then perhaps some of the automated platforms can fit the bill. Our experience has shown us however that most clients want financial advice that is holistic and customized. This means taking into consideration a host of factors that include dynamics and choices around your job, family responsibilities, debt and borrowing needs, tax status and philanthropic interests. At the heart of the advisory relationship is the concept of education and personalization that ultimately allows you to make the choices about your financial health that are right for you."

LISA SHALETT, MANAGING DIRECTOR, HEAD OF INVESTMENT AND PORTFOLIO STRATEGIES, MORGAN STANLEY WEALTH MANAGEMENT

How Are Advisors Compensated?

There are a few different ways advisors in the financial services industry can be compensated:

COMMISSION ONLY
Certain investments and financial products pay commissions to the advisor when purchased. When an advisor invests your money into those products, the "commission" and/or fees will come out of your invested amount and be paid directly to the advisor. There is no service charge for financial or investment advice.

FEE-BASED OR FEE AND COMMISSION
A base fee is charged for the financial or investment advice provided by the advisor. In addition to this fee, you may pay commissions on certain investments.

SALARIED
No direct service fee, but incentives and awards are often offered by the advisor's company in addition to his or her salary. The advisor may receive a small bonus or income boost when a client purchases certain financial products based on the advisor's recommendations.

FEE ONLY
In a fee only structure, the advisor is typically compensated based on a percentage of client assets under management (the amount in your investment account) or as a direct fee based on hourly consultation or a retainer for a specific project. The advisor does not receive commissions.

Questions to Ask Your Financial Advisor

1. Is my portfolio aligned with my life goals?
2. Do I need to make any changes to my current portfolio allocation to help plan for my short-term and long-term saving and wealth goals?
3. What economic indicators and market trends should I be aware of that may impact my portfolio?
4. Where can I afford to take on additional risk, and where should I mitigate my risk with diversification or portfolio rebalancing?
5. Are there any alternative asset classes that I might want to consider investing in (if appropriate)?

Must Reads

A Random Walk Down Wall Street

AUTHOR: BURTON G. MALKIEL

Recommended as one of the first books to buy when starting a portfolio, this book helps explain successful investment strategies.

The Little Book That Beats the Market

AUTHOR: JOEL GREENBLATT

An easy to understand, step-by-step guide for investors written by a hedge fund manager and professor.

The Intelligent Investor

AUTHOR: BENJAMIN GRAHAM

Warren Buffett described this classic that shares the philosophy of an investment advisor as "by far the best book on investing ever written."

Buffett: The Making of an American Capitalist

AUTHOR: ROGER LOWENSTEIN

The behind the scenes look at Warren Buffett and his story of starting from scratch in Nebraska to then becoming the richest man in the country.

Thinking, Fast and Slow

AUTHOR: DANIEL KAHNEMAN

A look into how cognitive biases shape our decisions from a renowned psychologist and winner of the Nobel Prize.

CITATIONS:

[1] Money Under 30. "How Millennial Investors Are Faring In The Pandemic Economy." (2020).

[2] The indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment.

[3] Equity securities may fluctuate in response to news on companies, industries, market conditions and general economic environment. Companies paying dividends can reduce or stop payouts at any time.

[4] Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

[5] Companies paying dividends can reduce or cut payouts at any time.

[6] "investing." Merriam-Webster.com. Merriam-Webster. (2021).

[7] "Why Millennials Are Scared of the Stock Market." CNBC using data from a Bankrate survey. (2018).

[8] Dow Jones Industrial Average is a price-weighted index of the 30 "blue-chip" stocks and serves as a measure of the U.S. market, covering such diverse industries as financial services, technology, retail, entertainment and consumer goods. An investment cannot be made directly in a market index.

[9] S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

[10] Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 11% of the total market capitalization of the Russell 3000 Index. An investment cannot be made directly in a market index.

[11] NASDAQ Composite Index is a market-value-weighted index of all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. An investment cannot be made directly in a market index.

[12] Morris, Virgina and Morris, Kenneth. The Guide to Money & Investing. Lightbulb Press. (2012).

[13] Bonds rated below investment grade may have speculative characteristics and present significant risks beyond those of other securities, including greater credit risk and price volatility in the secondary market. Investors should be careful to consider these risks alongside their individual circumstances, objectives and risk tolerance before investing in high-yield bonds. High yield bonds should comprise only a limited portion of a balanced portfolio.

[14] Interest on municipal bonds is generally exempt from federal income tax. However, some bonds may be subject to the alternative minimum tax (AMT). Also, municipal bonds acquired in the secondary market at a discount may be subject to the market discount tax provisions, and therefore could give rise to taxable income. Typically, state tax-exemption applies if securities are issued within one's state of residence and, if applicable, local tax-exemption applies if securities are issued within one's city of residence. The tax-exempt status of municipal securities may be changed by legislative process, which could affect their value and marketability.

[15] A security that is usually traded like a stock on the major exchanges and invests in real estate directly, either through properties or mortgages. The risks of investing in Real Estate Investment Trusts (REITs) are similar to those associated with direct investments in real estate: lack of liquidity, limited diversification, add sensitivity to economic factors such as interest rate changes and market recessions.

[16] Investing in commodities entails significant risks. The commodities markets may fluctuate widely based on a variety of factors including changes in supply and demand relationships; governmental programs and policies; national and international political and economic events; war and terrorist events; changes in interest and exchange rates; trading activities in commodities and related contracts; pestilence; weather; technological change; and, the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

[17] Diversification does not assure a profit or protect against loss in declining financial markets.

[18] Any type of continuous or periodic investment plan does not assure a profit and does not protect against loss in declining markets. Since such a plan involves continuous investment in securities regardless of fluctuating price levels of such securities, the investor should consider his/her financial ability to continue his/her purchases through periods of low price levels.

[19] Morgan Stanley Institute for Sustainable Investing. Sustainable Signals: The Individual Investor Perspective. (February 2015).

[20] Investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund before investing. The prospectus contains this and other information about the mutual fund. To obtain a prospectus, contact your Financial Advisor or visit the mutual fund company's website. Please read the prospectus carefully before investing.

[21] An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on an exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. The investment return and principal value of ETF investments will fluctuate, so that an investor's ETF shares, if or when sold, may be worth more or less than the original cost.

Investors should carefully consider the investment objectives, risks, charges and expenses of an exchange-traded fund before investing. The prospectus contains this and other information about the exchange-traded fund. To obtain a prospectus, contact your Financial Advisor or visit the exchange-traded fund company's website. Please read the prospectus carefully before investing.

[22] Index Funds are offered by prospectus. An investor should read the prospectus carefully before investing. It is not possible to directly invest in an index. Index funds carry the same risks as the investments comprising the indices they track. By definition, index funds are designed to match, not beat, the performance of their underlying indices. Index funds are also subject to tracking error that may result in losses greater than those of the underlying indices.

[23] Morgan Stanley offers a wide array of brokerage and advisory services to its clients, each of which may create a different type of relationship with different obligations to you. Please consult with your Financial Advisor to understand these differences.

Morgan Stanley

Playbook: Your Guide to Life & Money

Starting a Business: Setting Up Shop

"It's not about ideas. It's about making ideas happen." — Scott Belsky, General Partner, Benchmark

What Is Covered in This Chapter:

- First steps for founders when starting a business
- Understanding what business structure is right for you
- The importance of creating an all-star team and network of advisors
- The landscape of funding opportunities
- Things to consider before investing in a startup
- Steps for filing taxes as a business owner
- Best practices for planning and pitching your business

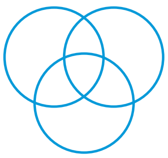
Do what you love. Advances in technology and unprecedented access to information have drastically changed the way we work and created an environment in which entrepreneurship can thrive. Career paths are no longer restricted to the traditional 9–5, allowing people to pursue new ideas and opportunities. Whether you are opening a small restaurant in your hometown, starting an online retail business, or investing in your friend's new mobile app idea, you are in for one crazy ride. Building a business from scratch can be a lot harder and riskier than some may think, but if you are able to align your profession with your passions, it can be worth all the blood, sweat and tears that go into the process.

The Adventure of Starting a Business

As exciting as the pursuit of a new adventure can be, starting a business is easier said than done. Getting from an idea to a successfully operating business requires a great amount of discipline. Being your own boss comes with big responsibilities like choosing a legal structure, securing funding, paying taxes, and building a world class team—to name a few. The key to making your entrepreneurial dream a reality is having a clear understanding of the value your business will create, a solid plan for delivering that value, and the perseverance to see it through.

One of the most difficult hurdles to overcome is taking the first step. Use the following set of questions, inspired by the "start filter" in Derek Handley's **Turning Ideas into Action: The Field Guide**, to help you determine whether an idea is worth the commitment of your time, energy, and resources.

ALIGNMENT WITH YOUR CORE VALUES



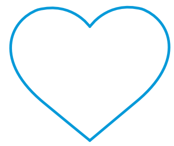
Are you pursuing this project or business because it aligns with your core values and passions?

If there are ulterior motives, what are they? Money, fame, boredom?

Is there a chance you will lose interest in this project or idea in a few months or years?

Takeaway: You want to be sure that you do things based on motivators that will stand the test of time.

THE RISK OF FAILURE AND YOUR TOLERANCE FOR RISK TODAY



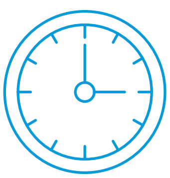
How much risk can you take?

Do you have the financial means and social confidence to start from scratch?

Do you feel confident in your ability to take a big leap and bounce back if at first you don't succeed?

Takeaway: With any new venture you may be risking time, energy, relationships, reputation, and sometimes money.

THE TIME COMMITMENT REQUIRED



Is this going to be an 'all in' or part-time commitment?

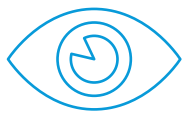
If it's a part-time commitment, exactly how much time are you able to commit and exactly when will you work on the project or business?

What are you willing to stop doing in order to free up enough time to work on this?

Who is going to be affected by your decision to pursue this project or business, and how are you going to communicate your decision to them?

Takeaway: Don't underestimate the amount of time and energy you will need (and want) to invest in your new venture, and don't forget that you may not be the only one who will be required to make some sacrifices.

THE SCALE OF THE VISION AND PAY-OFF.



Do you have a realistic understanding of this opportunity's potential?

Will the long-term pay-off be worth the trade-offs in the near-term?

Are you swinging for the fences or reaching for some low-hanging fruit?

Takeaway: Setting the right height for your goals first will determine how you assess opportunities that come your way.

Adapted from: Handley, Derek. Heart to Start. Auckland, New Zealand: Penguin Random House New Zealand Ltd, 2013.

Startup Checklist

SIX BASIC STEPS EVERY FOUNDER SHOULD TAKE

So what exactly is a "startup?" Eric Ries of The Lean Startup defines a startup as "a human institution designed to create a new product or service under conditions of extreme uncertainty." Neil Blumenthal of Warby Parker defines it as "a company working to solve a problem where the solution is not obvious and success is not guaranteed." In other words, a startup differs from an established company in that its value has yet to be proven.

Before a new business can take off, it's important to be thoughtful about building a solid foundation for it to launch from.

1 Create a plan

Once you have decided that an idea is worth pursuing, the last thing you probably feel like doing is creating a tedious, 30-page business plan for it. However, while you don't need to have all the details set in stone, creating a business plan can be a valuable exercise to help you clarify the opportunity, identify who you may be competing against, and outline how your business will operate. If you plan to seek investment, you may need this basic roadmap to explain your vision and the reality of how you're going to get there.

Your plan does not need to be finite. A key element of building a startup is your ability to pivot because the road to success is often far from a straight line. View your business plan as a living document that will evolve as you build, test, and iterate over time.

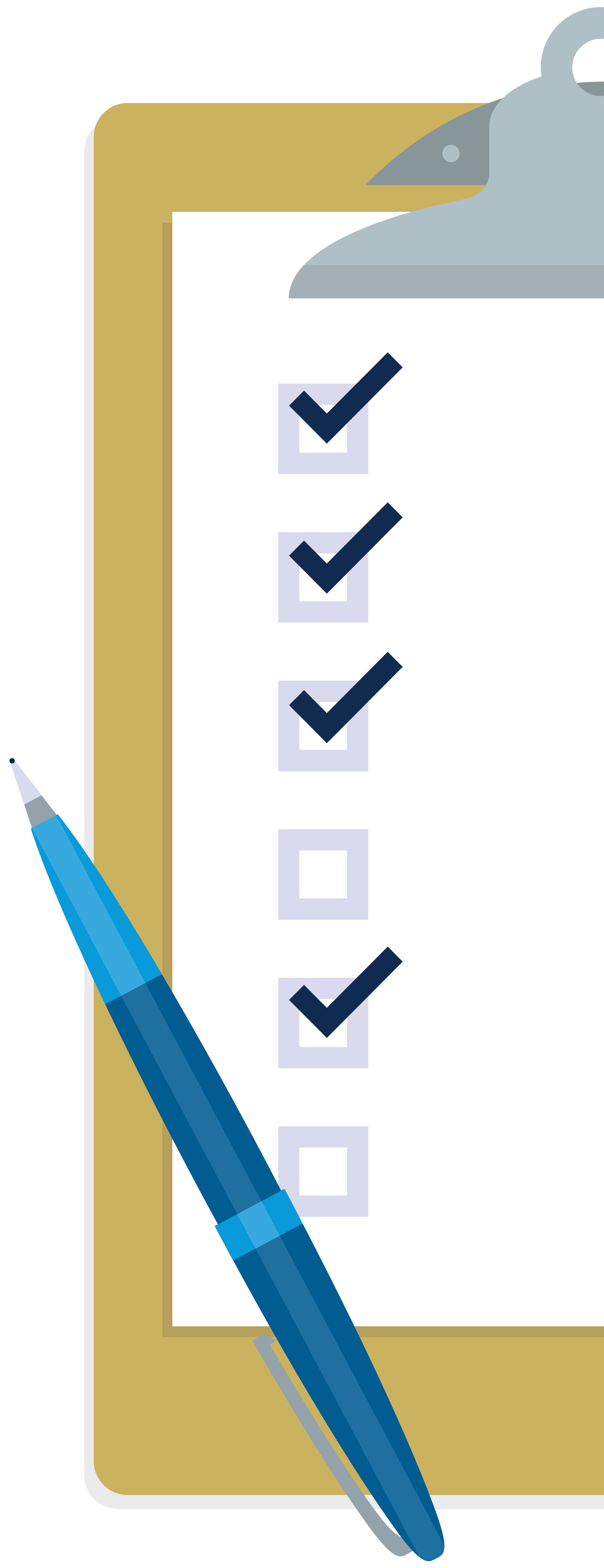
2 Assess your strengths

Being an entrepreneur is not for the faint of heart. As a business owner, you will have to wear many hats, especially in the early days. Founders may find themselves responsible for everything from product strategy and fundraising to managing day-to-day financials and hiring an experienced team. Over time, you will want to bring on people who are experts in certain areas to make sure the business is run as efficiently and effectively as possible as you scale.

In order to hire smart, it's essential that you have a strong sense of your strengths and weaknesses. This will help you understand where to focus your own time and energy and what gaps you should fill by adding to your team. There are several helpful self-assessments online that provide valuable insight into your character and working style including Myers-Briggs Type Indicator, The Enneagram of Personality Test, and the CliftonStrengths Assessment.

3 Choose your legal structure

The difference between an idea and a business is incorporation. While you can technically get started without incorporating, you may face an uphill battle trying to run and grow your business without the proper paperwork in place. The type of legal structure you choose can have implications on your taxes, your personal liability, and your fundraising options. Consider working with a lawyer and an accountant for guidance on determining the right structure, filing the necessary paperwork, and addressing intellectual property issues such as trademarks or patents. They can help you avoid making mistakes that could have serious repercussions down the road.



4 Apply for an Employer ID Number (EIN)
An EIN is also known as a Federal Tax Identification Number and it is essentially a social security number for your business. You will receive your EIN when you register as a legal corporate entity with a state. Make sure you keep several copies of this document, as you will be required to use the number on most tax forms and other administrative documents.

5 Choose a tax year
Business owners can choose when they want to file their tax return. Many small businesses use the calendar year as their accounting period, but some cyclical businesses may prefer to choose another fiscal year. You can align your tax year with the school year for instance, beginning in September and ending in August. Be sure to consult with a tax advisor to see what is appropriate for your business.

6 Choose an accounting system
Don't wait until you start earning revenue to get your accounting infrastructure set up. It can be a lot harder to do after the fact and you can get into some serious trouble if the numbers don't add up. Consider using accounting software for bookkeeping to help save you and your accountant a lot of painful number crunching when it's time to prepare your tax returns and financial reports.

Business Plan Essentials

1

EXECUTIVE SUMMARY
The most important part of a business plan is the executive summary. At a minimum, it should include a top-line description of your business, an overview of your key goals, and a compelling mission statement. The truth is, a lot of people don't bother to read beyond the first two pages so make sure you tell a crisp, accurate, and engaging story that sparks reader curiosity and leaves them wanting to know more.

2

COMPANY DESCRIPTION
Describe what your company offers, what differentiates your business from others (your "secret sauce") and which markets you will serve.

3

MARKET ANALYSIS
Based on the research you have conducted on your potential customers and industry trends, provide a realistic assessment of the size, scope, and nature of your market opportunity.

4

ORGANIZATION & MANAGEMENT
Detail how your business will be structured and who will serve in the key roles.

5

SERVICE OR PRODUCT LINE
Describe the products or services you will sell and how they will benefit your customers. Describe your product lifecycle and how you will keep your product pipeline full.

Mastering Your Elevator Pitch

You've got 30 seconds to capture someone's full attention, explain why they should bet on your idea, and leave them wanting more. Ready, set, pitch.

Here are the ingredients for an all-star elevator pitch:

- ☐ *Set the stage* by stating the facts of the consumer problem or need you are addressing. For example, "Today, x% of Americans pay x% for [a service or product you will affect]."
- ☐ *State your mission clearly*. Use a formula such as "We are addressing [problem] by providing [solution] to help [target market] accomplish [user goal]."
- ☐ *Explain how you will add value* to people's lives. "By creating [advantage/differentiator], we are delighting customers with [value]."
- ☐ *Avoid tangents*. Be prepared to provide concise answers to questions like:
  - ☐ *What's your business model* (how does the company make money)?
  - ☐ *How are you different* from your competitors?
  - ☐ *Who is the team* and why are they qualified?

Try this at home: Every word counts. Try to describe each part of your pitch in a 140-character tweet to understand how you can communicate quickly and clearly. Practice makes perfect.

6

MARKETING & SALES

Discuss your plans for positioning and promoting your products and services, and the channels through which you will sell them.

7

FUNDING REQUEST ("THE ASK")

If you are seeking funding for your business, include how much you will need, when you will need it, and how you will spend it.

8

FINANCIAL PROJECTIONS

It's critical to provide financial projections to back up your funding request. If you are already in business, provide historical income statements, balance sheets and cash flow statements. Include projections for each of these metrics for the next five years, as well as projected capital expenditures.

9

APPENDICES

Attach any additional information that adds credibility. This might include resumes of the principals and advisors, patent documents, permits and leases, favorable press clippings, and so on.

Making it Official

There are several types of incorporation structures. Keep in mind that, while not impossible, it is challenging to change the structure of your business once you're up and running. Talk to your lawyer and accountant to understand the legal and tax implications of each structure and think through various scenarios: What if you decide to fundraise after all? What if your partner wants to leave unexpectedly? What are your exit options?

SOCIAL ENTREPRENEURSHIP

"The Millennial generation is characterized by a strong entrepreneurial spirit that is driving them to take their business acumen, access to information, social networks, and big ideas and create something meaningful and scalable. As the field of charity is learning lessons from the world of commerce, businesses are becoming more informed about the values of charity. Combining charity and commerce is what Millennials are pushing. It's not going to be an 'either/or' going forward, it's going to be an 'and'!"

MELANIE SCHNOLL BEGUN —

MANAGING DIRECTOR, HEAD OF PHILANTHROPY MANAGEMENT, MORGAN STANLEY WEALTH MANAGEMENT

More and more businesses are being built with greater purpose to help address social challenges and improve the lives of others. To recognize companies that are successfully using business as a force for good, the nonprofit B Lab created the B Corporation (B-Corp) certification. B-Corps are for-profit companies that meet certain standards regarding social and environmental performance, accountability, and transparency. Learn more at www.bcorporation.net.

Incorporation Structures

1	**SOLE PROPRIETORSHIPS**	**Sole proprietorships are unincorporated businesses (i.e. not officially registered) without employees that are owned by a single individual**. This option is mostly applicable for freelancers or one-person shows. If your business is organized as a sole proprietorship, you are personally liable for the debts and liabilities the business incurs. In other words, if your business gets sued or goes into debt, it's on you. To help ensure you are mitigating personal risk, consider setting up your sole proprietorship as a single member liability company (LLC), so you are protected if things don't go according to plan.
2	**LIMITED LIABILITY CORPORATIONS (LLC)**	**LLCs are also referred to as "pass-through" businesses**. Instead of paying corporate taxes, all profits and losses from the business are passed on to the owners and reported on your personal tax return. Unlike a sole proprietorship, LLC owners are protected from personal liability but you can stand to lose what you invest in the business.
3	**LIMITED LIABILITY PARTNERSHIPS (LLP)**	**LLPs operate similarly to LLCs, but they must have more than one owner**. This structure is preferred by a lot of licensed professional groups, such as attorneys and doctors. The benefit of an LLP is that each member is protected from the liabilities created by other limited partners.
4	**S CORPORATIONS**	**The IRS created the S-Corp especially for businesses with up to 100 shareholders**. The benefit of an S-Corp is that it is also a pass-through entity, meaning that shareholders pay personal income tax on dividends or salaries drawn from the business, but the business itself does not pay any corporate taxes. While S-Corps are protected from liability, they have to obey certain rules and remain compliant with government regulation. For instance, S-Corps have to issue stocks and keep detailed meeting minutes from shareholder and director meetings.
5	**C CORPORATIONS**	**Most companies you know are probably C-Corps. A C-Corp offers more flexibility because there are no limits to the number of shareholders you can have**. The government even allows C-Corps to establish different levels of voting privileges, which makes it easier for the company to grow and become more valuable. Think about it, Coca-Cola has more than 4 billion shares outstanding; if they were to let all of their shareholders weigh in on important issues, they would never come to a decision. Unlike the other legal structures, C-Corps are not pass-through entities. This means that they are subject to double taxation: shareholders have to pay personal income tax on dividends and the company has to pay corporate taxes. Similar to S-Corps, C-Corps are not liable, but are held to the same compliance standards.
6	**501(C)(3)**	**A 501(c)(3) is one of the most common tax-exempt statuses for nonprofit organizations that were created with the sole purpose of benefiting the public**. A 501(c)(3) is exempt from paying federal income taxes (and occasionally state taxes) and can allow any donor contributions to be tax-deductible for donors. Organizations file for 501(c)(3) status with the IRS. Other eligible organizations that may be tax-exempt can include community groups, trade associations, labor unions, veteran organizations and social clubs. Visit www.IRS.gov for more information on qualifying for tax-exempt status.

