Donating Do's and Don'ts:

Putting Generosity to the Test

Thomas J. Pauloski, J.D.
National Managing Director
Wealth Planning and Analysis Group

Follow-Up Questions?

For any follow-up questions or requests for a customized analysis for you, a client or a donor, please contact Brian Wodar at Brian.Wodar@Bernstein.com

Bernstein does not provide tax, legal, or accounting advice. In considering the information contained in this presentation, you should independently verify all conclusions before implementing any strategy on your own behalf or on behalf of your client.

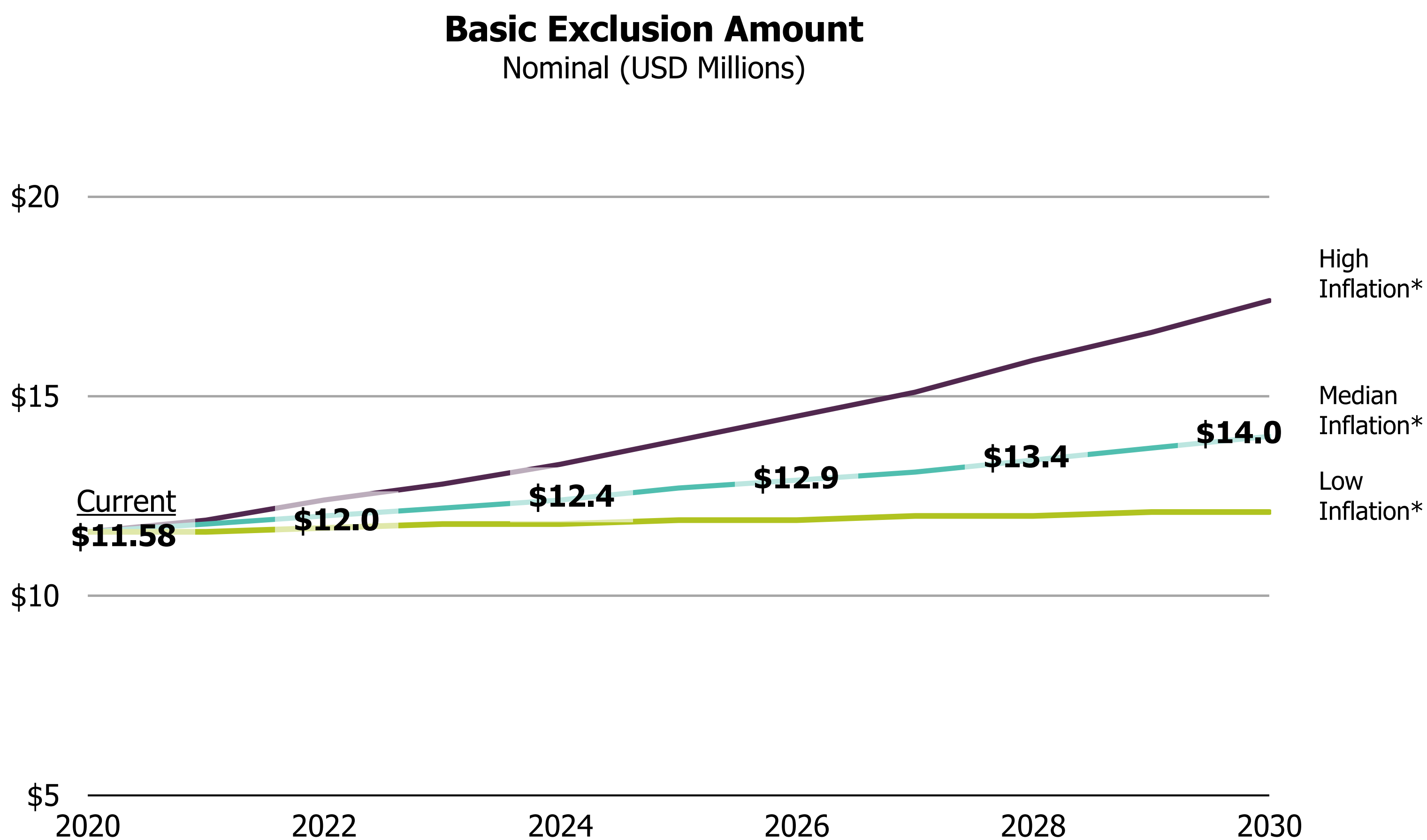
Comparative Highlights of Prior Law and "The Legislation Formerly Known as the Tax Cuts and Jobs Act"

ATRA, et al.

