

MORGAN STANLEY  
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Free Writing Prospectus to Preliminary Terms No. 1,238

Registration Statement Nos. 333-221595; 333-221595-01

Morgan Stanley Finance LLC

Dated December 6, 2018

Filed pursuant to Rule 433

Structured Investments

Dual Directional Trigger PLUS Based on the Performance of the S&P 500<sup>®</sup> Index due January 3, 2024

**This document provides a summary of the terms of the Trigger PLUS offered by Morgan Stanley Finance LLC. Investors should review carefully the accompanying preliminary terms, product supplement, index supplement and prospectus prior to making an investment decision.**

#### SUMMARY TERMS

**Issuer:** Morgan Stanley Finance LLC (“MSFL”)

**Guarantor:** Morgan Stanley

**Maturity date:** January 3, 2024

**Valuation date:** December 28, 2023, subject to postponement for non-index business days and certain market disruption events

**Underlying index:** S&P 500<sup>®</sup> Index. For more information about the underlying index, see the accompanying preliminary terms.

If the final index value is greater than the initial index value:

\$1,000 + leveraged upside payment

If the final index value is less than or equal to the initial index value but is greater than or equal to the trigger level:

\$1,000 + (\$1,000 x absolute index return)

**Payment at maturity per Trigger PLUS:** *In this scenario, you will receive a 1% positive return on the Trigger PLUS for each 1% negative return on the underlying index. In no event will this amount exceed the stated principal amount plus \$350.*

If the final index value is less than the trigger level:

\$1,000 x the index performance factor

*Under these circumstances, the payment at maturity will be less than the stated principal amount of \$1,000 and will represent a loss of more than 35%, and possibly all, of your investment.*

**Leveraged upside payment:** \$1,000 × leverage factor × index percent change

**Leverage factor:** At least 122%. The actual leverage factor will be determined on the pricing date.

<b>Index percent change:</b>	(final index value – initial index value) / initial index value
<b>Absolute index return:</b>	The absolute value of the index percent change. For example, a –5% index percent change will result in a +5% absolute index return.
<b>Index performance factor:</b>	final index value / initial index value
<b>Initial index value:</b>	The index closing value on the pricing date
<b>Final index value:</b>	The index closing value on the valuation date
<b>Trigger level:</b>	65% of the initial index value
<b>Stated principal amount:</b>	\$1,000 per Trigger PLUS
<b>Pricing date:</b>	December 28, 2018
<b>Original issue date:</b>	January 3, 2018 (3 business days after the pricing date)
<b>CUSIP / ISIN:</b>	61768DRW7 / US61768DRW73
<b>Listing:</b>	The Trigger PLUS will not be listed on any securities exchange. Morgan Stanley & Co. LLC, an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See “Supplemental information regarding plan of distribution; conflicts of interest” in the accompanying preliminary terms. The agent commissions will be as set forth in the final pricing supplement.
<b>Agent:</b>	
<b>Estimated value on the pricing date:</b>	Approximately \$966.80 per Trigger PLUS, or within \$30.00 of that estimate. See “Investment Summary” in the accompanying preliminary terms.

## Overview

The Dual Directional Trigger PLUS, or “Trigger PLUS,” are unsecured obligations of MSFL and are fully and unconditionally guaranteed by Morgan Stanley. The Trigger PLUS will pay no interest, do not guarantee any return of principal at maturity and have the terms described in the accompanying preliminary terms, product supplement for PLUS, index supplement and prospectus. At maturity, if the S&P 500<sup>®</sup> Index, which we refer to as the underlying index, has **appreciated** in value, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying index. If the underlying index has **depreciated** in value but by no more than 35%, investors will receive the stated principal amount of their investment plus an unleveraged positive return equal to the absolute value of the percentage decline, which will effectively be limited to a positive 35% return. However, if the underlying index has **depreciated** in value by more than 35%, investors will be negatively exposed to the full amount of the percentage decline in the underlying index and will lose 1% of the stated principal amount for every 1% of decline, without any buffer. The Trigger PLUS are for investors who seek an equity index-based return and who are willing to risk their principal and forgo current income in exchange for the upside leverage and absolute return features that in each case apply to a limited range of performance of the underlying index. **Investors may lose their entire initial investment in the Trigger PLUS.** These long-dated Trigger PLUS are notes issued as part of MSFL’s Series A Global Medium-Term Notes program.

The Trigger PLUS differ from the PLUS described in the accompanying product supplement for PLUS in that the Trigger PLUS offer the potential for a positive return at maturity if the underlying index depreciates by up to 35%. The Trigger PLUS are not the Buffered PLUS described in the accompanying product supplement for PLUS. Unlike the Buffered PLUS, the Trigger PLUS do not provide any protection if the underlying index depreciates by more than 35%.

**All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These Trigger PLUS are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.**

### **Hypothetical Payout on the Trigger PLUS**

The payoff diagram below illustrates the payment at maturity on the Trigger PLUS.

*Investing in the Trigger PLUS involves risks. See “Selected Risks” on the following page and “Risk Factors” in the accompanying preliminary terms.*

**You should read this document together with the accompanying preliminary terms, product supplement, index supplement and prospectus describing the offering before you decide to invest. You may access the preliminary terms through the below link:**

[https://www.sec.gov/Archives/edgar/data/895421/000095010318013768/dp98736\\_fwp-ps1238.htm](https://www.sec.gov/Archives/edgar/data/895421/000095010318013768/dp98736_fwp-ps1238.htm)

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling toll-free 1-800-584-6837.

## Risk Considerations

The risks set forth below are discussed in more detail in the “Risk Factors” section in the accompanying preliminary terms. Please review those risk factors carefully prior to making an investment decision.

- The Trigger PLUS do not pay interest or guarantee return of any principal.

- The market price of the Trigger PLUS will be influenced by many unpredictable factors.

The Trigger PLUS are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the Trigger PLUS.

- As a finance subsidiary, MSFL has no independent operations and will have no independent assets.

The amount payable on the Trigger PLUS is not linked to the value of the underlying index at any time other than the valuation date.

- Investing in the Trigger PLUS is not equivalent to investing in the underlying index.

- Adjustments to the underlying index could adversely affect the value of the Trigger PLUS.

The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Trigger PLUS in the original issue price reduce the economic terms of the Trigger PLUS, cause the estimated value of the Trigger PLUS to be less than the original issue price and will adversely affect secondary market prices.

The estimated value of the Trigger PLUS is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price.

- The Trigger PLUS will not be listed on any securities exchange and secondary trading may be limited.

The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the Trigger PLUS.

- Hedging and trading activity by our affiliates could potentially adversely affect the value of the Trigger PLUS.

- The U.S. federal income tax consequences of an investment in the Trigger PLUS are uncertain.

## Tax Considerations

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You should review carefully the discussion in the accompanying preliminary terms under the caption “Additional Information About the Trigger PLUS– Tax considerations” concerning the U.S. federal income tax consequences of an investment in the Trigger PLUS. However, you should consult your tax adviser regarding all aspects of the U.S. federal income tax consequences of an investment in the Trigger PLUS, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

### S&P 500® Index Historical Performance

The following graph sets forth the daily index closing values of the S&P 500® Index for each quarter in the period from January 1, 2013 through November 27, 2018. You should not take the historical values of the S&P 500® Index as an indication of its future performance, and no assurance can be given as to the index closing value of the S&P 500® Index on the valuation date.

S&P 500® Index

Daily Index Closing Values

January 1, 2013 to November 27, 2018