"Build a team that complements your strengths. There are three types of mindsets: the artist (visionary, storyteller), the manager (systems builder), and the capitalist (risk taker). It's important to be aware of which role you were born to play and play it really well. If you're a capitalist who is comfortable taking risk, hire a manager who can create processes that manage this risk."

SERGEY PETROSSOV — *FOUNDER, JETSMARTER*

Who to Have on the Bus

With far more enthusiasm than working capital, many early-stage entrepreneurs try to build their businesses with little to no help. However, as chief executive, salesman, accountant, administrator, tech support and virtually everything else, you will find it increasingly challenging to know how and where to focus your attention in the most productive way.

One approach is to focus on the task with the highest potential for impact first—in other words, the task that can make all other to-dos easier to complete. For most entrepreneurs, that task is talent.

Learning how to hire complementary staff and efficiently outsource non-core functions is one of the more important skills a new business owner can develop. When it comes to functions that are directly related to generating revenues for your business, hire the best possible people you can find and make sure they complement your skill set. For other operational and administrative support activities such as bookkeeping, marketing, human resources, and legal, consider hiring another firm or freelancer.

> **"When it comes to hiring, I am a big advocate of leveraging your network, especially for finding early team members."**
>
> •
>
> ALEXANDRA WILKIS WILSON,
> CO-FOUNDER OF GLAMSQUAD AND GILT

TIP: No matter how quickly you are growing, avoid hiring anyone before you have properly interviewed and vetted him or her. It can be helpful to do reference checks and small companies may consider instituting a "trial period" of 1-3 months before hiring someone full time.

How to Curate a Personal Board of Advisors

Whether or not you have a formalized board of advisors for your business, consider creating a personal board of advisors that can act as your sounding board and provide invaluable advice and connections throughout your career, no matter where it takes you.

Step 1: Determine what you're looking for
Create a wishlist of what type of advice or expertise you need right now, as well as what you anticipate needing in the future. Are you looking for advice or access to certain networks or people? Are you looking for a particular skill set or industry experience? Is the primary need professional or personal?

There are several types of advisors you might want to consider adding to your personal board:

Mentor	someone who has relevant experience and insights
Sponsor	someone who will open doors and facilitate connections
Influencer	someone who can leverage their personal platform to promote your company
Friend or family member	someone who will keep you grounded and is not afraid to call you out (in a fair, respectful way, of course)

Step 2: Research and rank your top candidates
Once you know what you're looking for, create a shortlist of candidates who meet your criteria and rank them in order of priority. If you do not know someone on your target list, leverage your personal and professional networks to find their contact information or request a warm introduction if possible.

When creating your shortlist, try not to focus exclusively on pedigree. An alignment of values is just as important when it comes to developing these relationships.

Step 3: Pitch or woo your target
When you are ready to pitch your top targets, there are a few different approaches to consider. Some will appreciate a more direct approach, while others will need to be wooed. Always be mindful of who your audience is: will he or she appreciate a formal or informal email? What or whom do you have in common that might be worth referencing?

The people on your shortlist are likely busy, accomplished individuals who will appreciate clear and concise communication. Flatter them and show them that you've done your homework, but be specific about what exactly you need and how they can be most valuable to you.

Don't forget to offer your time and any expertise that may be of value to them in return.

Funding Your Business

Finding the seed money to start a business may be one of the biggest challenges you face as a business owner. Thanks to the rise of entrepreneurship over the past decade, there are a variety of funding sources that cater to young entrepreneurs. However, the glorification of this career path has also led to growing competition for these funding sources. Accepting an investment from someone is a major commitment so it is important to have a clear understanding of their integrity, experience, and the value they can add to your efforts.

"At the end of the day, it's not about resources but about resourcefulness. You have to go out and do everything you can to make it happen."

SERGEY PETROSSOV, FOUNDER, JETSMARTER

"If you're a first time entrepreneur, it's important to show investors a track record of success in other areas of your life, like athletics or academics. Show them that when you are dedicated to something, you excel. Also, take time to develop relationships before you need them. Start meeting with investors to get to know them before you begin fundraising and need to make the ask."

ALEXANDRA WILKIS WILSON,
CO-FOUNDER OF GLAMSQUAD AND GILT

Different rounds or "series" refer to instances where multiple people or parties make an investment at the same time and are usually associated with a company's stage:

SERIES A

Often used to execute a business plan, growth strategy, and additional hires

Example:
Snapchat raised a $13.5M Series A round from venture capital firms and used this money to hire 5 new people, bringing the total employee count to 10.[2]

SERIES B

Often used to help companies scale

Example:
After success in San Francisco, NYC, Seattle, Chicago, Washington, D.C. and Boston, Uber raised a $32M Series B round to expand into new cities across North America, Europe and Asia.[3]

SERIES C

Used to maintain momentum, make acquisitions, or expand internationally

In order to cover costs of their startup, Airbnb founders sold boxes of cereal in 2008. Playing into the election year, they sold 800 boxes of "Obama O's" and "Cap'n McCain" for $40 each, earning $30,000 in two months to help fund their company.[1]

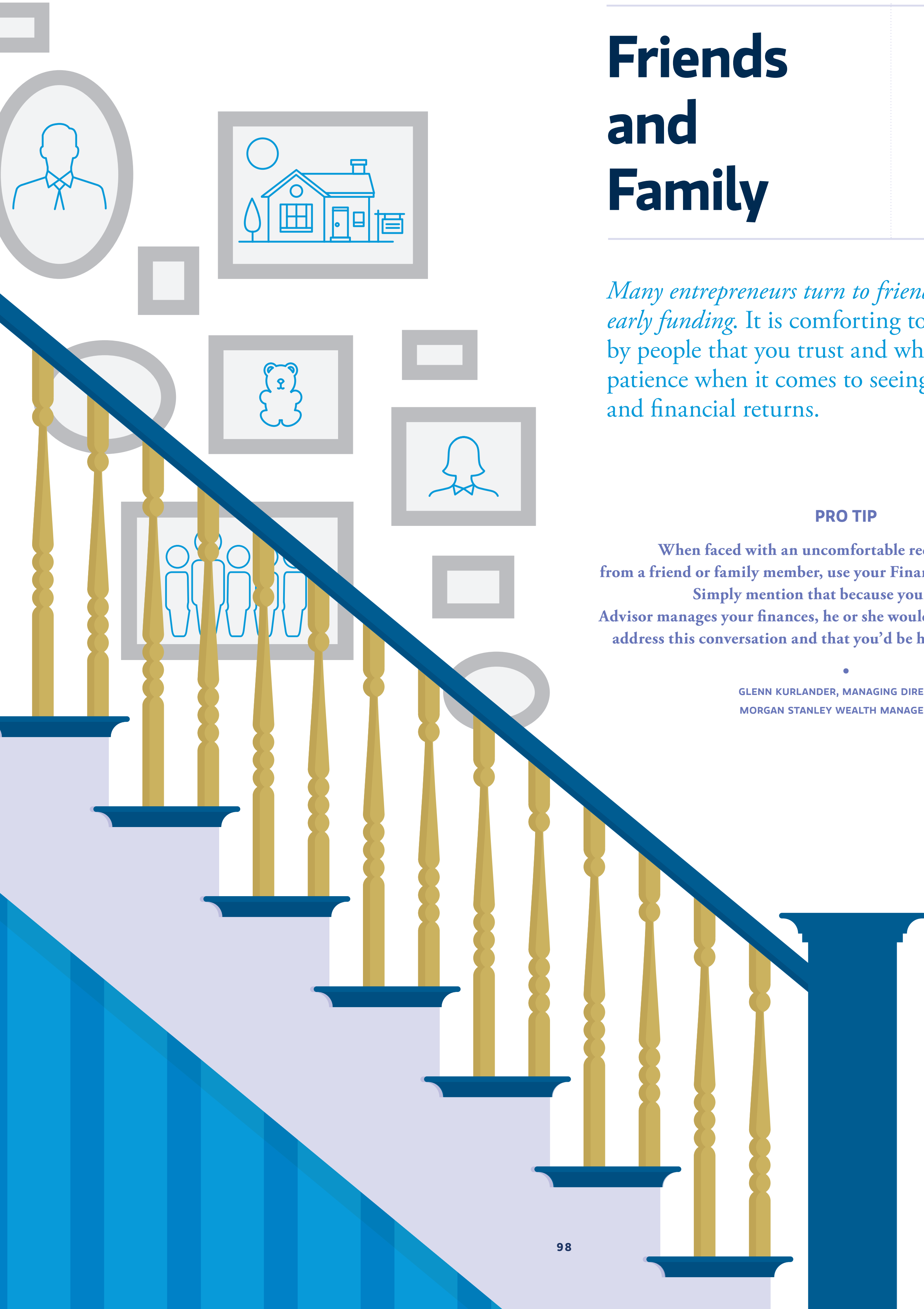
“Valuation is only one input as you consider early investing partners. Pay close attention to their experience, vision and communication style. These factors will have a long term impact on your growth as an entrepreneur as well as the growth of your company.”

ELIZABETH DENNIS — *MANAGING DIRECTOR, HEAD OF MORGAN STANLEY PRIVATE WEALTH MANAGEMENT*

The source and type of funding you need varies greatly depending on what phase your business is in. There is no one-size-fits-all approach to fundraising, but here is an overview of various funding stages.

	1 **Founders Round** Or Pre-Seed Round	2 **Seed Round** Can Also Include 'Angel Round' Or 'Early Stage'	3 **Equity Stock Financing**
SAMPLE SOURCE OF FUNDS	Founders, Friends & Family	Angel Investors, Friends & Family, Incubators & Accelerators, Venture Capital	High Net Worth Investors, Venture Capital, Private Equity
TIMING	No measurable revenues, less than 6 months in business	Some initial proven traction, 6-18 months in business	Steady monthly recurring revenues, 12+ months in business
CONSIDER THIS	When you first incorporate your business, it probably won't have any measurable value. As a result, the company can issue you and any other founders "founder's stock," most or all of which is subject to vesting – in other words, you won't officially acquire your ownership stake until you have been with the company for a predefined period of time.	Once you have distributed the original shares to founders and early partners or team members, your next step is to raise enough startup capital to test and prove your idea. One way to do this is through a convertible note, which allows investors to loan you money in exchange for future equity.	Once you have established a track record and perhaps even some recurring revenues, you can consider raising capital through equity financing.
IMPACT ON YOUR OWNERSHIP	Minimal	It depends. You may give up anywhere from 5% to 30% of your equity based on the type of investor, the business climate, your track record to date, and several other factors.	At this point, it's a numbers game. If the capital you raise has the potential to 10x or 20x the size of your business, it may be worth giving up a considerable amount of equity. Keep in mind that as you bring on more investors, your voting rights may be affected as well. Consider including a contractual clause that preserves your ability to make decisions about the company (e.g., by having the majority vote), regardless of the dilution of your ownership.

TIP: If looking to get more exposure to startup investment opportunities or experienced investors who can provide insight on assessing an early stage investment, consider attending startup pitch events or joining an angel investor network.



Friends and Family

Many entrepreneurs turn to friends and family for early funding. It is comforting to be supported by people that you trust and who may have more patience when it comes to seeing business results and financial returns.

PRO TIP

When faced with an uncomfortable request for money from a friend or family member, use your Financial Advisor as a buffer. Simply mention that because your Financial Advisor manages your finances, he or she would be more appropriate to address this conversation and that you'd be happy to connect them.

GLENN KURLANDER, MANAGING DIRECTOR,
MORGAN STANLEY WEALTH MANAGEMENT

Before accepting a check from a friend or family member, consider the following:

IT CAN BE TOO EASY.
When you go to strangers for funding, you can expect every aspect of your business plan to be challenged. This kind of scrutiny can help you refine your business model and improve your chances for success. When someone writes a check simply because they want to help you or feel compelled to because of family ties, you may miss that opportunity.

PROFESSIONAL VENTURE CAPITALISTS OFFER MORE THAN MONEY.
Venture firms and small business incubators are professionals who have learned what to avoid, where to focus and are often able to provide invaluable business connections. If your investor does not have an entrepreneurial background, you may miss out on the perspective value beyond capital that can be provided by a professional.

THERE CAN BE TAX CONSEQUENCES.
A relative may decide to give you money to start a business as a gift, a loan or an investment. Each approach may involve different tax consequences depending on the terms of the agreement. Seek out advice from a Financial Advisor or accountant to help ensure you are considering all implications and have the proper documentation in place.

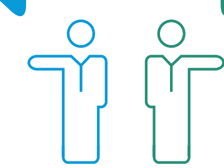
IT CAN CAUSE FRICTION IN THE FAMILY.
If a parent makes a sizeable investment in your company and it doesn't work out, it may impact the size of their estate, or their ability to make similar investments in your siblings' ventures. Consider how these circumstances could impact your relationships within your family.

Before offering a check to a friend or family member, consider the following:

GOOD IDEAS DO NOT NECESSARILY EQUAL GOOD EXECUTION.
Believing in an idea is one thing; having confidence in the individual's ability to deliver on that idea is another. Make sure to dig into the nitty gritty around how the company plans to get from Point A to Point B and more importantly, what (if any) backup plans he or she has in the event that things don't play out as hoped.

QUALITY INVESTORS OFFER MORE THAN A CHECKBOOK.
Sometimes the best investors add far more value through their experience and guidance than the financial investment committed. As a potential investor, consider what you can offer the founding team beyond cash (e.g., your network). Are you looking to take a more hands-on approach to supporting the company, or do you prefer to remain a passive investor?

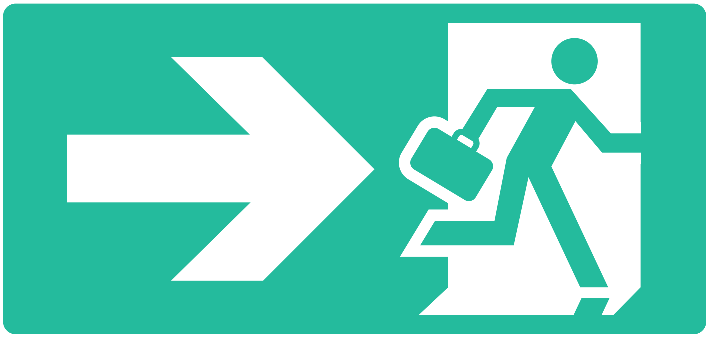
NOTHING IS CERTAIN.
Just like in life, a startup's journey can involve many detours. Some new businesses may require several rounds of additional investment in order to keep afloat; while others may pivot from their original idea and use your funds to tackle an entirely different problem. What expectations do you have in regards to the financial return? If the company doesn't work out, will your relationship with the family member or friend suffer? It may be worth exploring how you will navigate the worst case scenario prior to committing your capital.



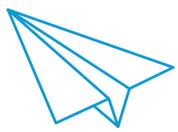
When accepting funds from friends and family, it is especially important to take a moment to ask yourself the tough questions upfront. With added emotions at play, a failed venture can have repercussions that are far more complex than those tied to a professional outside investor.

"If you are thinking about making an investment in a friend's business, be honest with yourself and with your friend. Are you making an investment in which you fully expect a return? You have to be prepared for the reality that their decisions about how to spend the money may not always agree with you. By adopting a mindset that accepts this from the start, you can maintain a healthier relationship."

GLENN KURLANDER,
MANAGING DIRECTOR, MORGAN STANLEY WEALTH MANAGEMENT



Exit Strategies



While you may be content running your business for the rest of your life, there's always a chance someone might make you an offer you can't resist. This final phase can involve opportunities for a strategic acquisition or an IPO.

ACQUISITION

Companies may consider an acquisition offer from another company if the upside is too good to pass up, or alternatively, as a strategic way to address cash flow or management issues.

INITIAL PUBLIC OFFERING

Private companies can only raise so many rounds of capital. As a result, companies that have big expansion plans or need funding to maintain current momentum may decide on an IPO. This is when a company "goes public," issuing shares of the company to the general investing public via a stock exchange to receive an influx of capital.

WINNING PLAYS for Startup Founders

Follow your bliss.
The passion you bring to work attracts investors, motivates your employees and keeps you going when times are tough (and times will be tough). If you are not excited about the business you are starting, your energy will be better spent elsewhere.

Build for scale.
Even if you are a solopreneur launching a business from your couch, it's important to think about how your business will operate by the time you're occupying a swanky downtown office. As your business grows, you will only have less time to think about these details so choose tools and software that can scale with you.

Focus on cash flow.
Managing your cash flow effectively is critical to the health of your business. A positive cash flow may not always be realistic during the early days, but it should be part of your near-term goals. Proper planning and foresight around when you pay your bills, send out invoices, and purchase inventory can help avoid sticky situations.

Test before you invest.
Would you buy a car without taking it for a test drive first? Trust your gut, but don't bet everything on a single idea without doing proper due diligence first. Identify what your biggest and riskiest assumptions are and focus on setting up a series of small experiments to play these out.

Hire-up and don't be afraid to ask for help.
No one is good at everything. Focus your efforts where you add the most value and spend the rest of your time finding excellent people to fill in the gaps. Never let your ego prevent you from hiring people that are smarter than you and listen carefully to those who have valuable business experience you can learn from.

Be careful in choosing your partners.
This applies to investors, advisors, as well as your co-founders and early team members. Make sure that both parties have a clear understanding of expectations and don't be afraid to play out the worst case scenario to get a feeling for people's true colors. When it comes to choosing co-founders, ask yourself whether you have complementary skill sets and networks and be sure that you trust and respect each other's work ethic and judgment.

Shield yourself from liability.
Take the necessary legal and insurance measures to protect your personal assets from potential liability stemming from your business.

View your business as an asset.
With all your attention focused on day-to-day operations, you may forget to consider how your business impacts your overall wealth planning. This can lead to an unintended concentration of risk and have serious tax implications. For instance, if you run a technology business, you may want to limit your exposure to technology stocks in your investment portfolio.

Taxes for Business Owners

While it is never enjoyable to write a check to Uncle Sam, it is particularly painful for small business owners when you consider the blood, sweat, and tears that go into earning each and every dollar. However, by paying your taxes you may be eligible to benefit from certain privileges that the government offers small business owners like grants and tax subsidies.

Every year, you will need to file certain tax forms depending on your legal structure.

THERE ARE FOUR MAIN TYPES OF TAXES BUSINESS OWNERS SHOULD BE AWARE OF:

1

Income tax
All businesses are required to pay the government a percentage of their revenues (after tax-deductible expenses). Income tax is typically paid both at the federal and the state level.

2

Self-employment tax
Self-employed workers pay Social Security and Medicare taxes directly to the government. For wage workers, employers typically withhold this tax.

3

Taxes for employers
Companies with employees are responsible for paying employment taxes, including social security and Medicare taxes, Federal and State or City income tax withholding, and Federal Unemployment Tax Act (FUTA).

4

Excise taxes
Certain types of businesses are required to pay an indirect tax for the sale of a particular product or service. An example of a product that is subject to excise taxes is cigarettes.

When you are employed by a large company, the company automatically withholds your taxes every month—this is why we talk about gross (pre-tax) and net (post-tax) pay. As a small business owner, you are not only responsible for doing this on behalf of your employees, but for your clients as well. Seek advice from an accountant or other tax professional to help ensure you are operating in the most tax-efficient manner.

Tax-Deductible Expenses
The government wants to help support small business. One way they do this is by giving small business owners a small break in the form of tax-deductible expenses, which lower taxable income, and therefore the amount they are required to pay in taxes. All expenses that are incurred to operate your business are technically deductible; as long as you can make the case that the costs are "ordinary and necessary." Ordinary in that these types of expenses are commonly incurred in your field of business, and necessary in that they help you fulfill your day-to-day obligations as a business.

Questions to Ask Your Financial Advisor

1. How do I establish clear boundaries between my personal wealth and my business so that I can protect myself if the business fails?
2. What business expenses are tax-deductible?
3. Can you help me formulate a business succession plan?
4. How can I prepare for the future monetization of my business and how could that event impact my tax, trust, and estate planning?
5. How can I diversify my personal investments so my exposure and risk are not concentrated in one particular industry or company?

Must Reads

The Startup Playbook: Secrets of the Fasting-Growing Startups from Their Founding Entrepreneurs

AUTHORS: DAVID KIDDER AND REID HOFFMAN

With lessons learned from leading entrepreneurs and CEOs from PayPal, LinkedIn, AOL and Zipcar to name a few, this book goes inside the minds of great innovators and shares their secrets for building great companies.

The Lean Startup

AUTHOR: ERIC RIES

Provides a scientific approach for creating and managing startups more efficiently through idea validation, minimum viable products, and adaptation in a fast-paced world of innovation.

Shark Tales: How I Turned $1,000 into a Billion Dollar Business

AUTHOR: BARBARA CORCORAN

An inspiring story of how the famous Shark Tank judge, Barbara Corcoran, built a $6 billion dollar real estate empire with a $1,000 loan from her boyfriend.

Zero to One: Notes on Startups, or How to Build the Future

AUTHOR: PETER THIEL

An inspiring, intellectual dive into the future of innovation and the opportunities for creating an exceptional business.

Good to Great

AUTHOR: JIM COLLINS

Sharing management best practices, this road-map for organizations and leadership uses research findings and case studies to highlight what makes a great company.

The Art of the Start

AUTHOR: GUY KAWASAKI

This book is a guide to mastering the start of anything, from a new company to a new product launch, with strategies for success from a bestselling author.

CITATIONS:

[1] Peng, Tina. "Where to Get Startup Cash Now," CNN Money. March 2010.