	2017	2020
Top marginal corporate income tax rate	35%	21%
Top marginal individual income tax rate	39.6%	37%, but up to 20% of domestic qualified business income is deductible
Surtax on net investment income	3.8%	Same
Nonitemizers	Combination of standard deduction and personal exemptions	2x standard deduction; personal exemptions eliminated
Itemized deductions	Subject to "3% cutback"	"3% cutback" and most deductions repealed; state and local tax deduction limited to $10,000 per year
Estate and GST taxes	$5.49M inflation-indexed exclusion; 40% "flat" rate	Same, except 2x prior basic exclusion amount through 2025 (now $11.58M)
Step-up in income tax basis at death	Applies to all decedent's estates	Same

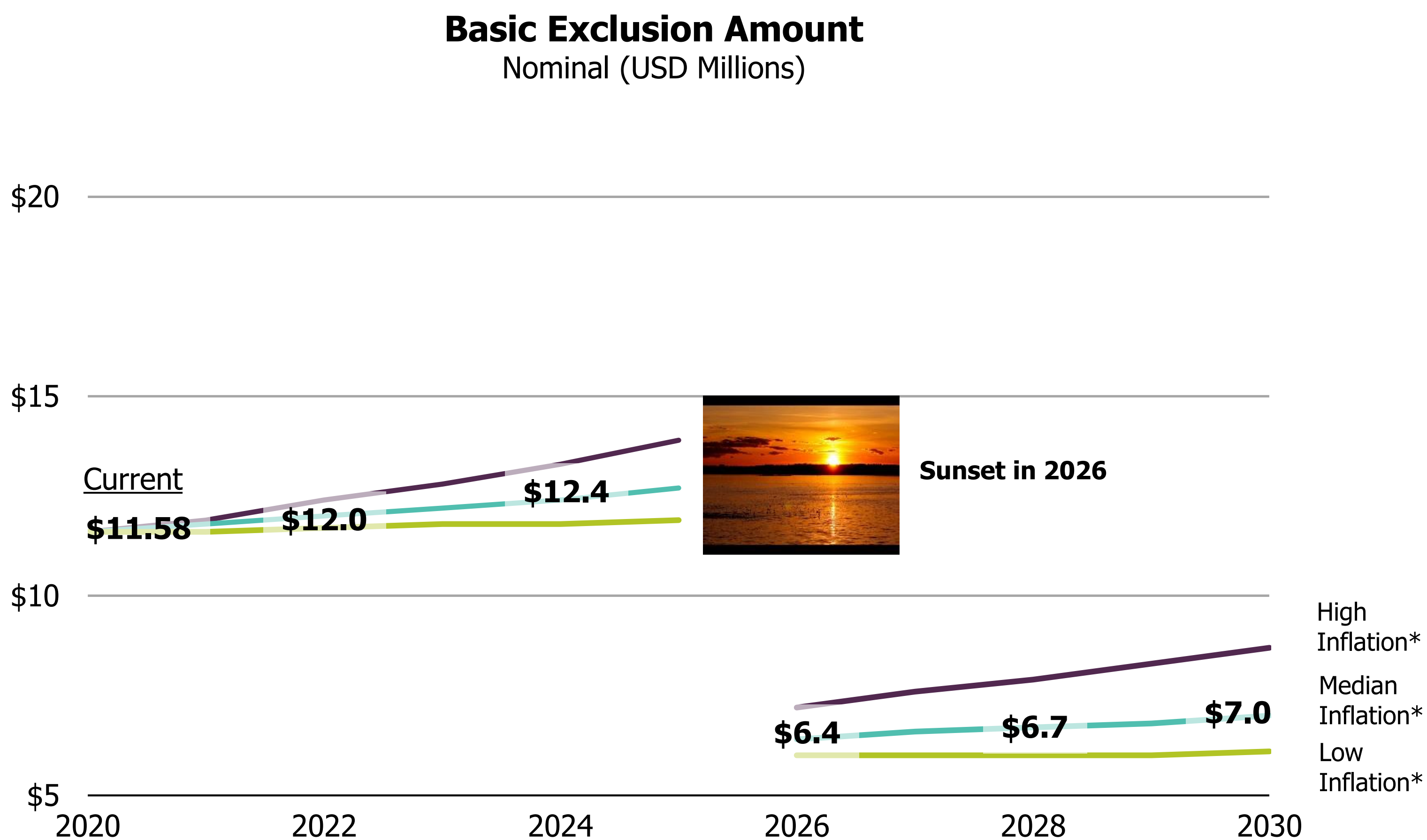
Sources: https://www.congress.gov/congressional-report/115th-congress/house-report/466/1?overview=closed, Rev. Proc. 2019-44 § 3.41 (Nov. 6, 2019), and AB

Projected Effect of Inflation on Basic Exclusion Amount . . .



