Tax Payment Strategies

Portfolio Loan Account

A Liquidity Alternative For Tax Liabilities

Consider financing your tax bill with a securities-based lending strategy, which may enable you to unlock the value of your assets and gain quick access to funds to cover your tax liability,[1] including:

- Upcoming personal or business tax obligations
- Past tax liabilities

A securities-based lending strategy can give you access to a flexible line of credit by using eligible securities in your investment account as collateral. As long as adequate collateral is maintained, a securities-based lending strategy can create the liquidity you need to cover your financing needs while providing an opportunity to keep your investment strategy on track. You can access your available credit at your discretion through a variable rate revolving line of credit, fixed rate loan or by establishing a standby letter of credit.[2]

A Portfolio Loan Account (PLA) is a securities-based loan offered by Morgan Stanley Bank, N.A. Financing your tax liability through a Portfolio Loan Account may enable you to avoid late payment penalties or additional interest which would result from not paying your bill in full when due. Repayment term options may be available to meet your circumstances with variable rate revolving line of credit or fixed rate loan options.

Calculating Your Interest Rate[3]

The interest rate for a PLA is based on a LIBOR (London Interbank Offered Rate) index plus an incremental percentage — also known as a spread — which is determined by the approved line of credit or loan amount.

For a variable rate revolving line of credit, the index is the 30-day LIBOR. For a fixed rate loan, the index is the LIBOR swap rate which matches the duration of the loan.

Approved Line of Credit/Loan Amount[4]	Interest Rate Spread
$100,000 – $249,999	5.00%
$250,000 – $499,999	4.00%
$500,000 – $999,999[4]	3.50%
$1,000,000 – $2,499,999	3.00%
$2,500,000 – $4,999,999	2.75%
$5,000,000 – $9,999,999	2.50%
$10,000,000 +	2.25%

For example, if you are approved for a $250,000 loan, the interest rate spread is 4.00%. Your interest rate equals the interest rate spread of 4.00% plus the corresponding LIBOR index:

Line of Credit or Loan Type	Index		Spread		Your Interest Rate
Variable rate revolving line of credit	0.19%* (30-day LIBOR)[5]	+	4.00%	=	4.19%
Fixed rate loan (5-year)	1.587%* (5-Year LIBOR Swap)[5]	+	4.00%	=	5.587%

*For illustrative purposes only.

Morgan Stanley Bank, N.A. offers the flexibility to increase your PLA Approved Facility Limit automatically if it is set-up as maximum, it is less than $3,000,000 and you either deposit additional eligible collateral or the value of your existing eligible collateral increases. At the sole discretion of Morgan Stanley Bank, N.A., and without further notice to you, your Approved Facility Limit may increase based on the value of your eligible collateral, but will not exceed $3,000,000.

If you choose this convenient option, the Interest Rate Spread will be determined according to the grid using a different methodology: the Interest Rate Spread will be based on the peak value of eligible collateral within the first 35 days after the line is available, which results in the lowest possible Interest Rate Spread for you. After the first 35 days, the Approved Facility Limit will fluctuate based on the value of eligible collateral, but the Interest Rate Spread may remain the same.

There are risks associated with using your assets as collateral in a securities-based loan and it is not suitable for everyone. Sufficient collateral must be maintained and you may need to deposit additional eligible securities on short notice. Speak to your Financial Advisor to learn more about securities-based loans and if they might be an appropriate solution for financing your tax liability or other needs.

1 Morgan Stanley and its Financial Advisors do not offer tax advice. Individuals should consult their personal tax advisor before making any tax-related investment decisions.

2 Annual fees apply for standby letters of credit, if issued. In rare instances, fees to third parties may be applicable.

3 Rates are as of August 2013. Rates are provided for indication only, are variable and subject to change. Interest shall be calculated on the basis of a year of three hundred sixty (360) days but charged for the actual number of days elapsed.

4 For international clients in approved jurisdictions, loan minimum is $500,000.

5 LIBOR rates as of August 1, 2013 as published in The Wall Street Journal. Your Financial Advisor can provide the LIBOR rate based on your individual loan.

Portfolio Loan Account ("PLA") is a securities-based loan/line of credit product offered by Morgan Stanley Bank, N.A. A PLA loan is a demand loan. All credit facilities are subject to the underwriting standards and independent approval of Morgan Stanley Bank, N.A. PLA loans/lines of credit may not be available in all locations and may not be appropriate for all clients. Rates, terms and conditions are subject to change without notice. The contents of this document should not be construed as a commitment to lend. To be eligible for a PLA loan/line of credit, you must have a brokerage account at Morgan Stanley Smith Barney LLC, which shall serve as collateral for the PLA. The ongoing availability of the PLA is contingent on you maintaining sufficient eligible collateral.

Morgan Stanley Bank, N.A. is an Equal Housing Lender and a member FDIC that is primarily regulated by the Office of the Comptroller of the Currency.

The proceeds of a PLA loan/line of credit may not be used to purchase, trade, or carry margin stock, or to repay debt that was used to purchase, trade or carry margin stock and cannot be deposited into a Morgan Stanley Smith Barney LLC or other brokerage account.

Securities-based Lending Risks: Borrowing against securities may not be suitable for everyone. You should be aware that securities-based loans involve a high degree of risk and that market conditions can magnify any potential for loss. Most important, you need to understand that: (1) Sufficient collateral must be maintained to support your loan(s) and to take future advances; (2) You may have to deposit additional cash or eligible securities on short notice; (3) Some or all of your securities may be sold without prior notice in order to maintain account equity at required collateral maintenance levels. You will not be entitled to choose the securities that will be sold. These actions may interrupt your long-term investment strategy and may result in adverse tax consequences or in additional fees being assessed; (4) Morgan Stanley Bank, N.A., Morgan Stanley Private Bank, National Association, or Morgan Stanley Smith Barney LLC (collectively referred to as "Morgan Stanley") reserves the right not to fund any advance request due to insufficient collateral or for any other reason except for any portion of a securities-based loan that is identified as a committed facility; (5) Morgan Stanley reserves the right to increase your collateral maintenance requirements at any time without notice; and (6) Morgan Stanley reserves the right to call your securities-based loan at any time and for any reason.

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