[2] Gallagher, Billy. "Snapchat Raises $13.5M Series A Led By Benchmark, Now Sees 60M Snaps Sent Per Day," TechCrunch. February 2013.

[3] Kalanick, Travis. "We're Going Global With Big Funding," Uber Newsroom. December 2011.


We're
OPEN

Playbook: Your Guide to Life & Money

Tying the Knot: To Half and to Whole

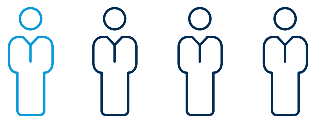
What Is Covered in This Chapter:

- Questions to ask your future partner before making it official
- Real talk on all things related to love and finances: prenups, savings, and spending habits
- Budgeting for bling, weddings, and honeymoons
- Navigating newlywed expectations and managing joint finances

From planning the big day to planning the rest of your lives, tying the financial knot involves adjustments and compromise. For richer or poorer—with an emphasis on the richer part, preferably. By understanding expectations, setting common goals, and mapping out life as a couple, there are lots of ways you can build a healthy financial foundation for the future, together.

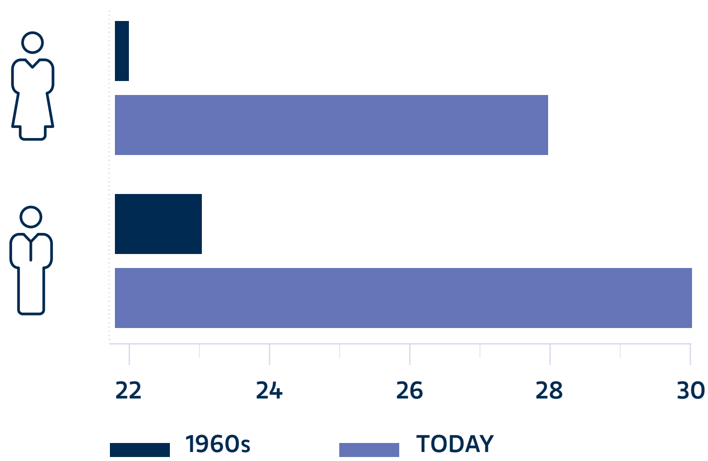
Modern Love

Not only are people waiting longer than ever before to get married—with a median age of 28 for women and 30 for men compared to 20 and 23 in the 1960s[1]—



but as of 2018, a record 35% of Americans ages 25 to 50, 39 million people, had never been married, according to a new Institute for Family Studies (IFS) analysis of U.S. Census data. The share was only 9% in 1970.[2] Although the majority of Americans are still choosing to get hitched, marriage is no longer viewed as a prerequisite for a happy, stable, and brag-worthy life.

Median Age of Marriage in U.S.

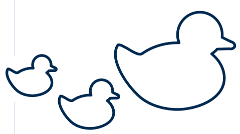


THEN — NOW

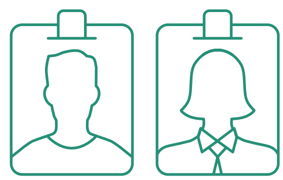
The Evolution of Marriage Stereotypes

The traditional role of marriage is evolving along with gender roles, career expectations, and modern-day families.

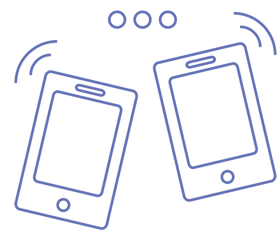
BREADWINNER VS. HOMEMAKER MODEL



GENDER ROLE TRANSITION



MODERN DAY PARTNERSHIP



	BREADWINNER VS. HOMEMAKER MODEL	GENDER ROLE TRANSITION	MODERN DAY PARTNERSHIP
Catchphrase	"Honey I'm home!"	Pantsuits for all!	What's your policy on paternity leave?
Career Roles	He makes the bacon, she cooks it; female careers limited to secretarial jobs	Women are also breadwinners, until they have a bun in the oven	Sharing responsibilities when it comes to income, housework, and caregiving
Weeknight Meals	Roast dinner with homemade apple pie for dessert	A quick fix using whatever is available (or defrost-able) to make a pasta salad or quiche	Something fresh and local picked up on way home, ordered online, or delivered by subscription box
Happy Hour Expectations	Come home to a clean house, happy wife, and stiff drink	Date night and a babysitter	"Unplug" from all devices for quality family time

The number one rule? Be honest with each other.

When two become one

Creating a life together is magical, but it also brings with it a whole new meaning to the word "compromise:" morning bathroom time, the "good side" of the bed, the TV remote, Saturday plans, work-from-home schedules, holiday family visits—"mine" becomes "ours" (and occasionally even "yours"). To avoid letting money become a sensitive issue rather than a means to supporting the life you treasure together, lay it all out from the start. As a unit, you now share everything, including family responsibilities, money values, credit histories, budget restrictions, and spending patterns, so don't be shy when it comes to sharing your financial hopes and fears.

Setting Expectations

The number one rule? Be honest with each other. 7 in 10 Americans married or living with a partner have had a disagreement with their companion about finances in the past year.[3] Forget chocolate or couples therapy—one of the best things you can do to help ensure the success of your relationship is to get comfortable talking about money.

Take time to respectfully listen to each other's vision for the future—where you want to live, what type of career you want to pursue, how many children you want to have, and how you want to retire. Routinely talk about lifestyle expectations and your financial well-being as a couple or family so that it becomes part of your routine, rather than a hot topic.

12 Questions to Ask a Future Partner Before Committing

1. What are your life goals and dreams?
2. What are some of your earliest money memories (the good and the bad), and how did your family talk about money growing up?
3. What are some of your biggest financial concerns about the next 5–10 years? What about the next 20–25 years?
4. Do you have any outstanding debt or obligations I should know about, and if so, do you have a plan in place to address them?
5. If you were to receive a $1,000 tax refund tomorrow, how would you spend it and why?
6. What are your professional goals? How do you envision balancing career and family?
7. What are your expectations for each other's career responsibilities?
8. What does your dream retirement look like? Do you even want to retire?
9. Do you want to live in the city, the suburbs, or a more rural area?
10. If you plan on having children, how do you envision sharing parenting responsibilities and what values do you want to pass on when it comes to money?
11. How do you envision dividing household expenses and who is going to be responsible for financial chores such as paying bills, tracking expenses, and managing the budget?
12. If one of us were offered a career opportunity in another city or country, how would we handle it?

WINNING PLAYS for Couples:

Communicate, communicate, communicate.
Start by asking your partner about any debt, secondary income sources, expected inheritance, or properties you should know about. While you probably want to avoid asking your partner about their 401(k) during your first date, communicating early and often will help you both become more comfortable with the topic and avoid unpleasant surprises in the future.

Schedule monthly or quarterly money dates.
Timing is everything when it comes to discussing the "M-word" (a.k.a. Money) and it helps to plan ahead so no one is blindsided. Get in the habit of scheduling regular meetings to discuss your finances and address any concerns or questions that may come up throughout the year. Consider creating an official calendar invite and planning these conversations around something fun like a movie night or dinner date.

Get to know your partner's money personality.
Everyone approaches his or her finances differently. Some people are savers, others are spenders, and some people prefer to avoid the topic altogether. Once you know your partner's money personality, try and play to his or her strengths. If you are the saver, you might want to manage your joint retirement savings, while your partner focuses on paying the monthly utility bill.

Establish common money goals.
Even if you and your partner still have separate accounts, it's important to be working toward common goals. Once you know what these goals are, establish how much you are each going to contribute toward your goal every month and stick to it. An equal amount or equal percentage of income is often the easiest way to do this.

Agree on an individual spending limit.
This is especially relevant if your finances are merged. To avoid the negative connotation of having to "ask for permission" to spend money from a joint account, agree that any purchases above a set limit must be discussed and agreed upon together.

Get filing.
Make sure to organize all financial documentation, including both individual and joint paperwork, in a central place. Create a filing system for all aspects of your financial status as a couple (such as account statements, tax returns, contracts, and bills), so that you can easily refer back to your financial history when it comes to important applications or decisions in the future.

"Having open and honest dialogues about your finances and your goals at least once a month is critically important. Outside of the trust that it builds, it also helps you and your significant other stay on the track to achieve your financial goals. Your life doesn't always follow a straight path, so having someone to share in the ups and downs with makes it much easier."

ALICIA BIGGS — *CAPITAL MARKETS ASSOCIATE, MORGAN STANLEY INVESTMENT MANAGEMENT*

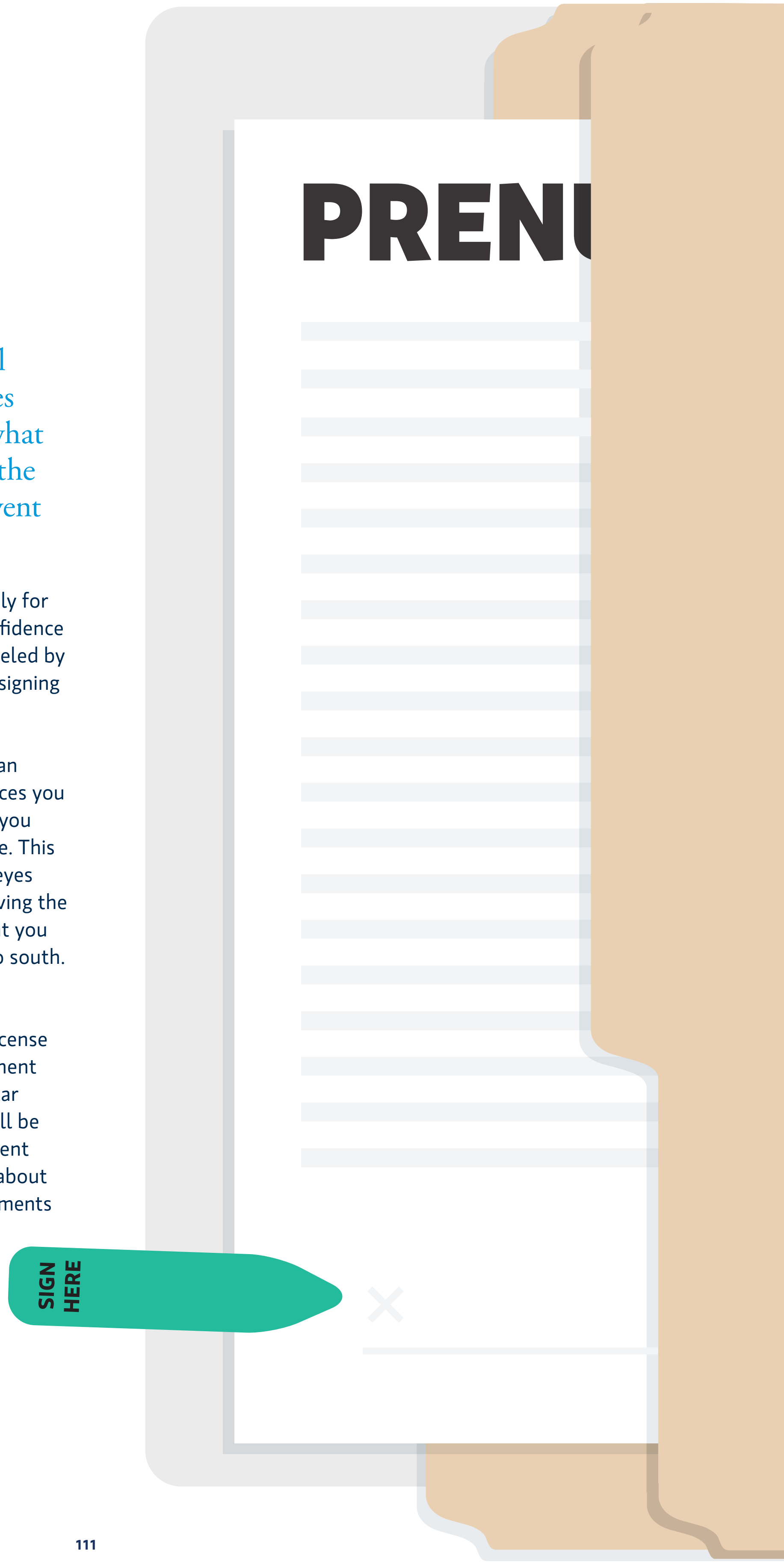
Prenups: Ultimate Mood Killer or Secret to Marital Bliss?

A prenup or "prenuptial agreement" is a legal agreement between two parties that outlines exactly which assets belong to whom and what happens to these assets and any assets that the couple might accumulate together in the event the marriage ends.

Prenups get a bad rap. There's a stigma that prenups are only for the ultra-wealthy and suggest a lack of commitment or confidence in the longevity of a relationship. This reputation may be fueled by the tabloids, but more and more non-celebrity couples are signing this document before saying "I do."

In fact, there are a lot of reasons to believe that a prenup can increase your chance of achieving a happily ever after. It forces you and your partner to discuss your finances and address how you will handle certain stressful scenarios together in the future. This helps ensure that you are both entering the marriage with eyes wide open. Divorce is messy and emotional enough—by having the tough conversations up front, you reduce the likelihood that you find yourself in a painful, drawn-out legal battle if things go south.

Skipping the Big Day Altogether?
If you and your partner have decided to skip the marriage license altogether, consider drafting a domestic partnership agreement or a cohabitation agreement instead. This document is similar to a prenup and includes provisions about how expenses will be shared as well as how common assets will be split in the event the relationship should end. Talk to your Financial Advisor about seeking advice for decisions related to joint financial arrangements such as purchasing a home together or alternative money management strategies such as Family Limited Partnerships.



WINNING PLAYS for Prenups:

Hire separate attorneys.
This not only avoids any potential conflict of interest between you and your fiancée, but it also increases the chances that your prenup will be enforceable in court.

Be specific.
Where possible, define terms such as marital property vs. separate property to avoid any uncertainty or confusion in the future.

Be fair.
For a prenup to be enforceable in court, it cannot be too one-sided.

Start the process early.
Do not wait until the week before the wedding to finalize your prenup. By that time you will have more than enough to worry about with seating charts and needy relatives.

Avoid any mention of child support or custody.
Prenups are solely focused on establishing provisions related to you and your partner.

Pick an appropriate venue to have the discussion.
In case you were wondering, prenups do not make for appropriate pillow talk.

Research state-specific regulations.
Some states, such as California, require that a prenup be signed at least seven days after it has been presented.

Reflect important terms in your estate plan.
A prenup is just one of the many legal documents that you and your partner will be drafting together. Avoid potential issues by making sure these agreements don't contradict one another.

Breaking Down the Big Day

Bling 101
With so many options for engagement rings and wedding bands, it can be easy to get lost in all the sparkle. Here is an overview to help ensure you are making an educated purchase using the 4C's of diamonds:

Clarity	This refers to the flaws or "inclusions" in the diamond. Although the vast majority of these flaws cannot be seen by the naked eye, when it comes to price, less equals more.
Color	Ranging from D to Z, diamonds vary in the degree of color tint (slight yellow) as you move further down the alphabet. For example, D, E and F diamonds are considered colorless and therefore are more expensive. G, H, and I diamonds have a slight hint of yellow (considered 'near colorless'). Although the color is unnoticeable to the untrained eye once mounted, it can have a significant impact on pricing.
Cut	The shape of the diamond (including factors like symmetry and precision). Common cuts include brilliant (round), emerald (rectangular), and princess (square).
Carat	The weight of a diamond ranges from a fraction of a carat to multiple carats. A carat equals 200 milligrams and can be measured with two decimal points (e.g., 1.08) for specific detail. As the carat weight increases, so does the cost.

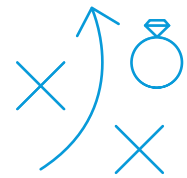
TIP: Make sure to get a certificate upon purchase to help ensure you are not being taken advantage of and have all the documentation for insurance purposes.

Wedding Budgets

Weddings come to life in all different sizes and formats from intimate microweddings to more traditional wedding celebrations. Here are some ways you can make your budget work for the wedding you envision.

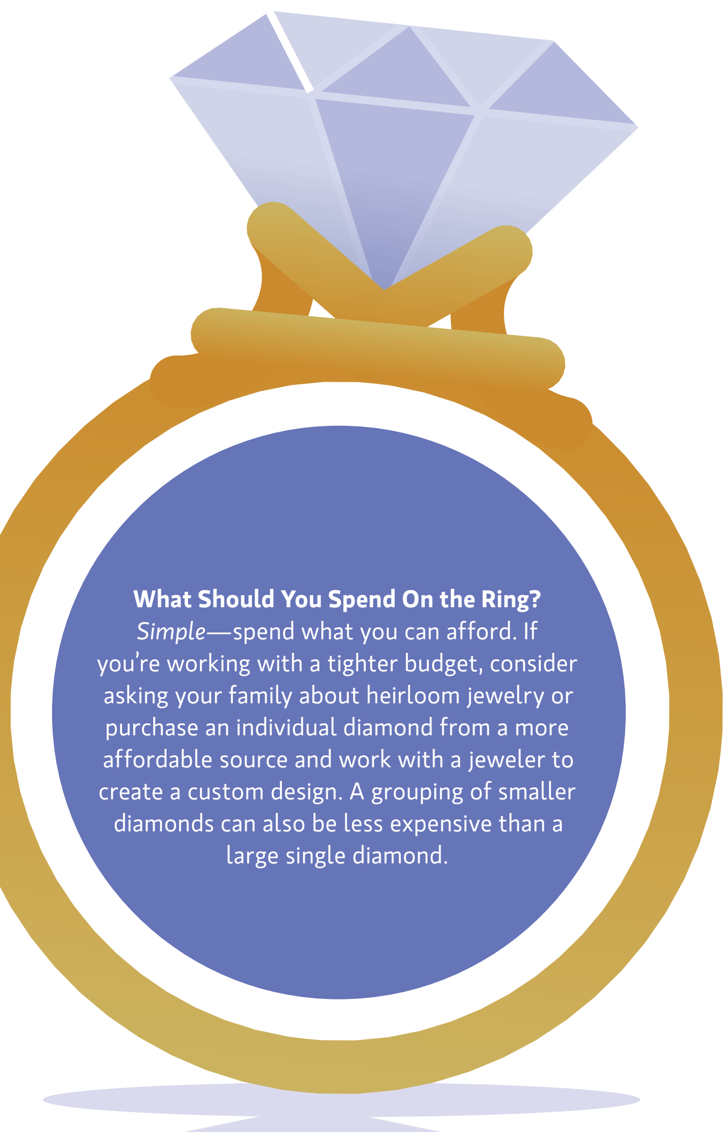
GET REAL:
Whether you have financial support from either or both families, or are paying for the wedding as a couple, have an honest dialogue about financial expectations before the planning begins. If either of your families decides to contribute, make sure everyone has an understanding of how that will work and what it will entail.

GET TO A NUMBER:
Start researching the costs of different wedding vendors to avoid being caught off guard by just how expensive a wedding can be. Decide on a ballpark figure for the total cost that you and your partner (and any contributing family members) feel comfortable with and work backward from there. Your number should reflect what you could comfortably afford, rather than what you would like to spend.



ESTABLISH PRIORITIES:
Determine what elements of the wedding are most important to you as a couple so that you are prepared to make the necessary trade-offs. If you have your heart set on a particular vendor (e.g., a photographer or caterer), be sure to reach out for an estimate and work that into your budget. Be flexible as venues adjust to new capacity rules and safety protocols.

BE PROACTIVE WHEN IT COMES TO FAMILY:
If there are certain aspects of the celebration that are particularly important to either family, discuss these upfront to avoid unexpected or uncomfortable "asks" leading up to the big day. These last-minute changes could also have a huge impact on your budget and logistics.



What Should You Spend On the Ring?
Simple—spend what you can afford. If you're working with a tighter budget, consider asking your family about heirloom jewelry or purchase an individual diamond from a more affordable source and work with a jeweler to create a custom design. A grouping of smaller diamonds can also be less expensive than a large single diamond.

HONEYMOON HACKS

- Use credit card points or frequent flyer miles to book or upgrade travel.
- Consider a honeymoon registry, in which guests can choose to give alternative wedding gifts, including contributing to your travel fund or paying for specific activities such as a snorkeling excursion.
- Shake up the traditional honeymoon with a staycation or local mini-moon. Use the extra funds and put it into your first home instead.
- Explore all-inclusive options to manage costs upfront and avoid the "why not get a third bottle of champagne, it's our honeymoon!" rationale that could put a damper on the trip once you receive the bill.
- Check out discount sites such as Mr. & Mrs. Smith that can give you access to perks such as room upgrades, if available.
- Drop the honeymooner hint to the hotel or airline staff. You never know when someone will feel extra generous and decide to upgrade your reservation on the house.

Wedding Etiquette: Do's and Don'ts of Being the Perfect Guest

DO return your RSVP as soon as possible and answer all the questions. The last thing the couple wants to worry about is whether you would prefer steak or salmon.

DO check out the couple's registry, if they have one. For close friends, you may consider opting for a more personal gift, but a registry exists for a reason. Stick to the couple's wish list to make sure your gift of choice is something they really want.

DO send a gift, even if you cannot attend. Technically, you have up to a year after the wedding to do so, but if you wait, you might risk forgetting to send a gift altogether.

DO congratulate the family. Remember, this day has probably involved extensive planning, so sharing your gratitude and best wishes can mean a lot to the couple's nearest and dearest.

DON'T wear white. You have an entire rainbow of other color options to choose from.

DON'T ask for a plus-one if it has not been offered. Respect the couple's wishes for their special day, and know that if they want to extend the invitation at a nearer date, they will do so.

DON'T miss the magic because you're glued to your screen. You can choose the perfect Instagram filter after they say "I do." Also, be courteous about flash photography (or photography in general) as the couple may not want guests taking photos during the ceremony.

DON'T leave before the cake is cut. You'll miss out on a special celebratory moment, and come on, who doesn't have a little space left for dessert?!

The Financial Perks for Newlyweds

As newlyweds, there are various tax, legal, and saving opportunities that you may be able to take advantage of.

1

FILING TAXES JOINTLY:
If one spouse is making significantly more than the other, you may qualify for a lower tax bracket when filing jointly as opposed to the higher-earner's single bracket.

2

HEALTH INSURANCE:
When it comes to health insurance, it can be more economical to add an extra person to a policy than to pay for separate health insurance plans. This is particularly useful if one spouse is self-employed.

3

GIFTING MONEY:
As U.S. citizens, you can make tax-free gifts of any amount to your spouse rather than paying gift taxes in the event one of you is supporting the other financially.