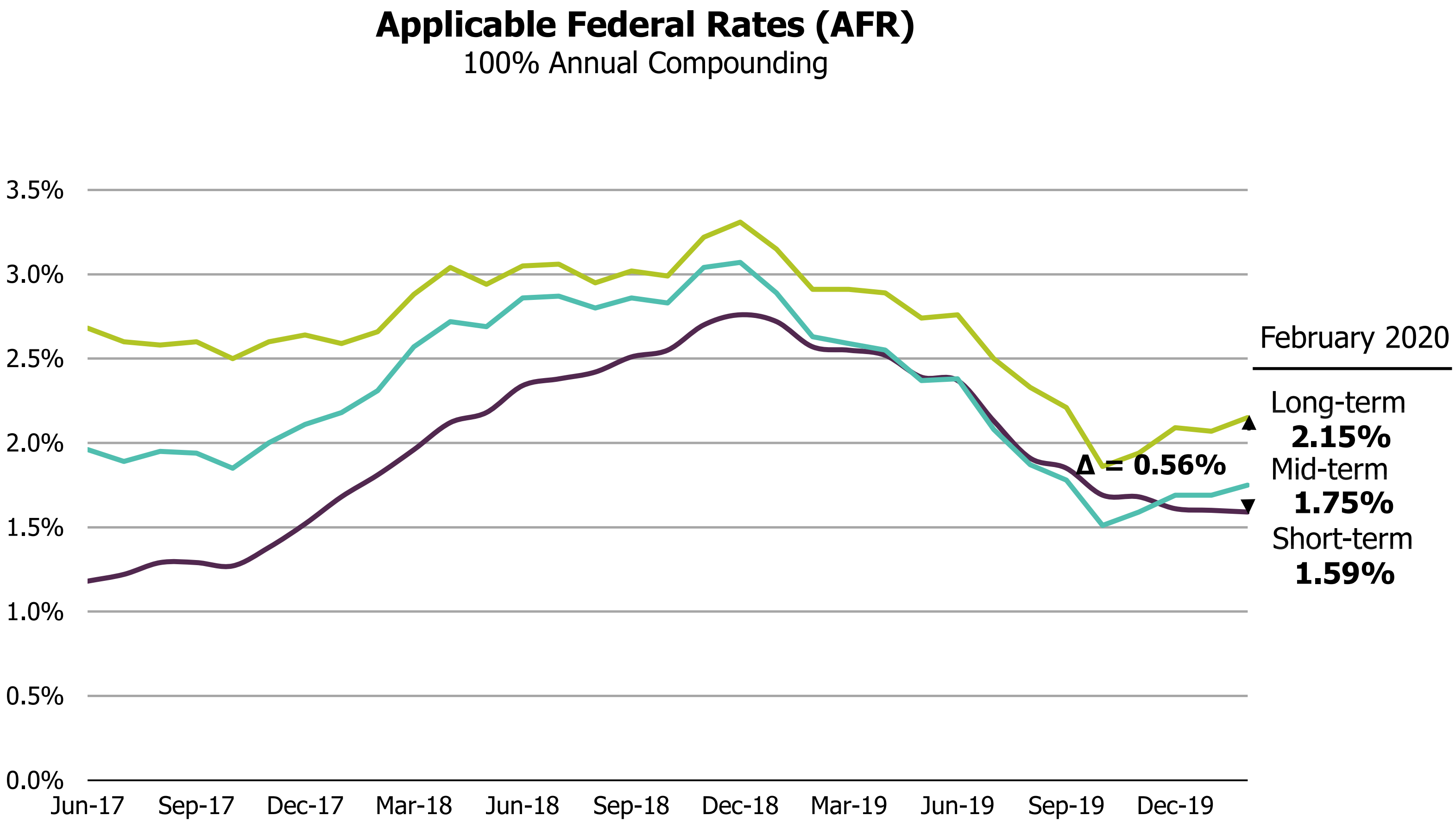
*Based on projected increases in "chained" CPI-U, rounded (except for 2020) to the nearest $100,000 in this display. Basic exclusion amount shown is for an individual, based upon 10th ("high"), 50th ("median"), and 90th ("low") percentile outcomes for the inflation-adjusted basic exclusion amount.
Based on Bernstein's estimates of the range of returns for the applicable capital markets. **Data do not represent past performance and are not a promise of actual results or a range of future results.** See Appendix, Notes on Wealth Forecasting, for details.
Source: AB

. . . Unless We Get This



*Based on projected increases in "chained" CPI-U, rounded (except for 2020) to the nearest $100,000 in this display. Basic exclusion amount shown is for an individual, based upon 10th ("high"), 50th ("median"), and 90th ("low") percentile outcomes for the inflation-adjusted basic exclusion amount.
Based on Bernstein's estimates of the range of returns for the applicable capital markets. **Data do not represent past performance and are not a promise of actual results or a range of future results.** See Appendix, Notes on Wealth Forecasting, for details.
Source: AB

Potential Strategy: Lock in Today's Still-Low Interest Rates . . . But Retain the Option to Complete the Gift Later



Source: www.irs.gov

Now More Than Ever . . . Know How Much Your Client Can Afford to Transfer

Lifestyle Spending	
Personal Reserve	

Core Capital

- How likely is it that core assets needed to support lifestyle will be *less than* the inflation-indexed applicable exclusion over time?
- Does the inflation-indexed exclusion provide an opportunity to reserve more for long-term care?

Extra Spending	
Opportunistic	
Children Grandchildren	
Charity	

Surplus Capital

- How much (if any) can stay in the estate without estate tax exposure?
- What are the *income* tax characteristics of capital earmarked for wealth transfer?
- What are the income tax consequences to the beneficiary upon liquidation?
- Can grantor trusts be used to facilitate periodic repositioning of assets, based on potential for growth *and* favorable income tax characteristics?

