

Morgan Stanley: Retaining Workplace Stock-Plan Assets After Vesting

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Decision scope: How to retain and serve workplace stock-plan participants after vesting

Case convention: This is a hypothetical strategy exercise. Public company disclosures are historical; no private deliberations are represented.

The decision

On March 1, 2024, Morgan Stanley's Wealth Management leadership is reviewing how to serve employees whose company stock awards vest. The company reported that its workplace-channel vested-asset retention rate was 29% in 2023, down from 34% in 2022 but above 24% in 2021. The measure counts assets retained in either an advisor-led or self-directed channel; it is not the share of participants opening an account and does not measure client outcomes. [P1]

The team must consider how to retain more of these assets while serving participant needs. Should the firm emphasize advisor-led engagement, make self-directed digital access the primary path, or offer a staged mix with service options based on participant preference and need? The public record does not state a target rate, a fixed capital or staffing pool, or the relative cost or profitability of the channels. The assignment should not assume that maximizing asset retention is automatically best for clients or for Morgan Stanley.

A workplace channel with multiple paths

At December 31, 2023, Morgan Stanley reported \$416 billion in workplace unvested stock-plan assets and 6.6 million plan participants, compared with \$302 billion and 6.3 million a year earlier. The filing describes unvested assets as the market value of publicly traded company securities. A participant appearing in multiple plans is counted in each plan. The 29% retention metric is based on asset inflows and outflows around vesting and the company's stated calculation; it should not be read as an account-opening or unique-participant conversion rate. [P1]

Wealth Management has both advisor-led and self-directed channels. At year-end 2023, advisor-led client assets were \$3.979 trillion; self-directed assets were \$1.150 trillion. Morgan Stanley states that a person or household engaged in multiple Wealth Management channels is included in each respective channel's count, so the figures are not mutually exclusive customer populations. [P1]

Firmwide measures provide context but do not isolate workplace assets. In 2023, fee-based assets were \$1.983 trillion and fee-based asset flows were \$109.2 billion, compared with \$162.8 billion in 2022. Wealth Management net new assets were \$282.3 billion, down from \$311.3

billion. The company defines net new assets to include inflows such as interest, dividends and acquisitions, net of outflows, but to exclude fees and commissions and business combinations or divestitures. Market changes and channel mix also affect reported assets. [P1]

What might cause a participant to stay?

Participants may have different needs after vesting. Some may value advice about diversification, taxes or broader financial goals. Others may prefer to retain and manage assets through a self-directed account, or may choose to transfer or sell shares. The company's public materials do not report the number of unique participants converting after vesting, their service preferences, or their outcomes.

Each channel raises a different design question. Advisor-led engagement may offer individualized service, but an account or investment-strategy recommendation can raise regulatory obligations. A digital channel may offer direct access, but general education, a recommendation and self-directed execution are not interchangeable. The SEC's Regulation Best Interest staff FAQ says recommending that a retail customer open a self-directed brokerage account may be covered even if the account is later self-directed. The applicable analysis depends on what is communicated and the customer's circumstances. [P3]

Evidence for the decision

Company evidence at the cutoff	What it shows	What it does not show
Stock-plan vested-asset retention: 29% in 2023; 34% in 2022; 24% in 2021. [P1]	A firm-defined, asset-based outcome varied over three years.	Why it changed; unique participants' choices; client welfare; channel profitability.
\$416bn unvested assets and 6.6m plan participants at Dec. 31, 2023. [P1]	Workplace channel scale at a point in time.	Vested assets in the next period, account openings or assets ultimately retained.
Advisor-led assets \$3.979tn; self-directed assets \$1.150tn. [P1]	Existing channel scale.	A clean comparison of mutually exclusive customers, margins or workplace conversion.
Fee-based asset flows fell to \$109.2bn from \$162.8bn; Wealth Management NNA was \$282.3bn. [P1]	Firmwide asset-gathering context.	Workplace-channel flows or a cause of the 2023 retention-rate movement.
SEC staff guidance on account recommendations. [P3]	Advice and self-directed channel design have distinct regulatory boundaries.	A conclusion about the applicability of Regulation Best Interest to any particular hypothetical communication.

The choice

What service path should Morgan Stanley emphasize for employees after stock-plan assets vest? A proposal may prioritize advisor-led engagement, self-directed access, or a staged service menu. State what participant needs each option serves, how participants retain meaningful choice, what evidence would show value, and when the firm should expand, revise or stop the approach. Include client-protection measures and the strongest argument against your proposal. Do not treat the reported retention rate as a target or infer earnings by applying it to unvested assets.

Sources and conventions

All information is limited to material public by March 1, 2024. Channel counts can overlap. The workplace vested-asset retention rate is company-defined and asset-based. Fee-based assets, fee-based flows, Wealth Management net new assets and client assets use different definitions. The SEC FAQ is staff guidance, not the text of a rule or legal advice. No post-cutoff outcomes are included.

- **P1:** Morgan Stanley 2023 Form 10-K, filed Feb. 22, 2024; MD&A printed pp. 38-40 (PDF pp. 39-41), channel metrics, workplace definition and footnotes.
- **P2:** Morgan Stanley Q4/FY2023 results release, Jan. 16, 2024, PDF pp. 1-5 and 7-8.
- **P3:** SEC Regulation Best Interest final rule (2019) and SEC staff FAQ on Regulation Best Interest, Jan. 10, 2020, including the self-directed account recommendation question.
- **A1:** Chalmers and Reuter, "Is Conflicted Investment Advice Better than No Advice?," *Journal of Financial Economics* 138(2), 2020, 366-387; directly read author-hosted revised 2015 NBER Working Paper No. 18158.