4

RETIREMENT SAVINGS:
You can contribute to a spousal IRA. If one of you is not working, the working spouse can generally contribute to the non-working spouse's IRA.

Joint Accounts and Financial Independence

Should you combine your bank accounts or keep finances separate?
Here are the pros and cons of both scenarios:

JOINT ACCOUNTS		SEPARATE ACCOUNTS	
Pros	**Cons**	**Pros**	**Cons**
+ Can simplify managing family budgets and paying for shared expenses like rent or groceries.	– Can cause tension if one spouse has significantly different spending habits or varying levels of income.	+ Can give couples a sense of financial independence and autonomy.	– Tracking spending patterns, savings goals, and budget benchmarks can be more complicated when working across multiple bank accounts.
+ Can help you establish a healthy financial dialogue and avoid money secrets by encouraging transparency.	– Reduces privacy and discretionary spending.	+ May encourage more budgeting discipline with access to a smaller pool of funds.	– The responsibility of paying joint expenses and bills falls on one spouse.
+ Spouses have immediate access to funds in the event of an emergency.	– Spouses are tied to each other's credit history and/or debt.		– Harder to cover larger joint expenses or float the cost of large purchases if one partner's income is timed differently.

What's in a Name?: How to Change Your Name

1 Step 1: Change your social security card
Fill out the Name Change Application on the Social Security website and gather supporting documentation including your marriage certificate, birth certificate, U.S. driver's license, and U.S. passport. Submit your application and supporting documentation either in-person (at a local social security office) or by mail. You should receive your new card 10 days after your application is processed.

2 Step 2: Change your driver's license
Bring your new social security card along with multiple forms of identification such as your current driver's license and certified marriage license to the DMV.

3 Step 3: Change your bank account information
Bring your updated driver's license as well as your marriage license to a branch office of your bank. Upon changing your name on the account, don't forget to request new checks, debit cards, and credit cards if required.

4 Step 4: Update everything else
After changing your name on both your social security card and driver's license, you should be able to switch to your married name on everything else, including:

- Employee documentation/payroll
- Utilities
- Post Office records
- Leases or mortgages
- Insurance policies (auto, home, life)
- Medical records
- Voter registration
- Financial accounts
- Passport

Questions to Ask Your Financial Advisor

1. Can we review any investment accounts belonging to either partner to cover risk tolerance and investment objectives?
2. Should I consider consolidating accounts, or if opening a joint account, how can I determine an investment style that meets our joint objectives?
3. Should I rebalance my portfolio as I start married life?
4. How can I begin preparing for future marital expenses such as family planning or buying a home?
5. If either partner has outstanding debt, what should I focus on paying off as soon as possible?

Must Reads

[Things I Wish I'd Known Before I Got Married](#)
AUTHOR: GARY CHAPMAN

This book shares the wisdom of 50 leading investors in a seven-step blueprint for achieving financial success.

The Knot Book of Wedding Lists
AUTHOR: CARLEY RONEY

Filled with useful checklists, this book can help manage wedding planning details from start to finish.

For Better
AUTHOR: TARA PARKER-POPE

An exploration of marriage today from a popular *New York Times* columnist who shares statistics and research findings on what contributes to a successful marriage.

Smart Couples Finish Rich
AUTHOR: DAVID BACH

This step-by-step guide to financial planning for couples provides simple money management tools.

It's Not You, It's the Dishes
AUTHORS: PAULA SZUCHMAN AND JENNY ANDERSON

This entertaining book explores the practice of building a happy marriage from a business perspective.

CITATIONS:

[1] US Census Bureau. (2020).

[2] Institute for Family Studies. Using U.S. Census Data (2020).

[3] The Harris Poll, on behalf of the AICPA. (2021).

Morgan Stanley

Playbook: Your Guide to Life & Money

Buying a Home: Making Moves

“We shape our dwellings, and afterwards our dwellings shape us.” — Sir Winston Churchill

What Is Covered in This Chapter:

- Determining if and when you should buy
- The cost of buying a home and ways to help you prepare financially
- Mortgage basics and the process for securing home financing
- A step-by-step checklist for finding, assessing, and closing on your future home
- Common mistakes for first-time homebuyers and ways to help you avoid them
- Questions to ask before signing on the dotted line

Buying your first home just may be the most important (and intimidating) investment decision of your adult life. More than simply a roof over your head, your home can serve as a place to settle in, entertain friends, raise a family and start building equity in a tangible asset. But before taking the leap, it’s important to evaluate all the factors before signing on the dotted line. Understanding the real estate market, total costs of homeownership, and available financing resources are all critical to finding and securing your dream home. Happy house hunting—your DIY Pinterest board awaits.

To Buy or Not to Buy?

Buying your first home comes with significant financial and lifestyle implications. It's a big decision! Although it may seem like the logical next step, just because your friends are making the leap doesn't necessarily mean it is right for you as well. Do your due diligence and weigh your options before putting a stake in the ground.

Questions to help you decide:

1. Do you see yourself moving to another city, state, or country in the next 3–5 years?
2. Have you calculated the estimated costs of homeownership in your desired city or neighborhood? (Don't forget to include maintenance costs and closing fees).
3. Have you reviewed your credit score recently?
4. Are there any other big-ticket expenses you anticipate needing to pay for in the near future?

PRO TIP

"When you rent an apartment, all your money goes straight into the pocket of your landlord or Management Company. You are not building equity or reaping any tax benefits. When you own property, on the other hand, you can build equity as the value of the property increases, and a portion of your monthly expenses (real estate taxes and mortgage interest) are tax deductible."

ROBERT J. SMITH, ATTORNEY AT LAW

Benefits of Owning vs. Benefits of Renting

BENEFITS OF OWNING

- Financial advantages
    - Potential appreciation
    - Potential equity
    - Tax deductions
- Freedom to make certain improvements
- Become part of the neighborhood

If you are planning on staying in the same place and do not foresee any major purchases or expenses in the coming 3–5 years (think: kids, planned medical procedure, travel)...

Your financial situation and near-term goals may make you a good candidate to buy. However, when approaching such a big decision, make sure to educate yourself and seek out good advice. Pay close attention to financing and take into account the many unexpected and underestimated costs involved in buying a home.

BENEFITS OF RENTING

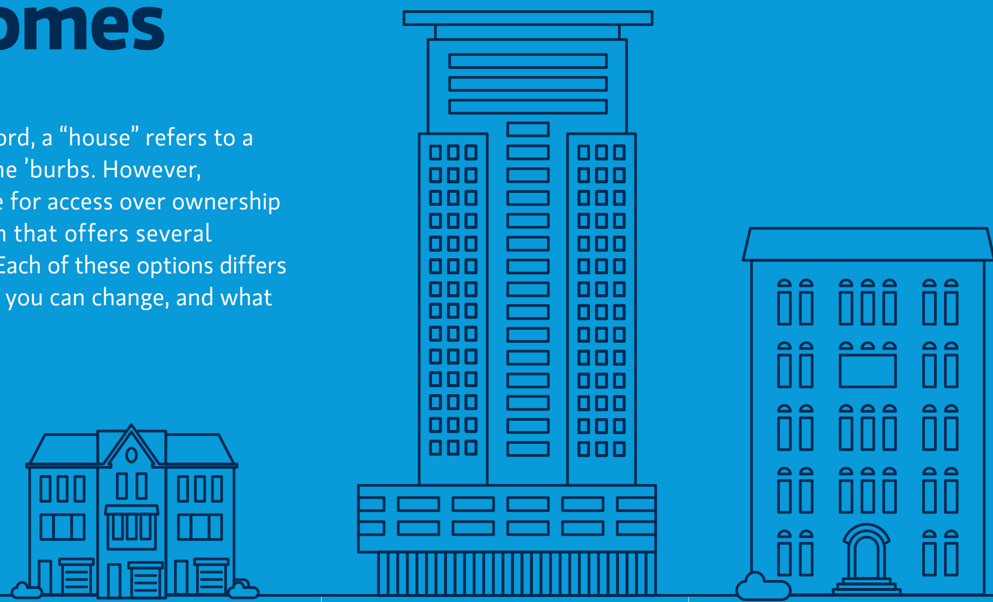
- Usually not responsible for repairs
- Increased flexibility/transferability
- Landlord bears the risk of decline in property value
- May cost less per month; savings can be used for other financial goals

If there's a potential move in your future and/or other big-ticket items you're saving for...

You may want to continue renting until you have a solid understanding of your five-year plan and fewer big-ticket expenses to worry about before making such a big investment. In the meantime, start preparing for when the time is right.

Types of Homes

In the most traditional sense of the word, a "house" refers to a freestanding, single-family home in the 'burbs. However, urbanization and a growing preference for access over ownership have led to a more inclusive definition that offers several alternatives to the white picket fence. Each of these options differs when it comes to what you own, what you can change, and what you need to pay.



	Townhouse	Condominium ("Condo")	Cooperative ("Co-op")
YOU OWN...	Typically, the home and the land. You may also get a yard or a garage as an added bonus.	Everything inside the walls of your unit, but not the building or the land. Any common areas such as stairwells, hallways, entryways, or outdoor spaces are shared and owned by all condo owners collectively.	Shares in the corporation that owns the building. You do not own your specific unit, but your ownership stake (i.e., the value of your shares) is based on the size and desirability of your home.
YOU CAN CHANGE...	In some cases, both the interior and the exterior. Be sure to check with the homeowners association about any restrictions pertaining to exterior changes such as painting or landscaping.	The interior of your unit.	Nothing, unless you have the board's approval. Try to catch them on a good day.
YOU PAY...	Monthly fees to the homeowners association.	Monthly common charge fees and real estate taxes. Monthly fees go towards shared expenses such as renovations, insurance, security, and amenities (e.g., gym, laundry). You are responsible for your own air conditioning, heating, and water bill.	Monthly maintenance fees to the co-op board to cover joint expenses, including maintenance and property taxes.
THINGS TO CONSIDER...	There may be less likelihood of noisy neighbors directly above or below you. Roof leak? Snowed in? This could become your problem.	You may enjoy all the shared amenities of the building without having to worry about nuisances like building maintenance or taking out the trash. You may have less privacy and a higher risk of unpleasant neighbors. Additionally, some buildings do not allow pets or have pet restrictions that would prevent your current pet from being able to move in with you.	Co-ops offer a way to build equity in a home without taking responsibility for all the maintenance costs associated with the upkeep. The board review process can also help weed out undesirable neighbors, which ensures new buyers are financially responsible and a good fit for the building.

The Total Cost of Buying a Home

The burden of buying a home may seem doable when compared to your current rent payments, but home ownership involves a number of costs that may go overlooked. Before you make the financial and emotional commitment of starting the home buying process, consider the collective costs carefully to avoid potentially ending up house-rich and cash-poor.

FACT:
70% of Millennials planned to put down less than 20% as a down payment on their new home.[1]

WINNING PLAY for Buying a Home

Upfront expenses (such as the down payment, closing costs, and earnest money) may require immediate payment, so make sure you have sufficient liquid resources to cover these costs. Talk to your Financial Advisor about your current financials and ask your attorney about the hidden upfront costs you might encounter.

+ **Down Payment**
  While there are several ways to reduce your down payment, be prepared to pay at least 20% of the purchase price upfront.
+ **Closing or Escrow Costs**
  All the costs you might incur throughout the process of finding and closing on the home of your dreams. This can include loan origination fees, title searches and insurance, home inspections or appraisals, legal fees, and credit report inquiries.
+ **Earnest Money**
  A good faith deposit of up to 10% of the purchase price may be requested by the seller and is usually credited towards the overall down payment.
+ **Property Taxes**
  Taxes that homeowners are required to pay to local jurisdictions including your county, city, or school district.
+ **Mortgage Taxes**
  In some cities, the local government may require you to pay a mortgage tax of up to 2% (or potentially more) of your loan amount.
+ **Homeowners Insurance**
  You'll want to protect your home from unforeseen damages such as fires, flooding, theft, and liability if someone is injured on your property. A lender may also require that you get homeowners insurance before determining whether to give you a mortgage or not.
+ **Utilities and Maintenance**
  Bills, bills, bills on everything from snowplowing to electricity. Remember, a home is only as valuable as the shape it's in. Investing in proper home maintenance can help ensure that the property value does not depreciate from lack of upkeep.
+ **Unexpected Expenses**
  Leaks happen…and they can get expensive.
+ **Beautification Budget**
  Expenses associated with renovations, interiors, and DIY projects. If you are upgrading to a larger space, you may need to buy more furniture to fill it. Make sure your budget also accounts for smaller costs such as paint supplies, cleaning services, home decor, and movers.

How to Prepare for a Home Purchase

1. **Evaluate your purchase readiness and estimate how much house you can afford.**
   A good benchmark is paying no more than 25–30% of your monthly gross income on your housing payments (including mortgage costs, homeowners insurance, property taxes, etc.). If you're a first-time buyer, make sure to budget for things that may not be part of your current rental expenses like garbage removal or landscaping.

TIP: Talk to a Financial Advisor about your options. In addition to paying with a mortgage or in cash, you may consider a securities-based loan. If you qualify, this type of loan allows you to borrow on the value of the eligible securities in your brokerage account at Morgan Stanley Smith Barney LLC.

Please note: Borrowing against securities may not be appropriate for everyone. You should be aware that there are risks associated with a securities-based loan, including possible maintenance calls on short notice, and that market conditions can magnify any potential for loss. For details please see the important disclosures at the end of this chapter.

2. **Select a mortgage lender and apply for a conditional pre-approval letter.**
   Asking friends and family members for referrals can be a good way to source candidates.

   Documents to prepare for pre-approval:
   i. Credit report
   ii. Last year's W2 or 1099 statement
   iii. 30 days of pay stubs
   iv. Recent bank statements and federal tax returns (or business returns if self-employed)
   v. Recurring debt obligations
   vi. Employment history

PRO TIP

"A lot of people get pre-approved for a loan, but it's not a guarantee. It is not always based on your financial stability or creditworthiness either—a bank can refuse to give you a loan if it finds problems with the building or apartment you are buying, no matter how financially qualified you are."

•

ROBERT J. SMITH, ATTORNEY AT LAW

3. **You may choose to find a real estate agent who is familiar with your desired neighborhood(s) and can help you navigate the buying process.**
   A professional can help provide in-depth knowledge about price trends in your area, highlight potential building concerns, and/or determine what differentiates two seemingly identical properties. An agent can occasionally help you get access to homes that may not be available on the market yet and set up viewing appointments on your behalf.

PRO TIP

"When targeting a particular neighborhood, try to find someone with an in-depth knowledge of the area by looking for agents listed frequently on local listings. Attending open houses is another great way to meet agents and assess whether or not it is a good fit."

•

KELLY COLE, COMPASS REAL ESTATE AGENT

4. **You may find it helpful to create a list of "must-haves" and "nice-to-haves"—what you're willing to compromise on and what are your non-negotiables.**

5. **Go house hunting.**
Consider the type of home you are looking for and evaluate the pros and cons of each. Single-family homes, condominiums, townhouses, and co-ops may have different lifestyle and ownership propositions.

WINNING PLAYS for House Hunting[2]:

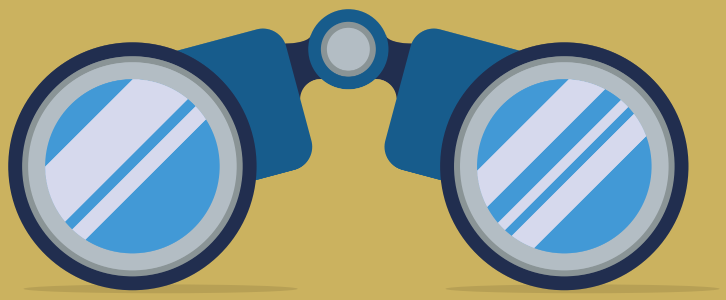
- Open every window and door, including closets, cupboards, and storage space.
- Bring a tape measure to make sure your furniture will fit.
- Check the shower and other faucets to test water pressure.
- Take notes so that you can compare with your must-have vs. nice-to-have list.
- Bring a friend—getting a second opinion always helps.
- Clarify inclusions and exclusions—love that built-in media cabinet or custom light fixture? Make sure to confirm what is included in the sale to avoid misguided expectations.
- Educate yourself on the limitations and requirements of any Owner Associations that the home may be subjected to.
- Will you need a home office for work-from-home necessities?

6. **Find an attorney who can review and/or prepare any required documents.**

PRO TIP

"Buying a home is one of the most important milestones in anybody's life, so you need all the protection you can get. Once you have found a property you want to buy, ask a lawyer to review the contract to make sure it reflects the terms and conditions discussed as well as all the necessary protections."

ROBERT J. SMITH, ATTORNEY AT LAW



7. **Do your due diligence.**
Before you close on the property of your dreams, there are a few housekeeping items you may need to take care of:
   - *Conduct a home inspection.* The inspector (often an engineer) will assess the building and any major infrastructural systems. An inspection is typically only conducted when buying a house, since co-op and condo buildings are inspected annually and will undergo a thorough evaluation during the attorney's due diligence. Be sure to note whether the contract includes a "Buy As-Is" clause.
   - *Appraise the value of your home.* This protects the lender and the buyer by identifying any repairs that may need to happen and helps ensure you're paying a fair price.

PRO TIP

"If you plan on making any immediate renovations to the property, ask a contractor to provide an estimate before making an offer so that you can take this additional cost into account."

KELLY COLE, COMPASS REAL ESTATE AGENT

   - *Request a survey to verify legal property lines.* This serves as a permanent record of property lines, easements, right of ways, joint driveways, and utilities in the event of a greedy neighbor or encroaching local official.
   - *Shop around for homeowners insurance and title insurance.* Without homeowners insurance, most lenders won't give you a loan. Title insurance isn't always required, but it can help protect you in the event of a property dispute (for example, if previous ownership records are inaccurate and you are suddenly faced with unexpected claims to the land).
   - *Set up your utilities in advance.* Call your utility company a couple days before closing to transfer all services in your name. You don't want to get stuck without water or electricity on your first night in the new digs.

8. **Make an offer.**
Making an offer on a property can be stressful, and while you hope the odds are in your favor, there's no guarantee. One of the ways to help boost your chances of getting accepted is to make the process as easy as possible for the seller. Try to get your paperwork and finances in order at the outset, and consider the seller's expectations and preferences throughout the process.

TIP: It helps to have a "walk away" number (the maximum price you're willing to consider before walking away) in mind before you start the negotiations.

Here are some other factors to consider when making an offer:

- Other home sales in the neighborhood
- The length of time the property has been on the market
- The local real estate market
- What's included in the total price and what's not (e.g., refurbishments, light fixtures, etc.)

9. **Sign the contract and close.**
Remember, if it is not in writing, it doesn't count regardless of how many handshakes you've exchanged. If you need a loan in order to purchase the property, include a financing contingency in the contract. This can help you get out of a contract and get your deposit back in the event you cannot secure the loan.

Mortgages 101

If you have enough money saved up to purchase a new home outright without compromising your long-term financial goals, go ahead and skip this section (and skip on down the street). For the rest of you, a mortgage may be the most likely path to becoming a homeowner.

What is a mortgage?
A mortgage is a loan that is secured by real property. In other words, it's a loan that allows you to buy a home while only paying for a percentage of the total value upfront. This upfront payment is called a down payment. If you're a first-time buyer, your city or state government may be willing to give you a leg up through a homebuyer's assistance program, so be sure to research all your options.

What does a mortgage cost?
When you take out a mortgage, you agree on the length of time (the "term") for paying off the loan amount (the "principal") and the amount paid in interest each month. Typically, the shorter the term, the lower the interest rate. Other factors that impact your interest rate include your credit, the amount you are borrowing vs. paying upfront, and the type of mortgage you choose.

How do I get a mortgage?
You can get a mortgage from a variety of sources, including a bank or mortgage lender. To help ensure that you can pay them back for the loan, lenders may check your credit score and source of income, among other factors.

How are these mortgage payments applied to my ownership stake in the home?
Typically, a portion of your monthly mortgage payment goes toward paying off your principal. In other words, over time you can build equity in your home. The amount of your monthly payment that goes toward the principal increases over time until you own the home "debt-free". And of course, any appreciation on the value of the home is money in the bank.

If you want to get a sense of your total costs, it's important to look at the "Annual Percentage Rate" (or APR). In addition to your interest rate, the APR accounts for other mortgage-related costs like points and lender fees.

Points allow you to pay more upfront in exchange for a lower interest rate. Typically, each point equates to about 1% of the loan. You may want to ask your lender about your options.

What should I look at when choosing a lender?
Go with a lender who has a good reputation and a solid track record. Do your research and ask around for references. Pay attention to the representative's responsiveness throughout the search process as well as his or her ability to translate complex topics. There's a lot of jargon in this process so it helps to have a native speaker.

At the end of the day, the most important element is trust. Don't be lured by low rates—choose a lender you believe understands your wishes and go with your gut.

What types of mortgages are there?

FIXED-RATE MORTGAGE
You pay fixed monthly principal and interest payments for the duration of the term, which is 15 or 30 years.

You may consider if:

- You plan to live in your home for a long time.
- You expect interest rates to increase.

ADJUSTABLE-RATE MORTGAGE (ARM)
You pay a set interest rate for a pre-defined number of years, after which the interest rate is adjusted based on market conditions. The initial rate period can typically be anywhere between 3 and 10 years.

You may consider if:

- You plan to sell the home before the end of the initial fixed-rate period (e.g., if you plan to move as your family grows or if you think of this as a "starter house").
- You plan to refinance the loan before the end of the initial fixed-rate period, so that you can benefit from lower interest rates.