Source: AB

Charitable Contribution Strategies

Eliminated or Curtailed Many of Our Favorite Income Tax Deductions

- Eliminated
  - Miscellaneous itemized deductions
  - Alimony (beginning in 2019)
- Restricted
  - State and local taxes: Limited to $10,000 per taxpayer, per year
  - Mortgage interest: Still deductible, but limit of $750,000 on residential debt and other restrictions
- Still available
  - Ordinary and necessary business expenses
  - Investment interest
  - Medical expenses above 10% of adjusted gross income (7.5% of AGI for 2018)
  - **Charitable contributions**

Source: AB

Example: "Bunching" Annual Charitable Contributions*

Continue with $10,000 Annual Giving

	2019	2020	2021	2022
Mortgage Interest	$6.4k	$6.4k	$6.4k	$6.4k
State & Local Taxes	$10k	$10k	$10k	$10k
Charitable Gifts	$10k	$10k	$10k	$10k
Total Deductions	**$26.4k**	**$26.4k**	**$26.4k**	**$26.4k**
Amount Above Standard Deduction	**$2k**	**$2k**	**$2k**	**$2k**

Tax savings for annual donations:
- $740 in each of years 1 through 4
- $2,960 over four years

Double Gifts in Alternate Years

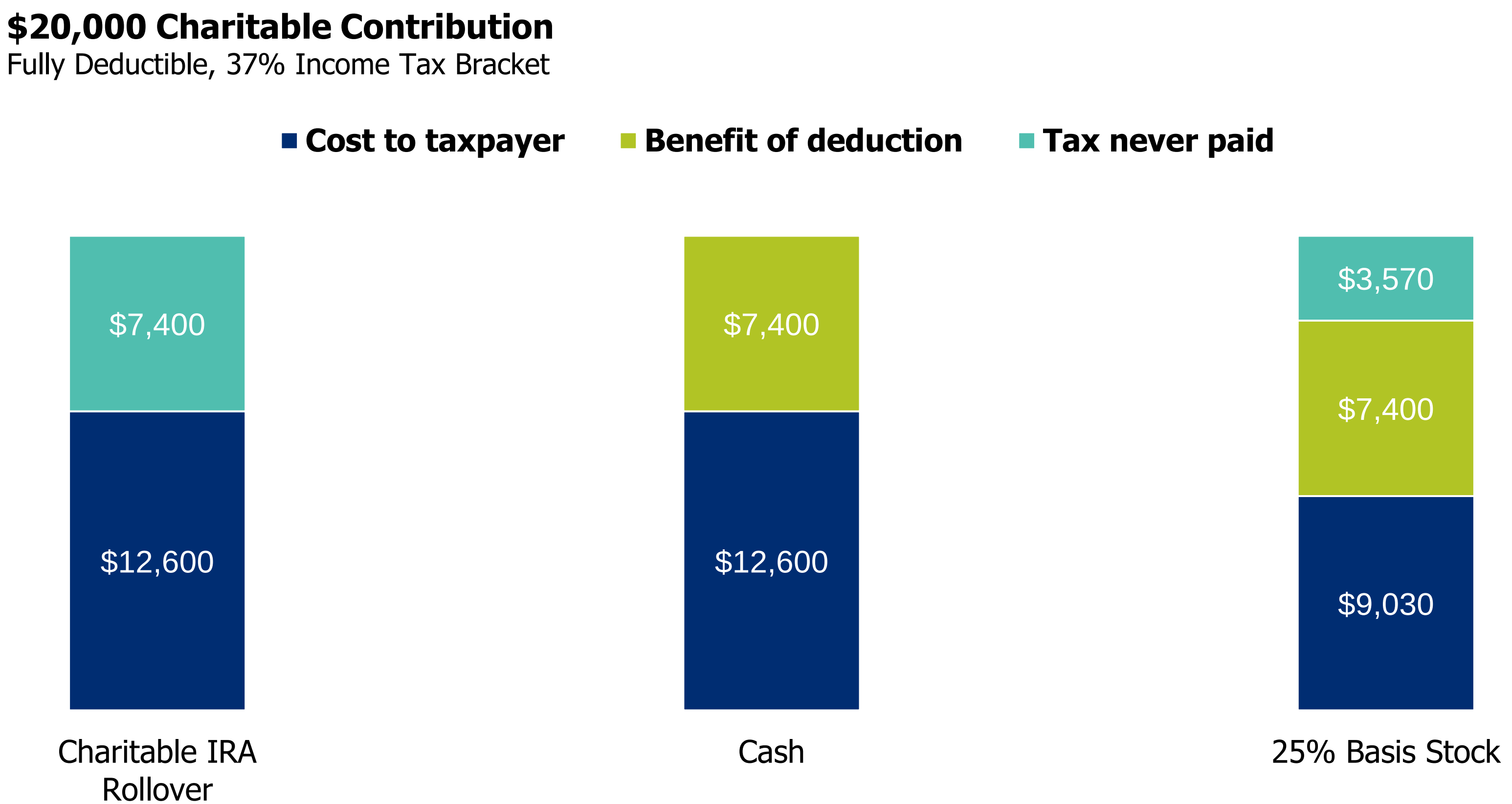
	2019	2020	2021	2022
Mortgage Interest	$6.4k	$6.4k	$6.4k	$6.4k
State & Local Taxes	$10k	$10k	$10k	$10k
Charitable Gifts	$20k	-	$20k	-
Total Deductions	**$36.4k**	**$16.4k**	**$36.4k**	**$16.4k**
Amount Above Standard Deduction	**$12k**	**-**	**$12k**	**-**

Tax savings alternate-year donations:
- Tax savings of **$4,440** in years 1 and 3
- **$8,880** savings over four years

In this example, "bunching" saves nearly $6,000 over four years

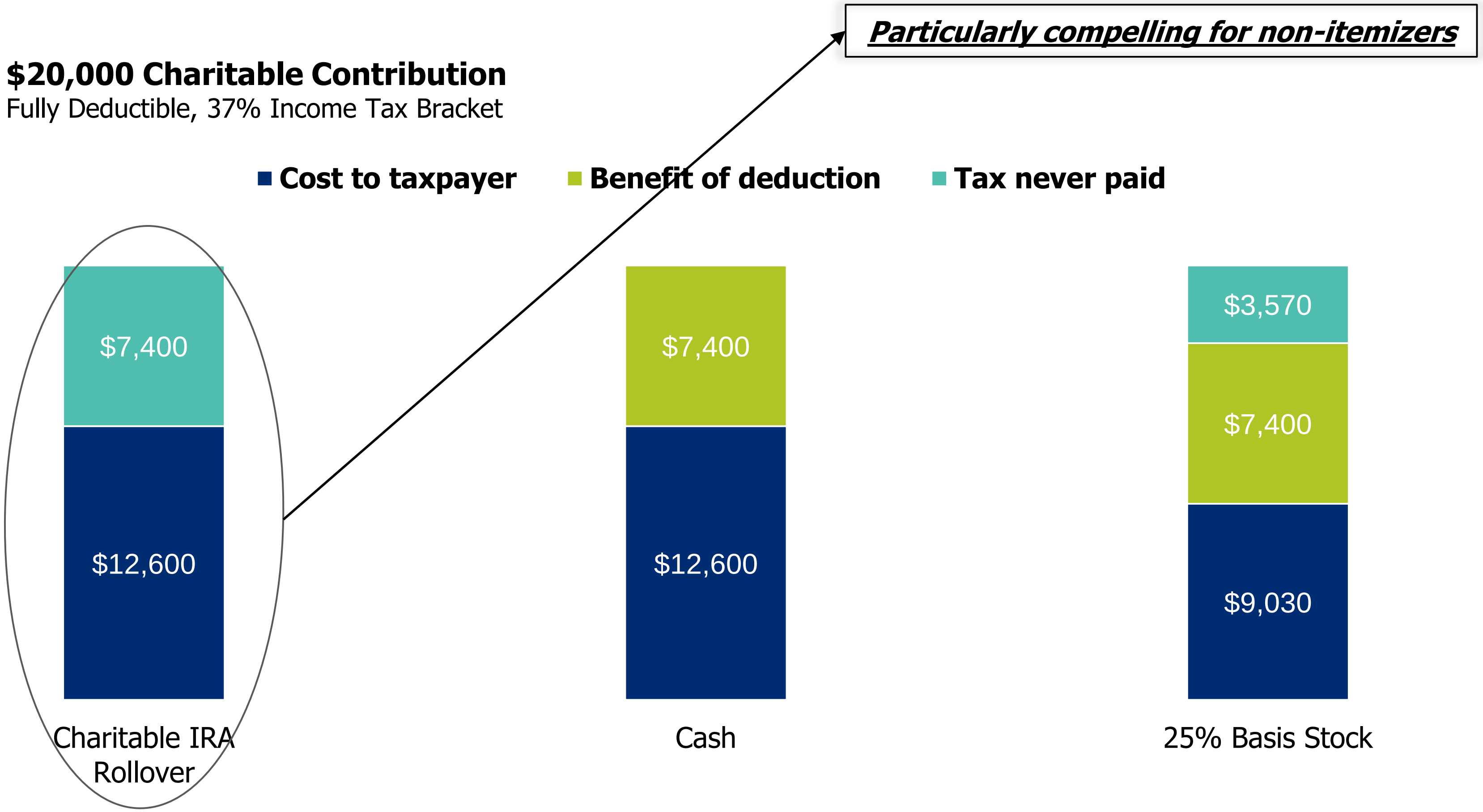
*Effective 2019, the standard deduction was increased to $24,400 (from $24,000 in 2018) for married taxpayers filing jointly. Assumes cash gifts and 37% effective income tax rate.
Bernstein is not a legal, tax or estate advisor. Investors should consult these professionals as appropriate before making any decisions.
Sources: www.irs.gov and AB

Finding the Most Tax-Efficient Source for Charitable Contribution*



"Charitable IRA Rollover" means tax-free IRA distribution by taxpayer age 70½ or older to public charity that is not donor-advised fund or supporting organization. See IRC § 408(d)(8). "25% Basis Stock" means contribution to public charity of long-term capital gain property having adjusted basis equal to 25% of fair market value at time of contribution. "Cost to taxpayer" means value of contributed property reduced by economic benefit of any deduction and income tax otherwise payable avoided due to contribution. "Benefit of deduction" means economic benefit of fully deductible contribution, assuming effective income tax rate of 37%. "Tax never paid" means (i) in case of Charitable IRA Rollover, 37% ordinary income tax that would have been paid on taxable distribution from IRA; and (ii) in case of 25% Basis Stock, 23.8% long-term capital gain tax that would have been paid upon sale of stock. Each case assumes taxpayer has adequate income in year of contribution to deduct contribution in full.
Source: AB