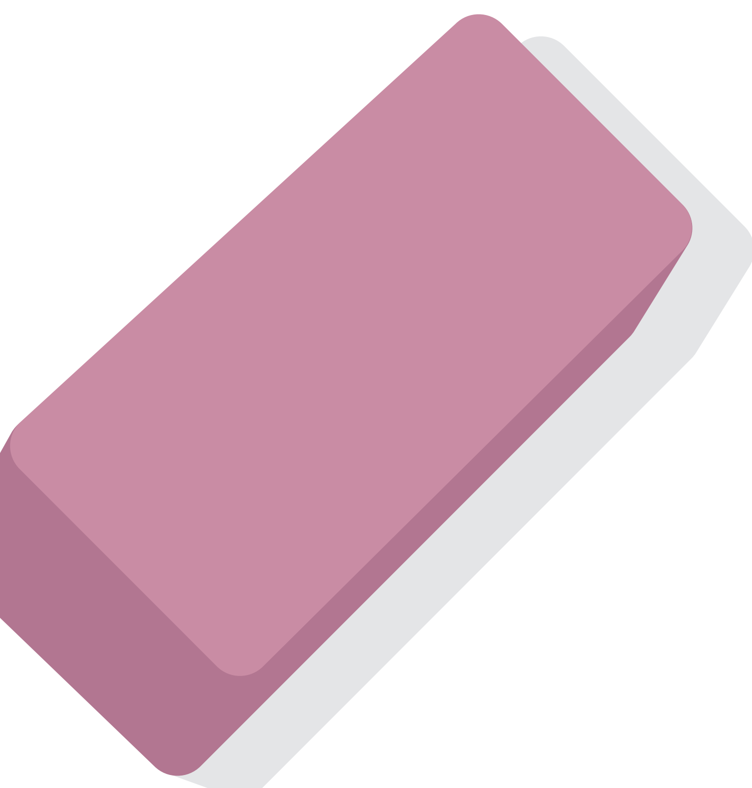
TIP: Uncle Sam wants you to buy a home, which is why first-time homebuyers may qualify for particular benefits such as lower interest rate loans or down payment options from banks or government organizations. Research what options may be available to you.

7 Common Mistakes First-Time Buyers Make

according to industry experts Robert J. Smith and Kelly Cole

1 Overestimating what you can afford
Make sure to review the total cost of buying a home, along with your budget to avoid ending up house-rich and cash-poor. Don't forget about expenses related to home maintenance, taxes, and insurance and consider looking into first-time homebuyer programs or special benefits you might be able to take advantage of.

2 Failing to communicate what's important to you
Make your life easier and communicate anything and everything that is important to you with your agent from the get go.



3 Over-extending credit too early in the process
Just because someone is willing to loan you more than you need does not mean you should take it. Interest is not your friend—make sure to think long term about how much that extra credit may cost you later on.

4 Assuming your first offer will be accepted
You may be competing with other bidders, or the seller may come back with a counter-offer. Use your agent as a guide throughout the process.

5 Skipping the home inspection
It is important to be aware of the risks. Waiving an inspection allows the seller to only share problems that are visible and of immediate risk. You may end up buying a home "as is" that has significant electrical or plumbing issues which now become your (expensive) problem.

6 Not including a financing contingency in the contract
Getting feedback that you have been pre-approved or pre-qualified for a loan does not mean that you are guaranteed the money. If your ability to purchase a home relies on securing financing, make sure your contract is contingent on loan approval. In other words, if your funding source falls through, make sure you have the option to make a clean exit.

7 Locking in your rate too soon
If you lock in your loan rate early in the process or get a rate lock for a particular amount of time, it may expire before both parties are ready to close and extending it can be expensive.

“Don’t get too caught up searching for the ‘perfect’ home for the rest of your life. Ask yourself if this is somewhere you feel comfortable calling ‘home’ for the foreseeable future. You cannot predict where you’ll be in 5–10 years.”

KELLY COLE — *COMPASS REAL ESTATE AGENT*

Questions to Ask Your Financial Advisor

1. How much can I contribute toward upfront and ongoing costs based on my current lifestyle and cash flow?

2. What financial adjustments (if any) should I consider making in my portfolio to make sure I have enough cash readily available to cover upfront homebuyer costs?

Must Reads

NOLO's Essential Guide to Buying Your First Home

AUTHORS: ILONA BRAY, J.D.; ALAYNA SCHROEDER, J.D.; MARCIA STEWART

A comprehensive guide for first-time homebuyers on the purchasing process, and the mistakes to avoid along the way.

Keep Calm... It's Just Real Estate: Your No-Stress Guide to Buying a Home

AUTHOR: EGYPT SHERROD

A "no stress" approach to buying a home from the host of Property Virgins, HGTV's top-rated show.

100 Things Every Homeowner Must Know: How to Save Money, Solve Problems and Improve Your Home

AUTHOR: FAMILY HANDYMAN

The one-stop reference guide for maintaining, repairing, and understanding your new house.

The Things That Matter

AUTHOR: NATE BERKUS

An exploration of how the objects, interiors, and design within a home reflect the stories of the people who live there.

CITATIONS:

[1] 2020 Millennial Home Buyer Report. (2020).

[2] Excerpt from interview with industry expert, Kelly Cole, from Compass Real Estate. (2016).

Kelly Cole began her Real Estate career in 2003 at the Corcoran Group. In 2007 she partnered with her husband Paul Cole and founded the Cole Team. While at Corcoran, the Cole Team was a top Sales Team Company-wide for Sales Volume year over year and the #1 Team in Corcoran's West Side office for the last 6 years prior to moving to Compass in 2019. Kelly and her Team are thrilled to be aligned with the Compass brand where their success continues. Prior to selling Real Estate, Kelly was an accomplished dancer, singer, actress for over a decade where she did Regional Theater, Film, TV and Broadway.

Robert J. Smith received his B.A. in Political Science from the University of Pennsylvania in 1980 and a J.D. from New York Law School in 1983. After almost ten years in practice, Robert opened his own practice in Manhattan in June 1993. Robert is a member of the New York State Bar Association (NYSBA) Committee on Condominiums and Cooperatives. In addition, Robert served as a member of the NY City Bar Association Committee on Cooperative and Condominium Law, where he chaired a subcommittee that revised the standard form coop and condo contracts. He is also a member of the National Association of Divorce Professionals and a member and Past President of BNI Manhattan Chapter 7. For more information visit www.robertjsmithlaw.com.

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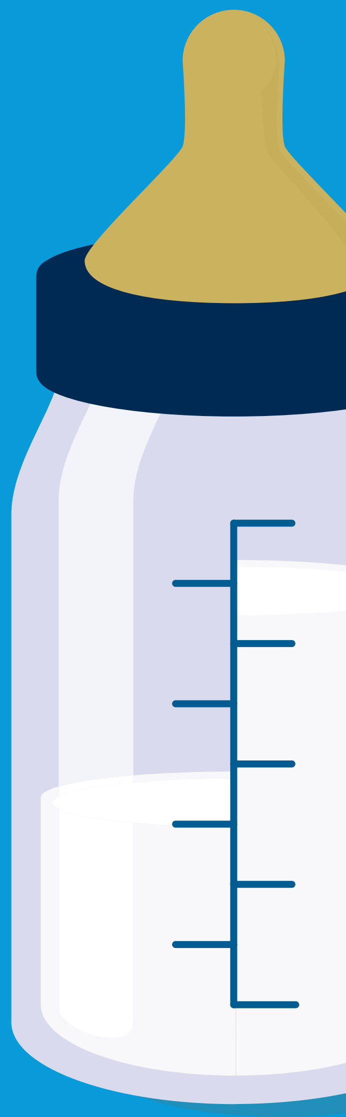
Playbook: Your Guide to Life & Money

Starting a Family: From Dollars to Diapers



What Is Covered in This Chapter:

- “Who’s on diaper duty?” and other important questions to ask before starting a family
- Baby budgeting 101
- Ways to start saving for your child’s education
- New parent checklists: from paperwork to policies
- Talking to your kids about money
- Puppy price tags and what to know before investing in a pet

Make way for the modern family. The age-old image of a 1950s kitchen featuring a mother behind the stove, a father who has just come back from work, and two children sitting down to enjoy a Sunday roast is a thing of the past. Families today come in all shapes and sizes. Whether your family consists of yourself, a partner, and a pet, or a few kids and a pair of aging parents, it’s important to understand the building blocks of family responsibility.

The Baby Bill

Anticipate what to expect before you're expecting. Amidst all the fuss about tiny toes, chubby little thighs, and hands you didn't even know came in that size, the stork isn't always up-front about what this door-to-door delivery is going to cost you. And let's just put it this way—for Storks LLC, business is booming.

The U.S. Department of Agriculture estimates that it will cost the average middle income parent almost $233,610 to support a child through his or her 18th birthday (more than $280,000 when adjusted for projected inflation). This does not include college tuition.[1]

How's that for a "bundle of joy?"

Of course, the cost of raising a family can vary significantly depending on location and lifestyle considerations. For example, the average tuition cost for private high school in a place like New York City is $25,198 per child per year.[2]

According to BabyCenter, 70% of new mothers say they're more anxious about money since having a child.[3] While there is no need to panic, there is a clear need to prepare. As you begin the countdown to your due date, take the time to create a baby budget. Your monthly expenses are going to change now that you have an additional mouth to feed, and for some this might also coincide with a temporary—or more permanent—decrease in household income. By mapping out your baby budget in advance, you can help ease anxiety about counting diaper costs and focus on counting which little piggy went to the market.

5 Important Topics to Cover With Your Partner Before Having a Baby:

1

CARETAKING RESPONSIBILITIES
What are your expectations for career vs. caretaking responsibilities? How will you handle 2 a.m. wake-ups and diaper duty? What happens if one of your careers drastically changes? Will the other partner be open to taking on additional childcare responsibilities? How do you handle child-care if one or both of you are working from home? If the child is doing remote learning?

2

EDUCATION
Private vs. public education? What kind of educational experience do you envision for your kid(s) and are you willing to make financial trade-offs in order to pay for it?

3

FINANCES
Are you financially ready for a baby? How will you cover any unexpected expenses such as medical emergencies?

4

BOUNDARIES
How will you approach disciplining your child? What do you believe is an acceptable punishment?

5

FAMILY SYSTEM
What ground rules will you lay for your family? How much will you let your own parents influence your parenting and what expectations will you have of them?

FACT:
In the first month of life, newborns average up to 8 to 10 diaper changes per day.[4]

Your Baby Budget

Every new parent's experience is unique. It is impossible to predict the circumstances surrounding your baby's birth or what type of childcare you will need; however, this general baby budget is meant to give you a sense of how the numbers shake out on average. Remember, estimated baby bucks can vary significantly depending on the cost of living in your area as well as your health insurance plan.

Cost of Pregnancy
Research has found that the estimated average facility costs of hospitalization for low-risk childbirths can range from $1,189 to $11,986. Keep in mind that the cost of childbirth can vary significantly depending on factors such as type of delivery, where you deliver, your insurance, and prenatal care.[5]

ONE-TIME PREPARATION COSTS	
Car seat	$75–$200
Stroller	$100–$900
Diaper bag	$50–$200
Front carrier	$50–$150
Activity equipment (e.g., swing, bouncer, play mat)	$100–$300
Crib, mattress & bedding	$250–$1,000
High Chair	$100–$500
Bathing & changing supplies	$50–$150
Nursing equipment	$100–$250
Childproofing materials	$50–$200
Feeding supplies	$25–$150
TOTAL	$1,100 - $4,500[6]

TIP: If you are having a baby shower, try and hold off until afterwards to make any of these one-time purchases; some may be gifted by generous friends. Hand-me-downs are another great way to save on bigger ticket items.

ONGOING COSTS DURING THE FIRST YEAR	
Diapers and wipes	$75–$100 (per month)
Formula	$75–$150 (per month)
Solid food	$50–$75 (per month)
Childcare	$300–$1,500 (per month) (nannies start at $2,500/month)
Health care	if insured, $20–$50 co-pay for monthly checkups, including vaccinations. *(This does not include the cost of adding a dependent to your insurance policy.)*
Clothing	varies, especially because babies require a new wardrobe every 3 months!
Miscellaneous (e.g., toys, books, toiletries)	varies
TOTAL	$450 and up per month[7]

TIP: Don't underestimate other indirect expenses that can increase once your baby is born, including utility bills, laundry costs, or car payments on the family-functional minivan that you swore you'd never drive.

Maternity and Paternity Leave

When it comes to time off from work, the only thing (most) American women are guaranteed from the government is job protection for up to 12 weeks after birth or adoption thanks to the Family and Medical Leave Act (FMLA).[8] The rest is up to your employer's discretion. Maternity and paternity leave typically consist of a family leave policy and/or short-term disability leave:

1 Family leave:
12 weeks of paid, partially paid, or unpaid leave given to any parent (including mothers, fathers, and adoptive parents) for the purpose of caring for a new baby. Parents may start the 12 weeks before birth, if desired, or once the baby is born. Less than 15% of private employers fund paid maternity leave programs today.[9]

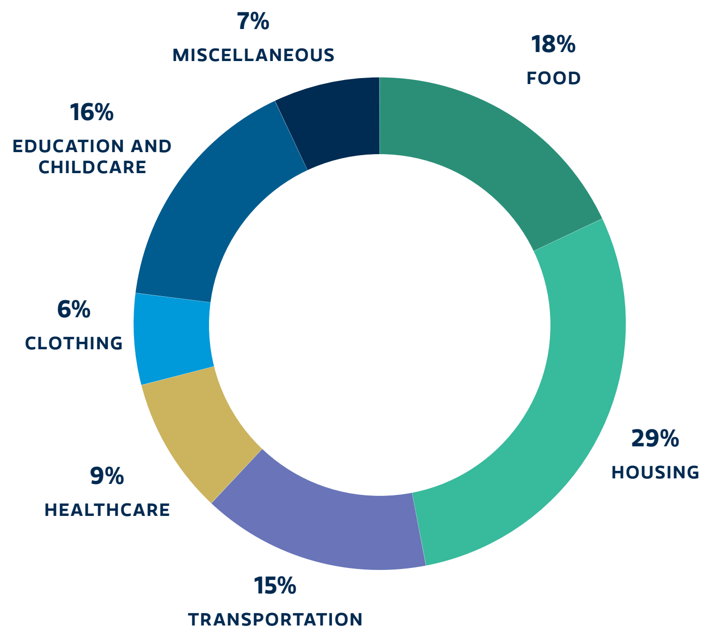
2 Short-term disability leave:
Usually 6 weeks of partially paid or paid leave given to new mothers for medical recovery after birth. Salary during disability leave can vary depending on your salary, length of company employment, insurance policy, and state regulations.

Some companies may also allow you to include outstanding vacation time or sick days in maternity leave as well. While the FMLA technically covers fathers as well, there are fewer companies who offer or promote paternity leave.

Once you understand the salary implications of your leave (whether it is temporary or more permanent), make sure to incorporate any income adjustments into your baby budget to help ensure that you are financially prepared.

The Price of Parenthood

As your child grows, so will his or her capacity to spend your money. This chart provides an overview of how annual expenditures shake out for the average American parent:[10]



WINNING PLAY

It is important to give your boss adequate notice and communicate your timeline several months in advance. By addressing any concerns about your absence and making the necessary preparations to cover your responsibilities, you can create a smoother transition and maintain the trust of your team.

WINNING PLAYS for Minimizing Maternity Costs: Put it on Your Insurer's Tab[11]

Even with maternity coverage from your health insurance, prenatal and delivery costs can add up quickly if you are unaware of what your policy covers. Here are some tips to minimize out-of-pocket medical expenses and unexpected surprises:

Read the fine print
Understand what your health insurance covers and the maternity policy. In other words, clarify your deductibles and co-pays to get an idea of prenatal care and delivery costs.

Confirm the room rates
Health insurance coverage for hospital stays may likely be capped at a certain amount of time, so get the details and get moving to avoid splurging on a sleepless night in a hospital bed. Check please!

Stay in-network
Choose an OB/GYN and hospital or birthing center that are considered in-network by your insurance plan. Some hospitals may offer more flexible pricing or payment plans; talk to a hospital representative to understand what your options are in advance.

Saving for College

According to the College Board, the average annual cost of tuition, fees, and room and board is $50,770 at private colleges and $22,180 for in-state public universities.[12]

The magic of compound interest applies here too. While you may not know if your child plans to attend a four-year college, opt for an online university or specialized program, or choose a more alternative route, it is never too early to begin saving for your child's future.

529 Plan

This is one of the most common tuition savings plans because it can offer the most flexibility, significant tax benefits, and exceptional degree of control for the account owner. There are no age or income restrictions on who can contribute. 529 Plans offer high contribution limits, in excess of $200,000 depending on the state (check with your Financial Advisor about your state limits), which enables the account owner, in most cases, to accumulate sufficient assets to cover tuition costs fully. Contributions grow tax-deferred and withdrawals are free from federal tax when used for qualified expenses. In many states, contributions may also be deductions from state income tax.

As of 2018, you can use up to $10,000 of your 529 plan proceeds to cover K–12 expenses without penalty. 529 plan contributions also qualify for the $15,000 annual gift tax exclusion.

Limitations

Funds cannot be used for K–12 expenses without penalty. 529 Plans can be used for in-state, out-of-state, or international institutions as long as they are used with an accredited program. Qualified expenses include tuition, fees, room and board, books, supplies, computers, and other related technology services including software and Internet access.

Coverdell Education Savings Account (ESA)

Invested funds grow tax-free and can be used to cover a variety of education-related expenses including tuition, room and board, books, and other educational costs, such as computers, calculators and even Wi-Fi.

Limitations:

Contributions may not exceed $2,000 a year and you must make less than $110,000 ($220,000 if filing a joint return) a year in household income to qualify. The account must be established before the beneficiary reaches 18 years of age and the funds must be used by age 30.[13]

UGMA / UTMA

If you have investable assets such as stocks, bonds, annuities, or cash that you'd like to reserve especially for your child, another option is to put them into a custodial account. The money is an irrevocable gift (no take-backs allowed) that you control as the custodian until the minor reaches adulthood. Once the minor is of age, he or she can use the money for whatever they desire (the use of funds is not limited to certain qualified expenses). If considering a UGMA or UTMA, talk to your Financial Advisor.

TIP: Talk to your Financial Advisor about the different options available to determine what plan is most appropriate for your needs, as some saving strategies may have implications on financial aid eligibility.

WINNING PLAYS

529 Plans

Account owners have the flexibility to open other 529 plans if the state contribution limit is not high enough to cover costs. 529 beneficiaries are not required to use the funds before a specific age; therefore, the money may be used to pay for graduate or law school as well as undergraduate tuition. Depending upon the specific state plan's rules, the beneficiary can also be changed to another child, grandchild, or yourself, without penalty.

ESA

An ESA can be used to pay for a child's education from Kindergarten onward, which makes this plan an alternative option for parents looking to pay for private elementary, middle, and/or high school.

Special Circumstances

When it comes to raising a family, there is no one-size-fits-all approach. Certain circumstances may require additional preparation when it comes to the financial implications of family planning.

Adoption
Two of the least expensive forms of adoption are stepparent or kinship adoptions and adoptions through the foster care system. If you adopt through foster care, many states may provide subsidies to adoptive parents.

Domestic agency and private adoptions can range from $5,000 to over $40,000 depending on the agency, state requirements, and the costs required by the birth mother (to help pay for items such as rent, utilities, transportation, food, maternity clothes, cell phone, etc.). Additional expenses can include legal support, or the birth mother or child's medical expenses if there are complications. Finally, the cost of international adoptions typically ranges from $7,000 to $30,000, but may vary depending on travel expense and legal fees.[14]

Special Needs
If your child has special needs, you may consider establishing a special needs trust. Medicaid and Social Security cover the costs of basic healthcare for Americans who have less than $2,000 in assets.[15] To remain under this low cap, you can provide for your special needs child by creating a special needs trust for your child to help ensure that any inheritance and life insurance payments be added to the trust. You may act as the trustee during your lifetime and designate an appropriate trustee to fulfill that responsibility when you are no longer able.

WINNING PLAY

If you adopt a child, you may be eligible for a tax credit to cover expenses such as adoption fees, attorney fees, and travel costs. For more information on Adoption Credit and Adoption Assistance Programs, head over to the IRS website.

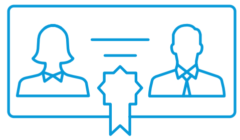
LGBT and Transgender Considerations

Parenthood is a life-changing event for everyone, but for the LGBT community, it can require particularly thoughtful planning. Whether you are deciding between adoption and assisted reproduction, or are considering undergoing cryopreservation prior to beginning your transition, there are an array of financial and legal considerations to take into account. Working with an Accredited Domestic Partnership Advisor can help you create a financial strategy that accommodates your unique situation and needs.

An alternative to adoption is assisted reproduction. Fees can range from $98,000 to $139,900,[16] but be sure to ask your chosen fertility practice for a detailed list of fees to avoid any surprises. Costs that may not be included in the initial estimate can include:

- Donor Fees
- Gestational Carrier Fees
- Surrogacy Plan Fees

If your journey to parenthood involves a surrogate, be sure to seek out proper legal advice and establish a Surrogacy Agreement. This binding contract between the intended parents and the surrogate helps clarify certain important points prior to beginning the In Vitro Fertilization (IVF) or surrogacy process such as who will have custody of the child if something happens to intended parents prior to the birth.



New Parent Checklist

- ◯ Create a baby buffer by saving up to six months of current living expenses.
- ◯ Check your employer's maternity and paternity policies, and work-from-home options.
- ◯ Consider purchasing life insurance or boosting your existing insurance.
- ◯ Enroll your baby in your medical plan within 30 days of birth.
- ◯ Create or update your estate plan to establish a guardian and preparations regarding financial support for your child if something were to happen to you.
- ◯ Send in an SS-5 form to your local Social Security Office once the baby is born to request a social security number.
- ◯ Talk to an accountant or tax specialist about certain tax benefits that you may be eligible for as a new parent (for certain child-related expenses such as childcare and/or adoption costs).
- ◯ File a new W-4 form with your employer to claim your child as a "dependent," which can decrease the amount you pay in taxes. If you are a single parent, consider the option of filing as "Head of Household" rather than "Single" on your tax forms.
- ◯ Line up an in-network pediatrician.

"When it comes to life insurance, *The New York Times*[17] put it perfectly: 'Buying insurance has a lot in common with ripping off a Band-Aid—you just need to do it and then get on with the business of living.'"

DAVID COHODES — *EXECUTIVE DIRECTOR, MORGAN STANLEY WEALTH MANAGEMENT*

An Insider's Guide to Insurance[18]

If you were to pass away prematurely, would anyone be in a negative financial situation because of it? Is anyone financially dependent on you? If the answer is yes, it is important to consider life insurance.

What is life insurance?
Life insurance is a risk management tool. When you purchase a life insurance policy, you agree to pay an insurance company a premium and in exchange, they agree to pay your beneficiaries a lump sum when you die. As you accumulate wealth and assume more family obligations, the need to have insurance can really hit home. Even if people are not financially dependent on you, there are still expenses that come along with someone passing away (such as funeral arrangements or estate taxes) that you may not want anyone to be burdened with.