Finding the Most Tax-Efficient Source for Charitable Contribution*



"Charitable IRA Rollover" means tax-free IRA distribution by taxpayer age 70½ or older to public charity that is not donor-advised fund or supporting organization. See IRC § 408(d)(8). "25% Basis Stock" means contribution to public charity of long-term capital gain property having adjusted basis equal to 25% of fair market value at time of contribution. "Cost to taxpayer" means value of contributed property reduced by economic benefit of any deduction and income tax otherwise payable avoided due to contribution. "Benefit of deduction" means economic benefit of fully deductible contribution, assuming effective income tax rate of 37%. "Tax never paid" means (i) in case of Charitable IRA Rollover, 37% ordinary income tax that would have been paid on taxable distribution from IRA; and (ii) in case of 25% Basis Stock, 23.8% long-term capital gain tax that would have been paid upon sale of stock. Each case assumes taxpayer has adequate income in year of contribution to deduct contribution in full.

Source: AB

Case Study: Is a Charitable Remainder Trusts (CRT) an All-Weather Strategy?

Assumptions

- Married couple, each age 55, Minnesota residents—but considering a move to Texas or Florida
- $10 million of *publicly traded*, zero-basis stock
- Company is expected to merge with an offshore company in a so-called "inversion transaction" which, if completed, will trigger a $10 million capital gain*
- Time horizon: 40 years

*Medtronic did, in fact, merge with an Irish company, Covidien, in January 2015. This analysis was prepared well in advance of that merger.
Source: AB

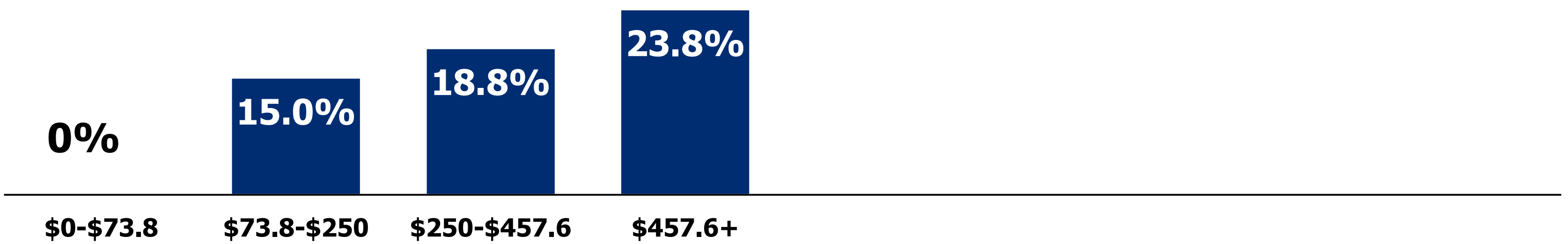
Progressivity of Federal Tax Brackets Has Increased

Marginal *Federal* Tax Rate on Long-Term Capital Gains and Qualified Dividends*

Joint Filers, Income Brackets ($ Thou.)

Long-Term Capital Gain	Tax
$500k—Top Marginal	**$119,000**
$500k—Full Bracket Run	**$75,550**

Δ = $43,450 per taxpayer, per year

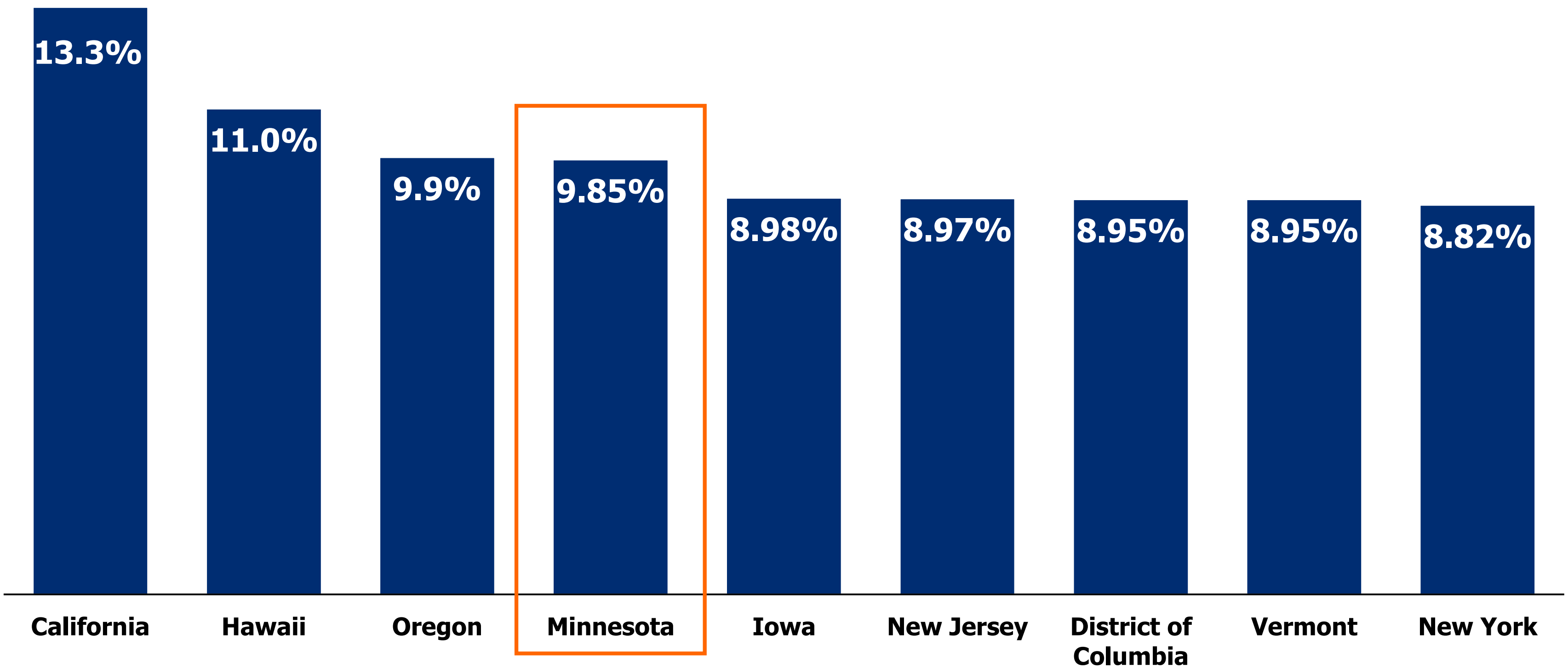


*Based on Health Care and Education Reconciliation Act of 2010 and the American Taxpayer Relief Act of 2012. Long-term capital gains rates in 2014: 0% on capital-gains portion of taxable income up to $73,800, 15% on income over $73,800 to $457,600, and 20% on income above $457,600. Medicare surtax of 3.8% applies to net investment income that exceeds a modified adjusted-gross-income of $250,000. All income thresholds are based on joint filers.

Bernstein is not a legal, tax or estate advisor. Investors should consult these professionals as appropriate before making any decisions.

Source: IRS and AB

Highest State Income Tax Rates*



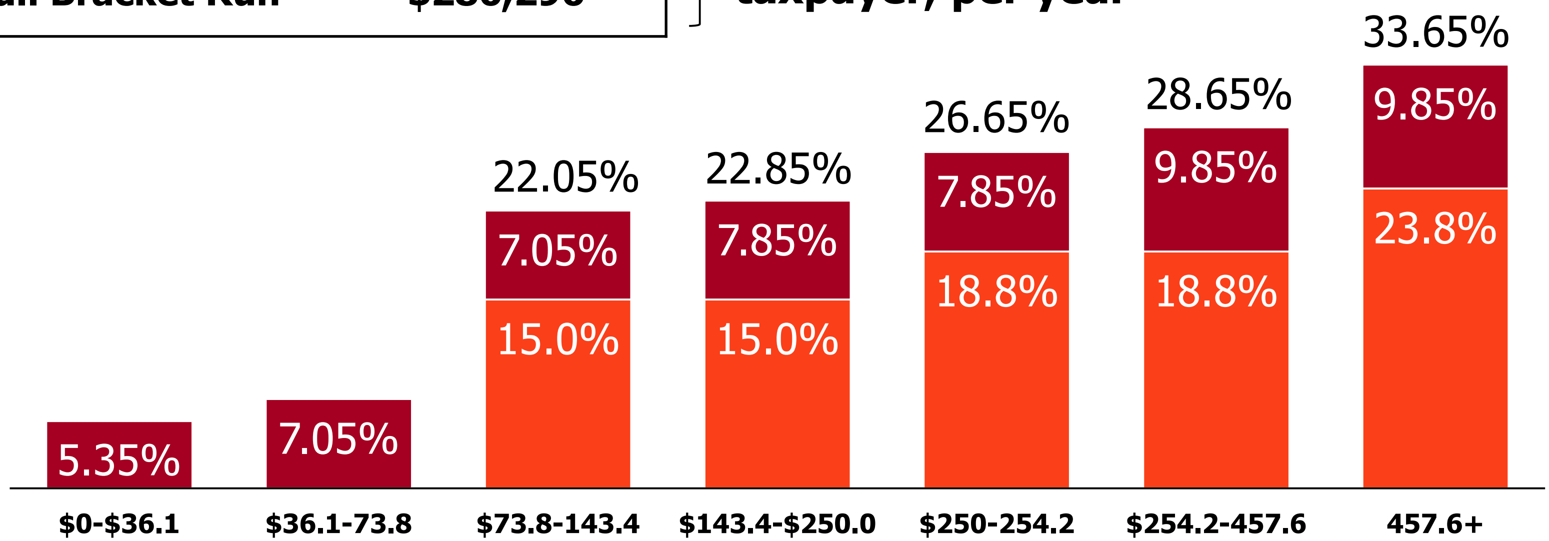
*As of January 1, 2014. Top rate on "last dollar" of income. Local income taxes not included.
Source: taxfoundation.org

Progressivity Is Even More Dramatic When State Income Tax Brackets Are Considered

Marginal Federal *and State* Tax Rate on Long-Term Capital Gains and Qualified Dividends*
Joint Filers, Income Brackets ($ Thou.)