What type of life insurance policies exist?
There are two categories of life insurance: term life insurance and permanent life insurance. Term life insurance protects you for a set period of time, while permanent life insurance provides lifetime coverage (assuming all required premium payments have been made).

What are some of the features to consider when buying a policy?

CREDITWORTHINESS
It is important to purchase a policy from a reputable, creditworthy institution to avoid risk of default.

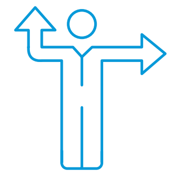
AMOUNT
A common mistake is the assumption that coverage provided by your employer is sufficient; however, the amount of coverage provided through an employer plan may not be sufficient to meet the average person's life insurance needs. If you were to leave the company, your life insurance may be convertible into a policy that you can own individually, albeit at higher premium rates, so it is important to understand your coverage.

DURATION
Depending on the duration of your policy, the pricing can vary. You can buy term insurance in durations of 1, 5, 10, 20 and 30 years.

What are the additional benefits of life insurance?

- It can be used as a wealth transfer tool. By putting your life insurance into a trust, it is excluded from your estate and can be passed on to the next generation or a charity in a tax-efficient manner.
- It acts as a relatively low-risk investment. Permanent life insurance can become part of a diversified investment portfolio, as it presents a place for additional savings.
- It can be leveraged for retirement. If you are already contributing the maximum amount to your IRA or 401(k), consider using a permanent life insurance policy as another way to build tax-advantaged assets.

9 Rules for Talking to Kids About Money



from Glenn Kurlander, Managing Director, Morgan Stanley Wealth Management[19]

When it comes to talking about important topics like money, values and spending, it can be advantageous to begin the conversation sooner rather than later. Here are some tips to help you get started.

1 Money is like sex

Just like with young kids and sex, when it comes to money, kids (of whatever age) know more than we think they know. But they're confused about what they think they know.

2 Think before you talk

You have got to come to grips with your own values about wealth before you discuss money with your kids. In examining values alignment, parents need to focus not just on conceptual matters but also on the practicalities of everyday life. For younger kids, that's harmonizing views about spending on clothes and parties, as well as birthday and holiday presents.

3 Talk, talk, and talk some more

Talking about money makes many of us feel embarrassed, guilty, or even shameful. But as parents, when we let money become taboo, we're not living up to our responsibilities to prepare and educate.

4 Talk with them, not at them

Try not to be dismissive or belittling when talking to kids about money and avoid expressions such as "you're too young to understand" or "maybe when you're grown up." If what we're talking about is so hard for the child to understand, we either should be doing a better job at explaining it, or we shouldn't be talking about it in the first place. Aim to talk in a way that is consistent with the child's general level of maturity. The point of the conversation isn't about the complexities of our financial system—it's about values.

5 A question is worth a thousand answers

The single most effective way to engage children is to ask them questions that challenge their assumptions and force them to begin to search for their own answers.

6 Give kids an allowance

As important as it is to talk with kids about money, actions are equally as meaningful and often more powerful. An allowance can teach a child the necessity of budgeting, the need to save to fund large purchases, and the necessity of making choices.

7 Make an investment in them

By replacing the natural parental instinct to give with the need to earn, we use our financial capital to help ease some of the struggle, but not to eliminate it entirely. For younger kids, you can tell them that you will pay for part of the bicycle, for example, as long as they earn enough to contribute. (The "work" can be payments for "special chores.")

8 Walk the talk

The way we live our lives is the model from which our children learn the most. It's critically important to talk with kids about wealth and values, meaning and responsibility—but it isn't enough just to say it, we've got to live it.

9 It ain't over till it's over (and it's never over)

Talking with kids about money is not something we do once: conversations about the meaning and significance of wealth are the kinds of conversations we need to have for the rest of our lives. This is one area where we never stop parenting.

Petonomics: Your Pet Budget

While deciding to buy or adopt a pet does not have the same impact on your budget (or sleeping patterns) as having a baby, the costs can often be underestimated. The reality is that pets can be pricey. In addition to the original purchase or adoption fees, when you start tallying up the cost of vaccinations, food, pet gear, training supplies and grooming items, your four-legged finances can add up quicker than expected.

FACT:
The annual cost of owning a dog can range, on average, from $650 to $2,115 a year.[20]

With unlimited puppy-eyed greetings, face licks, and purrs of content, welcoming a cat or dog into your family can provide a source of happiness and companionship that can't be measured by a price tag. However, here are some commonly overlooked costs to consider before leashing up:

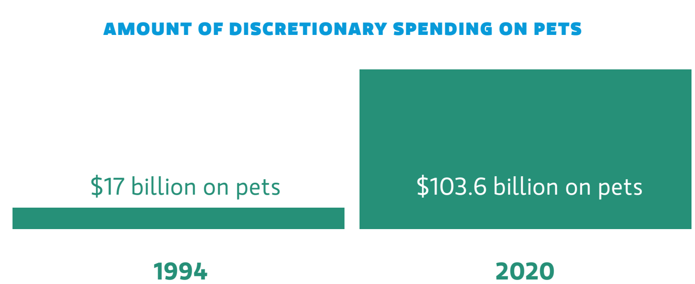
Not all rentals or co-ops are pet-friendly
Dog-friendly rental premiums can jump to between 20% & 30% in certain cities.[21]

Pets don't count as a plus-one
When it comes to weekend plans, holiday travel, or destination weddings, dealing with a pet can be a hassle. With the cost of pet-sitting and/or boarding services starting around $25/day, your "vacay" fund might get a little smaller.

Carpets aren't cheap
No matter how disciplined your training routine, accidents happen, and for some reason it's always on the carpet rather than the tile. Consider factoring in the cost of cleaning supplies and replacing chewed-up phone chargers, shoes, and couch cushions into your budget.

There is a communication barrier
Although you may wish your pet could talk, animals can't tell you if their stomach is acting up because they overdid it on the treats or because they accidentally swallowed a wine cork. When a pet is unwell, many times a vet will default to the "better safe than sorry" approach, and animal x-rays can be expensive.

Dogs aren't going to walk themselves
Unless your dog is trained to use an indoor bathroom and throw a ball against a wall to play solo-fetch, they need someone to let them out during the day. Dogwalker costs at approximately $20/walk add up during the workweek. And your pet-parent responsibilities can limit weekend social activities when you have to cut the festivities short to get home and tend to your four-legged friend.



FACT:
Americans spent $103.6 billion on their pets in 2020.[22]

Questions to Ask Your Financial Advisor

1. How should I create or adjust my will to make sure my child is protected in the event something happens to us as parents?
2. What type of life insurance policies should I consider?
3. How much life insurance do I need?
4. How can I begin saving for my child's education once they're born?
5. What are the financial preparations I should make to cover any income adjustments resulting from a (temporary or permanent) leave of absence?
6. Are there any changes I should consider to my portfolio pertaining to family planning objectives?

Must Reads

What to Expect When You're Expecting
AUTHORS: HEIDI MURKOFF & SHARON MAZEL

The iconic classic and must-have book for parents-to-be.

The Expectant Father: The Ultimate Guide for Dads-to-be
AUTHORS: ARMIN BROTT & JENNIFER ASH

The best selling, information-packed reference book for expecting dads.

Lean In: Women, Work, and the Will to Lead
AUTHOR: SHERYL SANDBERG

Facebook's COO on balancing success and satisfaction at work and at home.

How to Talk So Kids Will Listen & Listen So Kids Will Talk
AUTHORS: ADELE FABER & ELAINE MAZLISH

The ultimate "parenting bible" on communicating with children from international experts and bestselling authors.

CITATIONS:

[1] U.S. Department of Agriculture. Expenditures on Children by Families. (2015).

[2] Private School Review. (2020-2021).

[3] BabyCenter Survey. (2015).

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[5] Health Care Cost Institute. Understanding Variation in Spending on Childbirth Among the Commercially Insured (2020).

[6/7] BabyCenter. First-Year Baby Costs Calculator. (2020).

[8/9] U.S. Department of Labor. (2021).

[10] U.S. Department of Agriculture. Expenditures on Children by Families. (2015).

[11] Agency for Healthcare Research and Quality. (2009).

[12] College Board. (2020-2021).

[13] Internal Revenue Service.

[14] Morgan Stanley. "Starting A Family". NextGen Placemat. (2015).

[15] Social Security Administration.

[16] Conceiveabilities, "How Much Does Surrogacy Cost", accessed April 2021.

[17] Bernard, Tara Siegel. "Life Insurance Buyer's Guide: What Type, How Much and Who Will Benefit." The New York Times, February 20, 2016.

[18] Interview with David Cohodes, Executive Director, Morgan Stanley Wealth Management. (2016).

[19] Kurlander, Glenn. "10 Rules for Talking to Kids About Money." Whitepaper. Morgan Stanley Wealth Management. (2015).

[20] Rover. Cost of Owning a Dog. (2021).

[21] PetFinder. Pet Friendly Housing Study. Accessed April 2021.

[22] American Pet Products Association (APPA). (2020).

Playbook: Your Guide to Life & Money

Family Matters: Invest in What Counts

What Is Covered in This Chapter:

- Ways to beat the odds by preparing for a family business succession
- Challenges of family wealth and steps to inheriting wisely
- Strategies for encouraging inclusion and avoiding family conflict
- Estate planning basics to help protect your assets and loved ones
- The impact of passing on family values

Only family can warm your heart and make your blood boil all in the same four-hour road trip. No family is perfect, but the little imperfections may be a big part of how you became the person you are today. Whether you are inheriting wealth, a business, your grandmother's china set, or the infamous chocolate chip cookie recipe, it is important to understand how to be a responsible steward of family legacy. Through proactive planning and honest communication, you can navigate the complexities of family matters to preserve a happy hearth and home.

Inheriting a Family Business

Inheriting money wisely can be challenging enough, but inheriting a business can come with a whole slew of additional complexities based on the size, nature, and financial condition of the company, not to mention things like ownership structure and the involvement of other family members. No two family businesses are exactly alike and there is no "one size fits all" rulebook to rely on when making tough decisions and managing conflict. By working with people you trust, you can create a strategy that fits your family's needs and objectives and adjust your course along the way.

Let's start with the basics. Anyone inheriting a family business may be confronted with two essential questions:

OWNERSHIP SUCCESSION:
Do you want to keep the business or sell it?

MANAGEMENT SUCCESSION:
If you want to retain ownership, do you want to manage the business on a day-to-day basis, or hire a capable executive to assume that role?

The answer to these questions are rarely straightforward. While it may be up to your discretion, plenty of people will want to weigh in. How will your involvement impact your siblings, for example? How can you separate your professional and personal responsibilities within the business as well as with your family?

FACT:

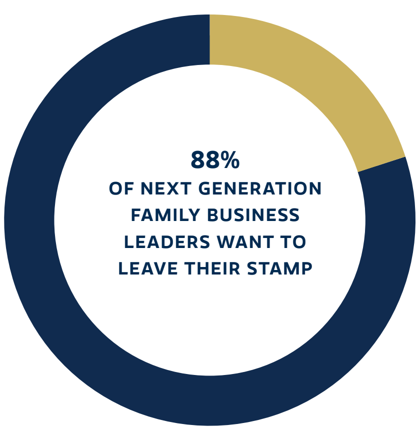
30%

of family businesses successfully transition into the second generation, with the likelihood of survival decreasing exponentially with every consecutive succession.[1] The best way to overcome these odds? Preparation and foresight.

Preparation Is Your Best Defense

The first 60 days can be critical. Whether you are inheriting the company in the midst of a family crisis or as part of a thoughtfully planned succession, there's a good chance you may feel overwhelmed. Taking a step back to reflect and understand the situation at hand can help you gather information so that you can better assess your options. Here are a few important steps to help ensure you are well prepared:

1 **Assemble your company's advisors**
Gather your company's key external advisors for an in-depth pow-wow about the state of the union. This can serve as an opportunity to get their insight on important operational issues and help align everyone's strategic vision for the company. Important advisors to invite may include bankers, attorneys, accountants, and your Financial Advisor. Consider extending the invitation to some of your personal advisors as well; they might be able to share a fresh perspective.



FACT:
A PricewaterhouseCoopers survey of family business owners revealed that 88% of next gen family business leaders want to leave their stamp and do something special with the business.[2]

2 **Review key documents**
It is your responsibility to be as knowledgeable as possible about the company, including any concerning details that may be hiding deep in a pile of old documents. To help ensure that you have a realistic understanding of outstanding issues, here are a few of the company materials you may want to review:

- Tax returns and bank statements
- Business and personal insurance packages
- Letters of incorporation, registrations, and trademarks
- Any applicable licenses
- Balance sheets
- Current budget
- Current business plan
- Documentation for loans, lines of credit, mortgages, and any other forms of debt or other liabilities

3 **Meet with employees and customers**
There is often a lot of uncertainty surrounding a succession. By taking the time to meet with employees at all levels of the firm, as well as key customers, you can demonstrate your commitment to the company and its people. This can also be a great way to gain a deeper understanding of the enterprise's strengths and weaknesses.

TIP: Be careful about making promises before you know if you can keep them, and try to avoid making big changes too quickly. Listening can be an effective learning tool, especially if you have not previously been involved in day-to-day operations.

4 Focus on the business plan
Once you have gathered enough information about the challenges and opportunities the company faces, it's time to set and sell your vision. Work with your advisors to create or revise the business plan to reflect any changes regarding the company's strategic direction. (See chapter on "Starting a Business: Setting Up Shop" for more on business planning basics.) This can help you clarify the path forward, as well as help ensure that various key stakeholders are in the loop and supportive of your company strategy.

3 steps to inheriting wisely

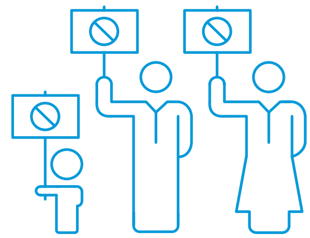
from Glenn Kurlander
Managing Director, Morgan Stanley Wealth Management

Take a step back and reflect.
It goes against our natural instincts, but when faced with an inheritance event, the most important thing you can do is to do nothing. Take a step back and reflect. Take stock rather than rush precipitously into a decision. Think about your goals and the impact you want this event to have on your life. Reflect on the person who left their wealth to you, how they earned it, what it meant to them, and what you learned from the way they led their lives.

Find a Financial Advisor.
Find someone who has experience creating and executing a plan, so that they can help you achieve your desired impact. Look for a Financial Advisor who makes an effort to get to know you and understand what matters most to you, as opposed to making assumptions about what you need without gathering the proper intel.

Stick to the plan.
Evaluate your plan periodically and make adjustments as life unfolds, but stick to the plan.

When you inherit a family business, your role and responsibilities within the family structure can shift dramatically. This shift can lead to tension among family members (even those who have little involvement with the business on a day-to-day basis). While communication is critical to managing and addressing family conflict, it can also be useful to establish certain boundaries around what is and what is not appropriate to discuss outside of work.



FACT:

52% of next gen family business leaders are worried that they will need to spend time managing family politics.[3]

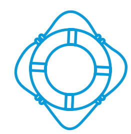
STRATEGIES FOR AVOIDING CONFLICT[4]

Establish a framework for making decisions

Many families make decisions on an ad hoc basis and may not include all family members in the process (whether intentional or not). Creating a standard family framework for decision-making can help ensure a transparent and efficient process for navigating important decisions together, especially in times of uncertainty or crisis.

Structure a family council

One of the common elements of a family governance system is a family council. A council can help foster a sense of inclusion, ownership, and a willingness to participate amongst family members. To avoid spending too much time and energy on consensus-building activities, create a set of clearly defined operating principles to provide structure for the group. Consider inviting an objective advisor to help facilitate a productive dialogue during family meetings and act as a buffer when there are points of contention.



Create safety valves

As you create a framework to manage conflict, it can be important for family members to have a way to separate themselves from the business without jeopardizing the functioning of the enterprise or organization as a whole. These “safety valves” can help avoid situations in which someone is forced to walk away by helping provide a sense of comfort and accountability to encourage compromise.

PRO TIP

“Consider asking your advisor to act as a mediator in difficult family situations. He or she can ask deeper questions and bring up certain sensitive issues that someone who is more emotionally invested may avoid.”

GLENN KURLANDER, MANAGING DIRECTOR, MORGAN STANLEY WEALTH MANAGEMENT

“If you don’t have a plan, someone else is going to have a plan for you and your money.”

LISA SHALETT — *MANAGING DIRECTOR, HEAD OF INVESTMENT AND PORTFOLIO STRATEGIES, MORGAN STANLEY WEALTH MANAGEMENT*

Estate Planning [5]

"Politics, drugs, even sex are now openly discussed, but money is still too delicate an issue for many families. Talking about money makes many of us feel embarrassed, guilty, even shameful. But when we let money become taboo, we're not living up to our responsibilities to prepare and educate."

GLENN KURLANDER—MANAGING DIRECTOR, MORGAN STANLEY WEALTH MANAGEMENT

Estate planning may not be the most enjoyable topic to bring up around the dinner table, but it is certainly an important one—regardless of your age. Even if you are just starting to build your own wealth, having a basic understanding of the steps involved in estate planning can be helpful in the event your parents or grandparents look to you for support. Without a proper plan in place, a family crisis can have tumultuous (and expensive) consequences for everyone involved from a personal, legal, and tax perspective. Even though your parents may be in great shape today and therefore reluctant to think about making end of life plans, it will give them peace of mind to know that a family member is privy to their wishes in the event something unexpected happens.

What to Include in an Estate Plan

Much of life is difficult to predict and impossible to control. What we can control, however, is how we prepare for whatever life may throw our way. Whether you are creating your own estate plan or helping loved ones with theirs, consider including the following:

Who Will Act on Your Behalf

A fiduciary is a person who is legally appointed and authorized to act on your behalf in the event you are no longer able to make decisions for yourself. If you don't identify fiduciaries in advance, your desires and wishes may be left up to the court's discretion, so consider choosing people that you trust to have your best interest, and the best interest of your loved ones, at heart. Some important types of fiduciaries include:

EXECUTOR:
the person or institution (typically a bank or trustee company) responsible for settling your estate according to the terms of your last Will and Testament (your "Will"), including distributing assets, paying debts and claims, and preparing the estate tax and income tax returns.

GUARDIAN:
the person named in your Will who will be responsible for caring for any minor children. If you have no Will or your Will does not name a Guardian for your children, a Guardian will be selected by the court.

HEALTH CARE PROXY (OR DURABLE POWER OF ATTORNEY FOR HEALTH CARE):
the person responsible for making healthcare decisions in the event you are incapacitated.

Care for Aging Parents
At some point, you may find yourself providing care for aging parents. By engaging parents, siblings, and other family members in a proactive, thoughtful discussion, you can help avoid the emotional complexities of making difficult decisions during times of crisis or medical emergencies.

Long-Term Care
Help ensure that you and your loved ones are able to age comfortably by securing long-term care insurance.

Special Planning Issues
Blended families, children with special needs, and pets may require special consideration when putting together an estate plan.

> **CHILDREN:**
> If you have children with special needs or severe disabilities it is important to make sure that any gift or inheritance they receive will not interfere with his or her eligibility for government benefits. The most common way to do this is through a Special or Supplemental Needs Trust, which suggests that any assets held in the trust are intended to supplement, but not supplant, the government benefits your child is entitled to.
>
> **PETS:**
> Leaving a pet to a caregiver in a Will may not account for situations in which you might become incapacitated. Consider setting up a traditional or statutory pet trust to help ensure that they will be taken care of in the event something happens.

Burial Instructions and Last Wishes
No one likes to think about death, but leaving detailed burial instructions and last wishes will make it a lot easier for surviving family members to make funeral arrangements and handle estate administration.

Organization of Financial Information
Estate settlements can occasionally last years, especially in the absence of proper recordkeeping. By taking the time to organize personal and financial information, you can save your family a lot of hassle, stress, and money.

Values Beyond Valuables

Beyond the tangible assets that may be transferred through estate planning, an inheritance can also include intangibles such as life lessons, memories, and personal values. By sharing the values that connect family members to one another and to the things that matter most, families and individuals can create a legacy that lives on for generations to come.

WINNING PLAYS for Passing on Values through Estate Planning:

Write down stories:
Whether you choose to do so through journals, letters, or a book, the process of documenting stories, memories, and lessons you've learned along the way is an incredible gift for future generations, as well as a powerful way to reflect on your life. Encourage family members to write down their own stories, or suggest a collaborative family project.

Seek out conversations:
Engage in family dialogue by asking loved ones about topics such as love, parenting, work ethic, success, and personal fulfillment. This can be a meaningful way to deepen your relationship with family members and learn more about the experiences that have shaped them along the way.

The All Knowing File

The essential information everyone should have prepared in the event something happens:

1 THE LOCATION AND KEY TO ANY SAFE DEPOSIT OR POST OFFICE BOXES

2 THE LOCATION OF IMPORTANT DOCUMENTS

- Will
- Trust documents
- Birth certificates
- Life insurance policies
- Prenups or marriage and divorce licenses
- Employee benefit program documents
- Real estate deeds
- Passports
- Social security information

3 AN OVERVIEW OF ASSETS AND LIABILITIES

- Documents related to debts and loans outstanding
- Credit card information
- Automobile titles or insurance policies
- Investment account information
- Bank or brokerage statements
- Retirement account information
- Insurance documents for any valuable assets

4 CONTACT INFORMATION FOR IMPORTANT ADVISORS

- Financial Advisor
- Insurance agent
- Attorney
- Accountant

5 DIGITAL LOGINS, USERNAMES, AND PASSWORDS

- Online banking, investment, and retirement accounts
- Social media
- File storage and cloud-based accounts
- Online photo galleries
- Music and entertainment subscriptions (e.g., Netflix, Spotify, iTunes)

Questions to Ask Your Financial Advisor

1. *(If inheriting a family business)* How might my ownership interests change after the succession event and how does this affect my financial plan?

2. *(If you own or run a family business)* How can I start developing a formal succession plan to ensure continuity for the business?

3. What are some strategies to mitigate family conflict? Are there certain procedures you recommend to help ensure everyone feels heard when it comes to decision-making?

4. What should my estate plan include at this stage in my life to make sure my assets and loved ones are protected? Beyond my advisor and spouse, who else should be involved in conversations about my estate plan?

5. When should I consider updating or revising my estate plan?

Must Reads

Family Wealth – Keeping It in the Family

AUTHOR: JAMES E. HUGHES JR.

This book is an essential guide on creating family legacy with best practices for family governance and decision-making.

The Wall Street Journal Complete Estate-Planning Guidebook

AUTHOR: RACHEL EMMA SILVERMAN

A step-by-step guide to help make your estate-planning process simple, smooth, and straightforward.

Family Fortunes: How to Build Family Wealth and Hold on to It for 100 Years

AUTHORS: BILL BONNER AND WILL BONNER

A practical, actionable plan for getting and maintaining multigenerational wealth shared by a *New York Times* bestselling author.

Keep the Family Baggage Out of the Family Business

AUTHOR: QUENTIN FLEMING

This book is filled with practical advice from a family business expert who helps family businesses thrive.

Strangers in Paradise: How Families Adapt to Wealth Across Generations

AUTHOR: JAMES GRUBMAN

This book shares an innovative approach to the challenges facing "immigrants and natives" in the land of wealth from a prominent wealth psychologist.

CITATIONS:

[1] Family Business Institute. Succession Planning. Accessed 2016.

[2] PwC Next Generation Survey of Family Business Leaders. (2016).

[3] PwC Next Generation Survey of Family Business Leaders. (2016).

[4] Morgan Stanley. "Managing the Family Enterprise," (2015).

[5] Morgan Stanley. "A Proactive Approach to Estate Planning as a Family." (2015).

Playbook: Your Guide to Life & Money

Philanthropy & Legacy: Making Your Mark

"What counts in life is not the mere fact we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead." — Nelson Mandela

What Is Covered in This Chapter:

- The impact of the individual donor in modern-day philanthropy
- Ways that a philanthropic mission statement can help guide your giving strategy
- Strategies for contributing your time, talent, and treasure effectively
- Designing a philanthropic portfolio that reflects your mission
- Young philanthropists who are challenging the status quo

What mark do you want to leave on the world? What are the values that drive you? What matters most? Whether it's your time, talent, or treasure, giving back can be one of life's greatest rewards. Philanthropy can be a valuable tool for change, helping put your wealth to work, and therefore it should be approached as a practice that requires dedication and a well-thought-out strategy. By creating a mission statement, getting involved in areas you are most passionate about, and using your personal and professional strengths to make a difference, philanthropy can become a win-win proposition that helps transform the lives of others, as well as your own.

21st-Century Philanthropy

While the basic concept of philanthropy hasn't changed much since John D. Rockefeller and Andrew Carnegie established the first large-scale private foundations in the early 1900s, the channels and vehicles young donors have access to today have changed dramatically.

Philanthropy is being democratized and the individual donor has never been more empowered to make a difference. With just $25, you can make a micro-donation to a smallholder farmer in Peru, help cover upfront costs to build a girls' school in Pakistan, or invest in a diversified portfolio of nonprofits, microfinance institutions, and social enterprises. You can also help support a cause without spending any money at all. Millions of people around the world are joining campaigns like DoSomething.org or volunteering to earn a ticket to Global Citizen Festival to help give back to their communities.

Today, we are no longer dependent on large institutions to drive positive social change, nor do we have to wait until we are white-haired and wealthy to start giving back. There are countless opportunities to use your resources—money, time, networks, expertise, and perhaps even social influence—to affect social change. The key is identifying the opportunities that are most aligned with your personal goals.

The Gift That Keeps on Giving

According to a study by Harvard Business School Professor Michael Norton, the act of giving or spending money for the benefit of others is more likely to boost your happiness levels than when you spend for the benefit of yourself. Whether they are conscious of it or not, Millennials seem to be clued into this secret to happy living.

75%

FACT:

Nearly 3 out of 4 Millennials have donated money during the pandemic.[1]

“It is encouraging to see how much of a priority philanthropy has become for Millennials and to watch a younger and more ambitious type of philanthropist emerge. Yesterday’s philanthropist was comfortable with simply giving support. Millennial philanthropists seek to be an active part of the solution.”

MELANIE SCHNOLL BEGUN — *MANAGING DIRECTOR, HEAD OF PHILANTHROPY MANAGEMENT, MORGAN STANLEY WEALTH MANAGEMENT*

Why You Give: Creating Your Philanthropic Mission Statement

Make it count. One of the hardest parts about practicing smart philanthropy is staying focused. There are many worthy causes, but you will be most impactful when you hone in on the issues you truly care about. When passion and philanthropy align, the act of giving becomes more than a gesture or transaction—it becomes a reflection of who you are and the world you hope to create.

Creating a philanthropic mission statement can help you clarify the impact you want to have, while also making it easier to say "no" to causes that do not directly advance your personal philanthropic goals. Use the following questions to start exploring what is most important to you and why.[2]

FAMILY BACKGROUND AND VALUES

- What are some of the lessons you have learned from friends and family about money and philanthropy? How have these lessons impacted your approach to giving today?
- What personal or professional opportunities did you feel most grateful for growing up?

PROFESSIONAL & PERSONAL DEVELOPMENT

- What are some of your unique talents, gifts, and skills?
- What energizes you to get out of bed in the morning?
- What schools, institutions or relationships have had a significant impact on you?
- How have certain challenges or setbacks influenced or changed your perspective on things?
- Are there any particular books, experiences, or trips that have inspired you to give back?
- What are some of the beliefs, values or attitudes that guide your decisions and lifestyle?

PERSPECTIVES ON WEALTH

- Excluding your family, who or what has influenced your ideas about wealth?
- What are your greatest joys that arise from having access to financial resources?
- What qualities or circumstances do you believe account for your success in accumulating wealth?

YOUR LEGACY

- Describe the causes that you care most about. What are your reasons for supporting these organizations?
- Do you want to focus on a particular geography?
- How much and how often do you want to give?
- Imagine your 80th birthday celebration. What would you like a dear friend or family member to say about you in his or her toast?

When thinking through these questions, do you notice any recurring patterns? Are there any themes that stand out? Use your responses to help craft a single-sentence mission statement that highlights the cause you want to focus on and how you hope to use the resources at your disposal to make an impact.

Here are some examples to provide inspiration:

"My mission is to substantially reduce the number of dogs and cats that are euthanized in my city by supporting the most efficient no-kill adoption centers and promoting spay and neuter programs."

"My mission is to make a difference in the health and well-being of others and to stop child obesity by sharing my personal experiences and knowledge about living with diabetes."

"My mission is to improve the lives of disadvantaged children by opening doors of opportunity through mentoring and education."

"Choose to live a life of committed action. Have a clear vision, measurable results, and a game plan."

MELANIE SCHNOLL BEGUN — *MANAGING DIRECTOR, HEAD OF PHILANTHROPY MANAGEMENT, MORGAN STANLEY WEALTH MANAGEMENT*

How You Give: Time, Talent, and Treasure

Once you know what you want to accomplish, it's time to think about how you want to do it. There are three main approaches when it comes to giving: time, talent, and treasure.

Time & Talent

As a volunteer, you can give away your time and talent. One of the advantages of volunteering is that it can allow you to see the direct result of your contribution. When you donate a dollar to charity, you may not always see how that dollar is put to work, but through volunteering, you can witness your impact on people and organizations first hand. Sharing your time and talent with organizations you care about can also be a great way to connect with like-minded peers and gain practical insight into the nuts and bolts of how a nonprofit works.

Research conducted by the Case Foundation and Achieve, a research organization focused on nonprofits, found that Millennials prefer to use their personal skills when giving to charity and are more likely to volunteer if they can use their expertise to benefit the cause.[3]

PRO TIP

Once you have identified an organization you might want to support with your time, expertise, or money, set up a site visit and go talk to the team in person. It's like online dating: Someone could look perfect and say all the right things on his or her profile, but then you go and meet for a drink and an hour later walk away grateful that it was only an hour. It's all about finding the right fit.

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MELANIE SCHNOLL BEGUN, MANAGING DIRECTOR,
HEAD OF PHILANTHROPY MANAGEMENT, MORGAN STANLEY WEALTH MANAGEMENT

WINNING PLAYS Make the Most of Your Volunteering from Michael Lindenmayer[4]

1. Be results driven.
It's not about spending time; it's about making a difference.

2. Be passionate.
Don't volunteer unless you really care about the cause.

3. Have a collaborative mindset.
Work with the nonprofit leadership and your colleagues to multiply your efforts.

4. Make no excuses.
Make a commitment and stick to it. Get the job done.

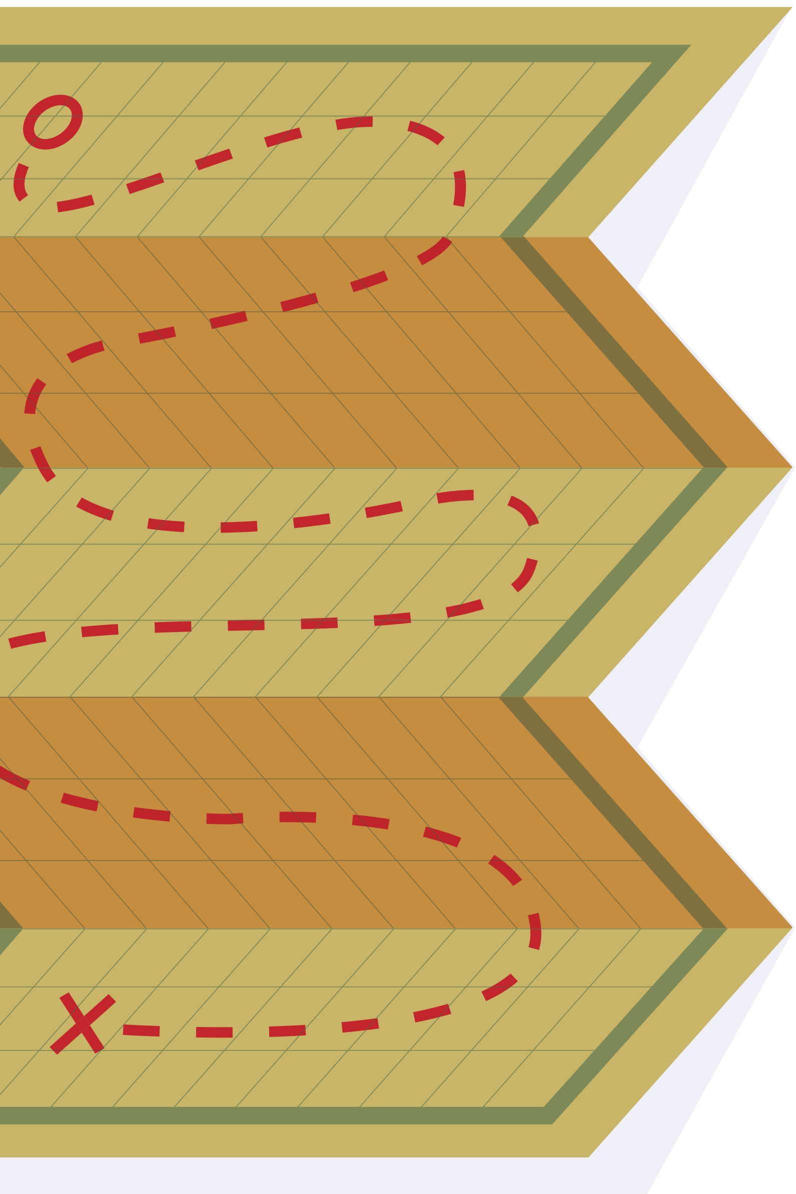
5. Be consistent.
Great volunteers are always looking for new ways to be helpful.

6. Add energy.
The more you put in, the more you get out.

7. Give to get.
Focus on what you can accomplish rather than what you get back.

Treasure[5]

Giving away your treasure can get a little more complicated than giving away your time and talent. One of the most common strategies is donating directly to a charity, but there are plenty of other approaches to consider. Speak to your Financial Advisor about the pros and cons of each approach and how you can incorporate giving into your broader financial plan.



1. Direct donation

Legally, a nonprofit organization is a corporation or an association that conducts business for the benefit of the general public without shareholders and without a profit motive. Nonprofits that file for 501(c)(3) public charity status are eligible for tax-exempt status. The government rewards people who give to charity by allowing them to deduct the amount donated from their taxable income at the end of the year.

Remember that you can be most effective as a philanthropist when you are thoughtful about your giving strategy. Before making a direct donation, ask yourself the following questions:

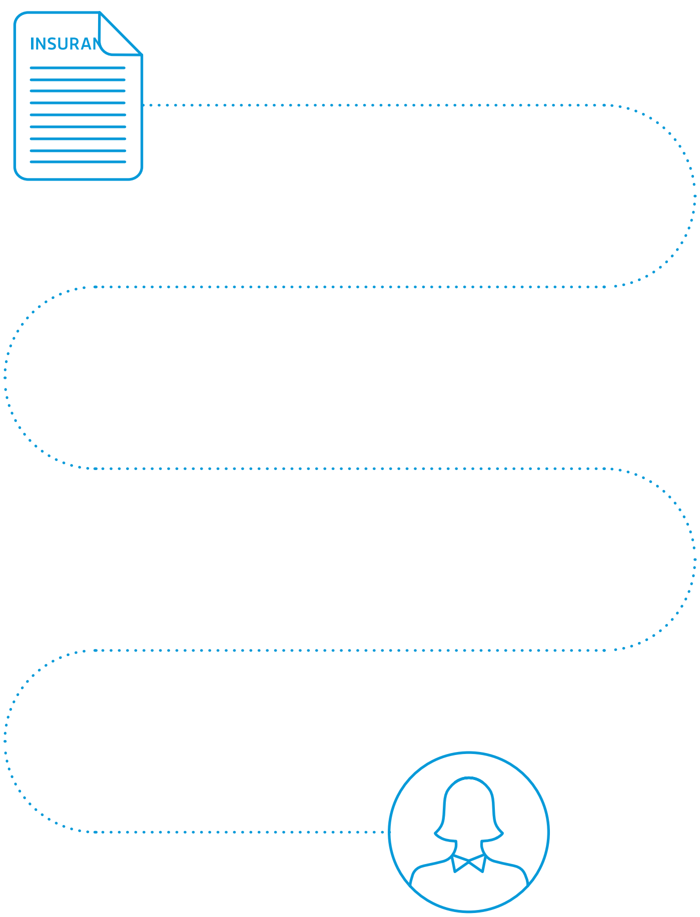
- Should I provide my charity of choice with guidelines on how to use the donated funds or do I trust the charity to make this call?
- Would it be more efficient to concentrate my giving to fewer organizations?
- Would a matching or challenge gift amplify my contribution? Would it create an unnecessary administrative burden for the nonprofit?
- Is it better to make a substantial, one-time gift to a charitable organization or cause, or stretch my gift out over time?

Example:
A gift to a qualified charitable organization may entitle you to a charitable contribution deduction against your income tax if you itemize deductions. If the gifts are deductible, your tax savings reduce the actual cost of the donation. For example, if Sarah is in the 33% tax bracket, the actual cost of a $100 donation is only $67 ($100 less the $33 tax savings). As Sarah's income tax bracket increases, the real cost of her charitable gift decreases, making contributions more attractive for those in higher brackets. The actual cost to a person in the lowest bracket, 15%, for a $100 contribution is $85. If Sarah was in the highest bracket, 39.6%, the actual cost is only $60. Not only can she afford to give more, but she will receive a larger reward for her giving.

2. Designating a charity as a life insurance beneficiary

Another way to share your treasure is to designate a charity as a beneficiary on your life insurance policy. This is relatively easy to do, and you have the right to revoke the gift at any time by simply changing the policy's beneficiary. While this type of giving may provide an estate tax deduction, you will not receive any income tax benefits.

> **Example:**
> Sarah owns a life insurance policy. She is unmarried and doesn't have any siblings, so she decides to make her favorite charity the beneficiary. Sarah is comforted by the fact that, should anything happen to her, her charity would receive her life insurance payout.



3. Charitable Trusts

There are two main types of charitable trusts: Charitable Remainder Trusts and Charitable Lead Trusts. Below you can see the power of how charitable trusts work.

CHARITABLE REMAINDER TRUSTS (CRTS)

CRTs allow you to give money to both a beneficiary (such as yourself) and a cause you care about. They are designed to make payments to you or your designated beneficiaries first, before gifting the remaining funds to a cause or charity when the trust is terminated.

> **Example:**
> Joe is 65 and getting ready to retire. He anticipates that his annual living costs during retirement will be about $80,000. While Joe and his wife are passionate about giving back to their community, they also want to supplement their retirement income with a lifetime income stream so they can buy a second home in the mountains and take vacations. Joe creates a $1 million CRT with a fixed annual payout of 8% for his lifetime and the lifetime of his wife so that he and his wife can receive $80,000 a year for as long as one of them is still alive. After they both pass, the remaining money in the trust can be given to their local charity of choice.

CHARITABLE LEAD TRUSTS (CLTS)

CLTs operate differently than CRTs. CLT beneficiaries are paid only after the income is paid to the charitable organization for a number of years. This trust is often funded with assets that you may not currently need, but that you want to help keep in the family.

> **Example:**
> Susan is a 75-year-old widow with two children. She wants to pass on a portion of her wealth to her children, but she is wary of the high tax rates she would incur if she were to gift a large amount to them directly. Instead, she establishes a $1 million CLT and names her two children as remainder beneficiaries. The CLT stipulates that her charity of choice will receive $50,000 a year for 15 years. At the end of the 15-year term, the money remaining in the trust would then be payable equally to her two children. This not only allows Susan to fulfill her late husband's philanthropic wishes, but it also reduces the amount she may be taxed on the ultimate gift to the children.

4. Pooled Income Fund (PIF)

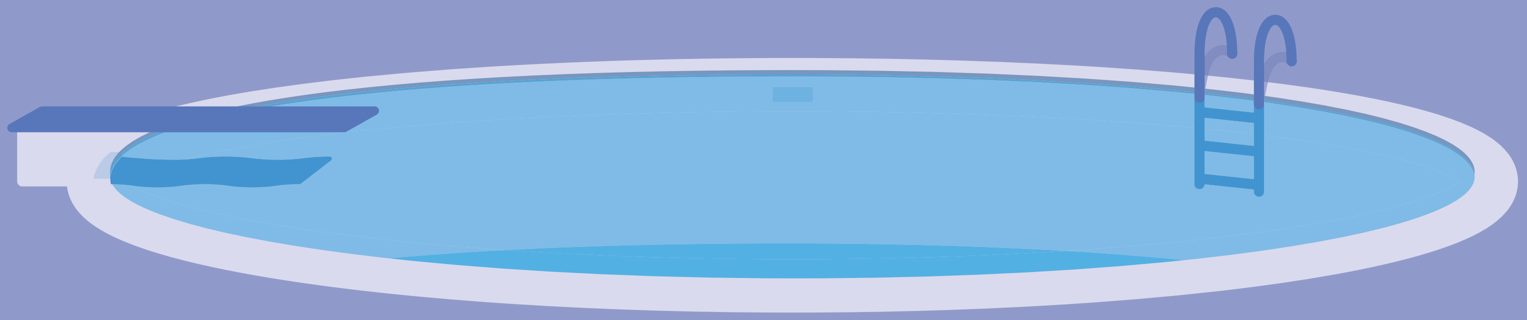
A PIF is a charitable trust established and maintained by a qualifying nonprofit organization, providing a lifetime stream of income based on each donor's share of the income earned by the fund. A PIF is similar in many respects to a Charitable Remainder Trust. You may be eligible to take an immediate partial tax deduction, based on your life expectancy and the anticipated income stream, but you must pay income tax on the income received from the PIF each year. After your death, the balance of the fund is distributed to the charity that maintains the fund.

> **Example:**
> Tom is 53 years old. His daughter is about to start college and he is looking for a way to help increase his annual income. Tom has a stock portfolio that is worth $500,000 and pays a dividend of 3% per year. He purchased these stocks over 20 years ago and is hesitant to sell because he would be required to pay a hefty sum in capital gains tax. Instead, he decides to gift his stocks to a PIF that is being managed on behalf of his alma mater. By gifting his assets to the PIF, he increases his dividend payments to 5% per year and receives a charitable income tax deduction. When Tom dies, the shares he purchased in the PIF will be donated to the school's research initiatives. In the meantime, he can use the additional income to pay for his daughter's college tuition.

5. Charitable Gift Annuity (CGA)

A CGA is a contract between you and a qualified charity in which you make a gift to the charity and, in exchange, the charity provides you (or other annuitant(s)) with a lifetime fixed income stream. You can get a potential immediate (partial) tax deduction based on your life expectancy and the anticipated income stream. Generally, CGAs are established by donors who are 65 or older.

> **Example:**
> Jessica and Ben are in their late seventies and are avid collectors of Impressionist art. They don't have children, but are very passionate about music and want to find a way to give back to their local opera house. Jessica and Ben decide to donate one of their paintings, valued at $1 million, to the opera house in exchange for a charitable gift annuity. The couple can receive annual payments of $50,000 and are entitled to a charitable income tax deduction.



6. Private Foundation
A private foundation is a nonprofit organization created with endowments from individuals, families or corporations. Private foundations are required to give away at least 5% of their net investable assets each year. Typically, members of the donor's family are involved in the leadership of the foundation and serve on the board. Younger family members can sit alongside older family members on the board to gain an appreciation for the family's giving values, mission, and vision as well as participate in the foundation's grantmaking and activities.

7. Donor-Advised Fund (DAF)
A donor-advised fund operates similarly to a private foundation but is held by a public charity instead of the individual donor. The donor recommends the organizations that are to receive grants from the fund, but all administrative duties and taxes are handled by the charity. Unlike private foundations, DAFs are not required to distribute 5% of their net investable assets each year. Millennial philanthropists may consider a DAF because you can open an account with a much lower starting amount, no start-up costs, and lower ongoing expenses and still have a formal structure to organize your giving and track the results of your generosity. And it provides the opportunity to set aside money for gifting during peak income years so that you can continue to give going forward.

WINNING PLAYS for Young Philanthropists from Melanie Schnoll Begun

Start locally.
Time is your most constrained resource, so start local to help ensure your ability to show up or deliver.

Align your philanthropic work with your career and professional skills.
Consider how you can support a nonprofit with your skillset. As a young professional with an entry-level job, a nonprofit environment can give you the opportunity to learn skills that are usually reserved for professionals with more experience.

Take advantage of available resources.
If you are still in school, take advantage of available coursework such as classes focused on nonprofits, (social) entrepreneurship and management. Leverage your network and invite friends or family members who work at a nonprofit or sit on a board to coffee. Ask them about their experience and any best practices you can employ.

Work at a nonprofit.
If you have summers in which you can afford to forgo a salary, consider working at a nonprofit. Working at a nonprofit can help make you a better philanthropist by providing in-depth exposure to day-to-day operations and nonprofit management.

Write a public narrative.
This can be a helpful exercise when you are applying to a Junior Board as a young professional with a limited resume and budget. A good narrative addresses three key perspectives:

- Who you are as an individual
- Who you could be for their organization and the value you could bring
- Who you could be for the community that their organization represents

“Today, the lines between nonprofit and for profit are converging. Nonprofits are prioritizing accountability and operating like businesses, while companies are thinking about how they can contribute to a better tomorrow. We are seeing the emergence of more commercial ventures every day that have a philanthropic aim at their core.”

MELANIE SCHNOLL BEGUN — *MANAGING DIRECTOR, HEAD OF PHILANTHROPY MANAGEMENT, MORGAN STANLEY WEALTH MANAGEMENT*

Who You Give To: Do Your Homework

Design Your Philanthropic Portfolio
Like any traditional investment portfolio, your goal is to select a mix of philanthropic investments that will help to achieve your mission.

By thinking about your philanthropic commitments in the following three buckets, you can focus your efforts effectively and strategically:

1

CORE

The organizations, causes or themes where your primary passions lie

2

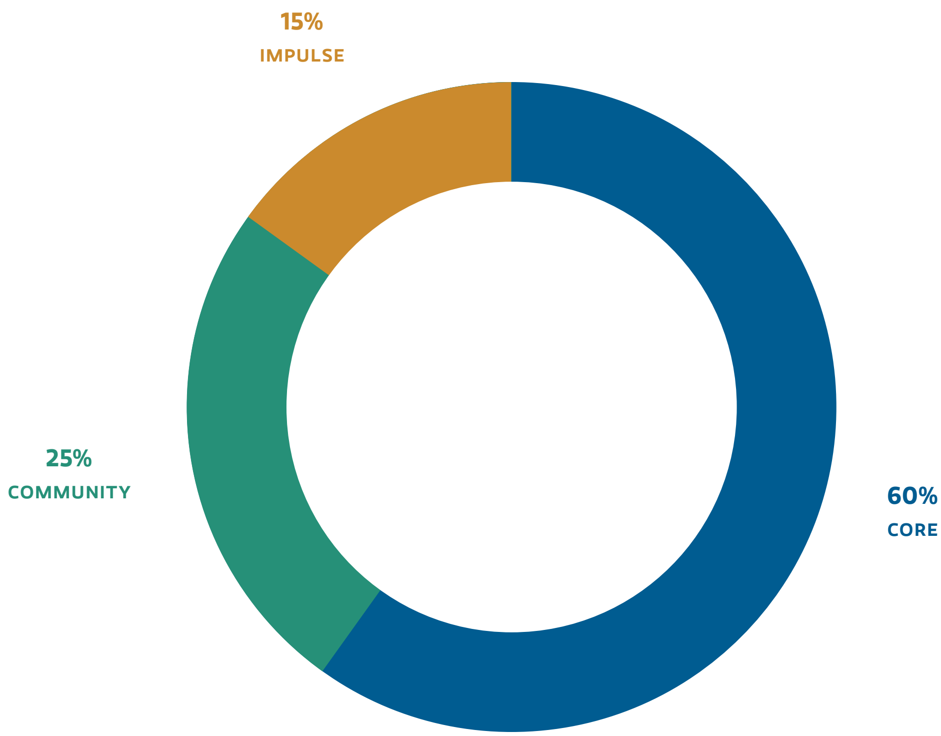
COMMUNITY GIFTS

The causes you want to support because of where you live and the networks you're a part of (e.g., your alma mater, the local art museum, a friend's nonprofit, or religious organizations)

3

IMPULSE GIFTS

The causes you don't see coming and can't plan for (e.g., disaster relief or fundraising events)



A good benchmark is to try and allocate 60% of your annual giving to the causes you are most passionate about, 25% to community or obligatory gifts, and the remaining 15% to impulse gifts.

Due Diligence
Before you make a donation, it's important to perform your due diligence to help manage expectations and hold organizations accountable.

This due diligence checklist can help identify partners of greatest value to you by asking the following:

- ☐ Is the organization's strategy aligned with your objectives and is it pursuing that strategy in a manner that you can support?
- ☐ How does the organization define success and how is it measuring outcomes?
- ☐ Is the organization positioned as a thought leader in its field? Do people respect the organization and its leadership?
- ☐ Does the executive director of the organization have a clear vision and track record of success? Is he or she supported by a strong board and professional staff?
- ☐ Does the organization have a diversified income stream, or are revenue sources highly concentrated?
- ☐ What is the organization's overhead as a percentage of revenues? What about as a percentage of grants?

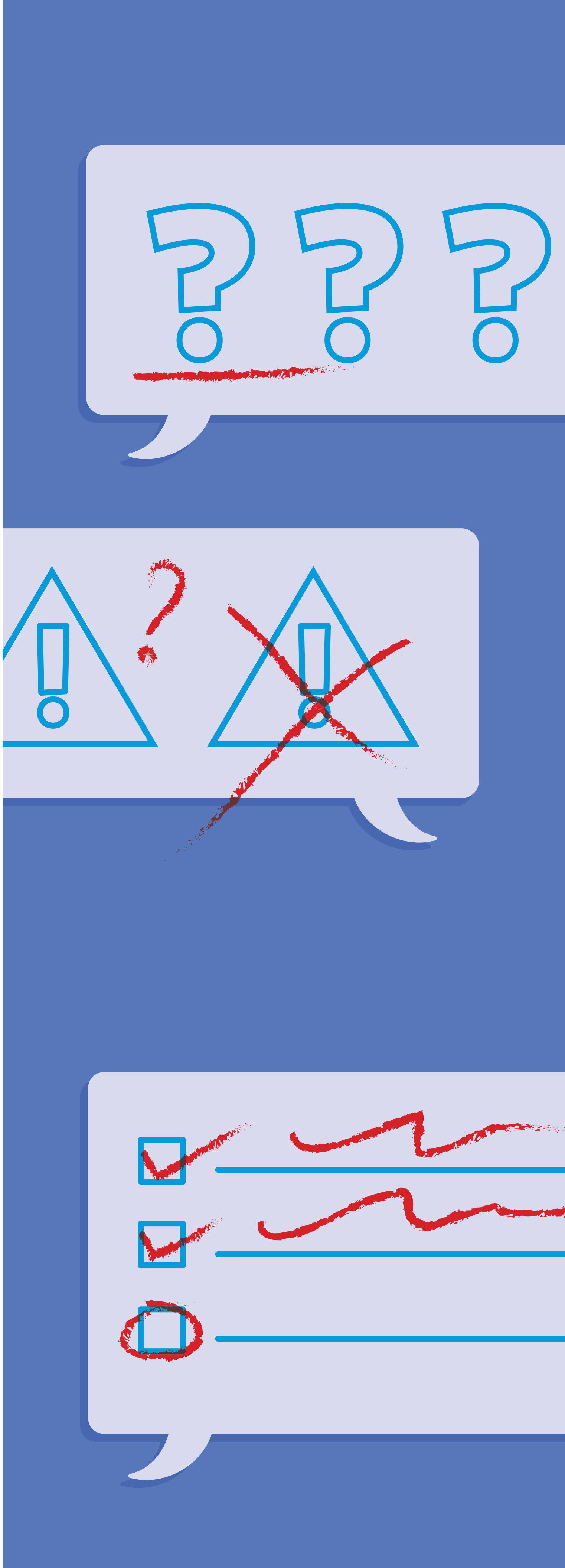
Consider using the following sources to help you answer the questions on the due diligence checklist:

- Nonprofit website
- Nonprofit financial reports
- Recent news or articles on the nonprofit
- Third party evaluators (e.g., GuideStar, Charity Navigator)
- A Philanthropic Advisor

PRO TIP

When asked to support a friend's cause that is outside of your thematic focus or areas of interest, the best strategy is to be honest. Emphasize that you have your own philanthropic mission statement that requires your full focus and dedication.

GLENN KURLANDER, MANAGING DIRECTOR, MORGAN STANLEY WEALTH MANAGEMENT



Family Giving

Philanthropy is often a family affair. It can act as a uniting practice across generations and a valuable tool for teaching children lessons about family values and leaving a legacy.

Volunteering Together

Making time to volunteer together can help demonstrate the importance of living your values. This hands-on approach can help your children feel more connected to a cause by experiencing the impact of their work first hand. Many nonprofit organizations, such as Habitat for Humanity and Feeding America, offer opportunities for families to spend quality time together volunteering.

PRO TIP

If you want to get the message across, you have to live, not just speak, your values. If we emphasize to our children how important it is to give back, but never engage in philanthropic activity, our children will come to doubt our words no matter how often or eloquently we deliver the message.

GLENN KURLANDER, MANAGING DIRECTOR, MORGAN STANLEY WEALTH MANAGEMENT

Creating a Family Mission Statement

Creating a philanthropic mission statement as a family can help ensure that your collective giving is guided by a consistent set of values, whether you choose to give through a family foundation, a donor-advised fund or another vehicle. The process of developing a mission statement can also be a great way to give younger family members a voice at the table.

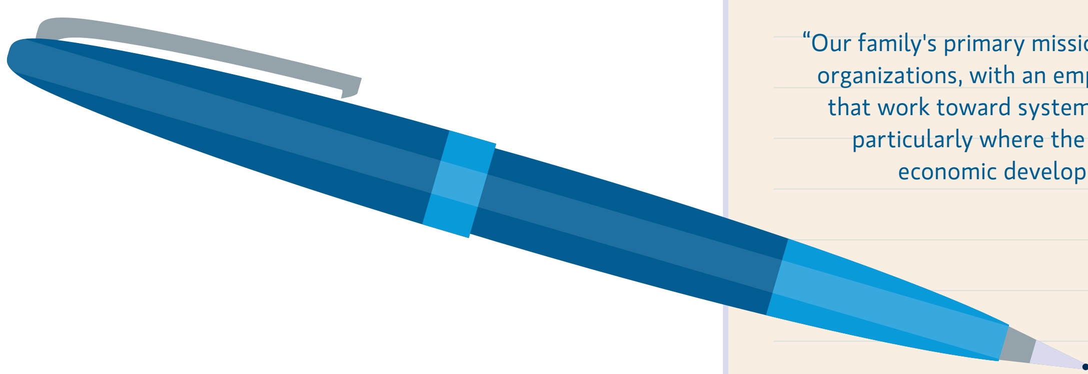
As you go through this exercise, try and focus on your family's common values and goals. Keep in mind that your giving strategy may need to be flexible enough to adapt to changing priorities as your children grow up.

HERE ARE SOME EXAMPLES OF FAMILY MISSION STATEMENTS:

"We are very mindful of the fact that our local schools launched the successful careers of multiple generations of our family. Our family foundation's primary mission is to serve our community by improving educational opportunities for disadvantaged children. We provide scholarship grants to deserving, graduating high school students to enable them to attend an accredited university. We also fund specific academic programs and capital needs."

"In light of our experience with two children who grew up with Type 2 diabetes, our family's mission is to make a difference in the health and well-being of children by addressing childhood obesity through education, counseling and medical research."

"Our family's primary mission is to support environmental organizations, with an emphasis on those organizations that work toward systemic change and sustainability, particularly where the areas of environment and economic development come together."



Junior Boards

As loyal Boomer patrons continue to age, many foundations are struggling to connect with younger donors amidst the competition of technology-enabled giving platforms and social media awareness campaigns. A junior board is a great way for nonprofits to tap into the time, talent, and networks of younger generations, while also cultivating relationships with potential future donors.

For some nonprofit organizations, junior boards exist solely as fundraising entities that host social events and introduce the organization to a new generation of potential donors. Other organizations use their junior boards more broadly for building the organization's base of community service volunteers, to provide access to pro bono skills and services, and to seek advice on programming.

Serving on a junior board for your family foundation or a nonprofit organization can be a win-win proposition. The organization benefits from your support and fresh perspective, but being a junior board member can also offer opportunities for your own professional and personal development. As a junior board member, you can have a front row seat to the highest level of operations. You could gain exposure to everything from board governance to project management and have countless opportunities for hands-on leadership experience.

Joining a junior board can also be a strategic way to grow your network by allowing you to learn from mentors or advisors and build relationships with fellow junior members who share your passion for the cause.

WINNING PLAYS for Flexing Your Philanthropic Muscles

- Join a junior board
- Volunteer your skills to local nonprofits
- Rally your network to tackle a charitable project together
- Explore local volunteer groups or young donor circles
- Become a mentor at a local Boys & Girls Club
- Join a host committee
- Give back to the institutions that played a big role in your life

“It is important to measure philanthropic activity not just in monetary terms, but also by time given. Millennial philanthropists are demonstrating the power of connecting the business, philanthropic, and social sectors to generate positive change, resulting in new partnerships and innovation. Through philanthropic engagement, they are becoming better businessmen and women.”

MELANIE SCHNOLL BEGUN — *MANAGING DIRECTOR, HEAD OF PHILANTHROPY MANAGEMENT, MORGAN STANLEY WEALTH MANAGEMENT*

Changing the Rules: Modern-Day Philanthropists

In December of 2015, Mark Zuckerberg pledged to give 99% of his Facebook Inc. shares, worth around $45 billion at the time, to charity. He also promised to do so while he and his wife were still alive. His pledge made headlines across the world and, whether you agree with this radical move or not, it is an example of how Millennial philanthropists are challenging the status quo.

There is no right or wrong approach to philanthropy. Some individuals, like Zuckerberg, prefer to give away the majority of their wealth during their lifetime, while others seek to extend the impact of their philanthropic investments across generations.

PROFILE #1

Elizabeth Carlock Phillips, 28

Family background:
Married to Kevin Phillips, heir to and Managing Partner of his grandfather's multimillion-dollar real estate enterprise

Day job:
Executive Director of the Phillips Foundation since 2013

On the side:
Started a jewelry business in high school that became her career for seven years and led her to Uganda, where she was Founding Designer of the Akola Project.

Philanthropy:
Founding President of Echelon, the official national young adults auxiliary for The Salvation Army; started Generation GPAC, a grassroots movement supporting the Greensboro Performing Arts Center project; developed programs for Reconciliation Outreach and has chaired record-breaking fundraisers for New Friends New Life and the Greensboro Symphony. Sits on national board of Say Yes to Education, Women Moving Millions, and serves on the board of the Akola Project and as a Trustee for UNC Greensboro.

Passionate about:
Place-based philanthropy and total portfolio activation through impact investing. Under her leadership, the Phillips Foundation voted to become 100% values-aligned across its corpus and launched the Impact Investing Think Tank. Grant strategy seeks transformational, six- and seven-figure opportunities within the Guilford County community. These have included launching a Teach for America region, scaling Youth Villages' LifeSet program, and ending chronic homelessness by funding county-wide Housing First implementation.

Elizabeth on the Phillips Foundation:
"The foundation brings our family together by thinking about things outside of ourselves."

Elizabeth on focus and philanthropy:
"By regionalizing our grantmaking focus, we can concentrate on once-in-a-generation opportunities to transform the community, while making a broader impact through seeking 100% values alignment with our full endowment."

PROFILE #2

John Kluge, 33

Family background:
Son of American Media Mogul and Entrepreneur, John Kluge, Sr.

Day job:
Co-Founder and Managing Director, the Alight Fund

On the side:
Visiting Fellow in Social Entrepreneurship at University of Virginia Frank Batten School of Leadership and Public Policy; writes about business and social impact for Forbes and Conscious Company Magazine; co-authored "Charity and Philanthropy for Dummies," with Michael Lindenmayer and Karl Muth.

Philanthropy:
Member of the Board of Directors at Foundry 47 Foundation, an organization dedicated to the destruction of assault rifles in Africa; Co-Founder, Toilet Hackers; Former Board Member, Pencils of Promise.

Passionate about:
Human dignity and social justice. In 2016, together with his wife, Dr. Christine Mahoney, he co-founded the Alight Fund, a for-profit investment fund that provides micro-loans to refugee and host community entrepreneurs to grow small businesses in displacement-affected zones. John also co-founded Toilet Hackers, a nonprofit using hackathons, targeted advocacy, and partnerships with organizations like the World Bank and Global Citizen to accelerate universal access to sanitation and hygiene.

John on the importance of investing in refugees:
"In 2016, there were 65 million displaced people globally, up from 37.5 million in 2005. These staggering figures have placed an overwhelming load on a global humanitarian aid regime unequipped to cope, and the system is cracking under the pressure. But hardship begets innovation, and displaced peoples possess a great wealth of entrepreneurial acumen. It is the displaced themselves who offer the greatest hope for solving one of the great challenges of our time."

Questions to Ask Your Financial Advisor

1. Can you help me craft a philanthropic mission statement?
2. Are there events that I can attend or other ways that I can connect with, and learn from, like-minded young philanthropists?
3. Do you have any pre-existing relationships with causes or organizations that align with my philanthropic mission?
4. What vehicles should I consider for making a charitable gift and what are the pros and cons of each?
5. How should I allocate my annual philanthropic budget between core, community and impulse gifts?
6. Are there tax implications I should be aware of when planning my gifting strategy?

Must Reads

The Promise of a Pencil: How an Ordinary Person Can Create Extraordinary Change

AUTHOR: ADAM BRAUN

The *New York Times* bestseller about a young man who built more than 250 schools around the world and the steps for leading a successful and significant life.

Giving 2.0: Transform Your Giving and Our World

AUTHOR: LAURA ARRILLAGA-ANDREESSEN

An inspiring resource for anyone looking to make a difference, offering practical methods for giving time, money and expertise.

Doing Good Better

AUTHOR: WILLIAM MACASKILL

A straightforward guide on charitable giving to help anyone make the largest possible difference in the lives of others.

The Soul of Money

AUTHOR: LYNNE TWIST

A powerful exploration of attitudes toward money—earning it, spending it, and giving it away—and how to use it as a tool to make the world a better place.

CITATIONS:

[1] CNBC. "Nearly 3 Out of 4 Millennials Have Donated Money During the Pandemic." (2020). Accessed April 2021.

[2] Adapted from: Morgan Stanley Philanthropy Management. Philanthropy Discovery Questionnaire. Ideas for Good: Resources for Effective Philanthropy. (2014).

[3] Achieve Guidance and The Case Foundation. 2016 Millennial Impact Report. (2016).

[4] Lindenmayer, Michael. 7 Traits of Amazing Volunteers. Forbes, (2013).

[5] Morgan Stanley Philanthropy Management. Strategies for Charitable Giving. Ideas for Good: Resources for Effective Philanthropy. (2014).

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Conclusion

The Value of Advice

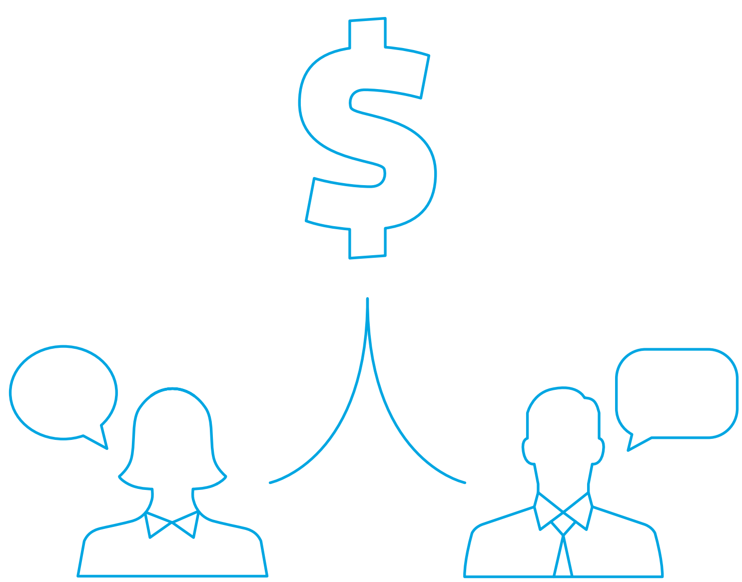
As you accumulate wealth, you often face more complexity. When it comes to your finances, family, and future, there is rarely a "one-size-fits-all" approach, as everyone faces a different set of challenges, expectations, and pressures. The key is finding a Financial Advisor who can point out blind spots and help you create a financial strategy that works for you. Sometimes, finding the right partner starts with asking the right questions.

What should you look for in a Financial Advisor?
The first question to ask yourself when evaluating a Financial Advisor is, "Can I see myself partnering with this person in the long-term, and do I have the confidence in him or her to help me achieve my goals?" In order to answer that question, you need to understand the Financial Advisor's investment style, level of experience, services provided, and methodology for measuring success.

Here are some questions to consider asking when shopping around for a Financial Advisor:

- How much do you charge and what is covered in that fee?
- Do you have a team, and, if so, what do your team members do?
- Do you work with a client's personal attorney or tax professional?
- What is your approach to advising investors?
- What type of experience and qualifications do you have?
- How often do you meet with your clients?
- What type of investors do you like to work with?
- Do you have systems or software to help develop investment strategies?
- How will you inform me of my investment performance? Can I access this information on demand?
- How are you compensated?
- What other services do you offer?
- What kinds of research and other support can you provide?

Working With a Morgan Stanley Financial Advisor
From building an investment portfolio to building a legacy, a Financial Advisor can be a powerful ally. At Morgan Stanley, our Financial Advisors work with individuals, families, and businesses to deliver services and solutions that help build, preserve, and manage wealth. We understand our clients' aspirations, and we're as devoted to your goals as you are. Reach out to us to learn more about how we can help you create a plan that meets your needs at each stage of life.



"When choosing a Financial Advisor, it is not just about asking a Financial Advisor the right questions, but making sure that a Financial Advisor is asking the right questions of you. Instead of coming to you with preconceived notions about your situation because he or she has seen something similar before, a good Financial Advisor should go above and beyond to understand who you are, the challenges you are facing, and what matters most to you."

GLENN KURLANDER —*MANAGING DIRECTOR, MORGAN STANLEY WEALTH MANAGEMENT*

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