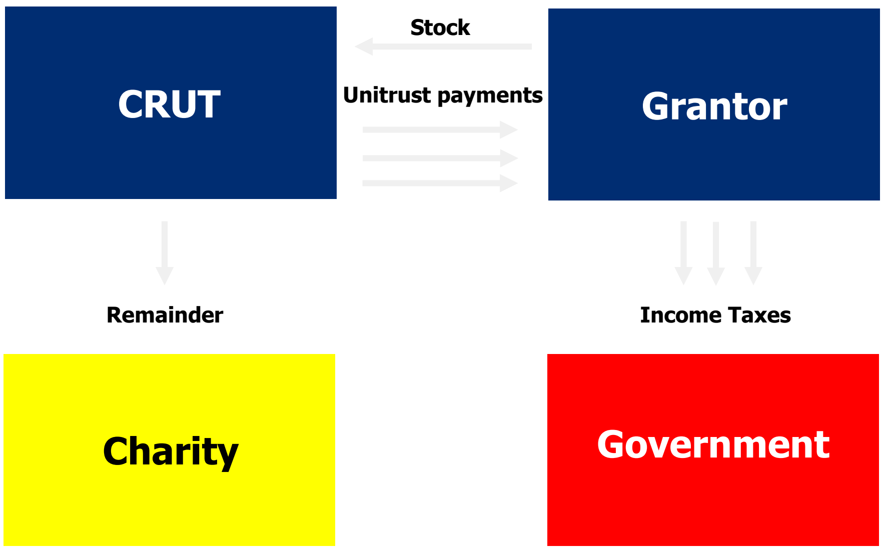
Long-Term Capital Gain	Tax
$1M—Top Marginal	$336,500
$1M—Full Bracket Run	$286,296

Δ = $50,294 per taxpayer, per year



*Based on Health Care and Education Reconciliation Act of 2010 and the American Taxpayer Relief Act of 2012. Long-term capital gains rates in 2014: 0% on capital-gains portion of taxable income up to $73,800, 15% on income over $73,800 to $457,600, and 20% on income above $457,600. Medicare surtax of 3.8% applies to net investment income that exceeds a modified adjusted-gross-income of $250,000. All income thresholds are based on joint filers. Assumes taxpayers are subject to the alternative minimum tax (AMT). Bernstein is not a legal, tax or estate advisor. Investors should consult these professionals as appropriate before making any decisions.
Source: IRS, taxfoundation.org, and AB

How a Charitable Remainder Unitrust (CRUT) Works



Key points:

- Grantor contributes appreciated stock to CRUT
- Trustee sells stock and invests in diversified portfolio—no immediate income tax consequence
- Each year, trustee distributes specified percentage of CRUT's asset value to Grantor
- Each year, Grantor recognizes taxable income (including some previously deferred gain)* in connection with those distributions
- Upon Grantor's death,** remaining CRUT assets will be distributed to charity

Grantor should get an upfront income tax charitable deduction of at least 10% of the fair market value of stock contributed to the CRUT

*The tax accounting rules for charitable remainder trusts are complicated and should be fully understood before embarking on this strategy.
**If Grantor does not live as long as anticipated, charity could receive a "windfall" from the CRUT; Grantor's estate plan could include an "adjustment clause" or mortality hedge (including, but not limited to, a hedge funded with life insurance) if that windfall is not in accord with her planning objectives. The nonchraitable term of the CRUT may terminate upon the death of the last to die of multiple beneficiaries (e.g., spouses) or a third party beneficiary (e.g., child). The present value of a beneficial interest for an individual who is not a spouse of Grantor may require use of applicable exclusion or trigger the imposition of gift tax.
Bernstein is not a legal, tax or estate advisor. Investors should consult these professionals as appropriate before making any decisions.
Source: AB

Today's Tax Rate Landscape Makes CRTs More Attractive

Potential Benefits of a CRT	Today vs. Pre-2013
✓ Diversify* Concentration Risk ✓ Give Assets to Charity	*Same*
✓ Up-Front Income-Tax Deduction ✓ Defer Capital Gains Tax ✓ Tax-Advantaged Growth	*Greater*
✓ Lower Future Tax Rates	*Possible*

*In this case, clients opted to diversify into a portfolio globally diversified stocks, specifically 21% U.S. value, 21% U.S. growth, 21% U.S. diversified, 22.5% developed international, 7.5% emerging markets, and 7% U.S. small/mid-cap.

Source: AB

Personal Wealth: Is a CRT a Good Solution?

Favors CRT		Favors Outright Sale
Higher	***Tax on Outright Sale***	Lower
Worth More	***Charitable Deduction***	Worth Less
Growth	***Return Objective***	Conservation
Longer	***Time Horizon***	Shorter

Customized wealth forecasting analysis for each unique client situation

Source: AB

Reminders When Contributing Securities to a CRT

- Contribution of long-term capital gain property to CRT with private foundation as remainder beneficiary
  - Deduction limited to cost basis [IRC § 170(b)(1)(B)(ii)]
  - Subject to 20% of AGI ceiling [IRC § 170(b)(1)(D)]
- Marketable securities exception [IRC § 170(e)(5)]:
  - Can deduct fair market value only if market quotations are readily available on an established exchange [IRC § 170(e)(5)(B)]
  - Not available for stock contributions in excess of 10% of the outstanding stock of the corporation (including related persons) [IRC § 170(e)(5)(C)]

Source: Internal Revenue Service and AB

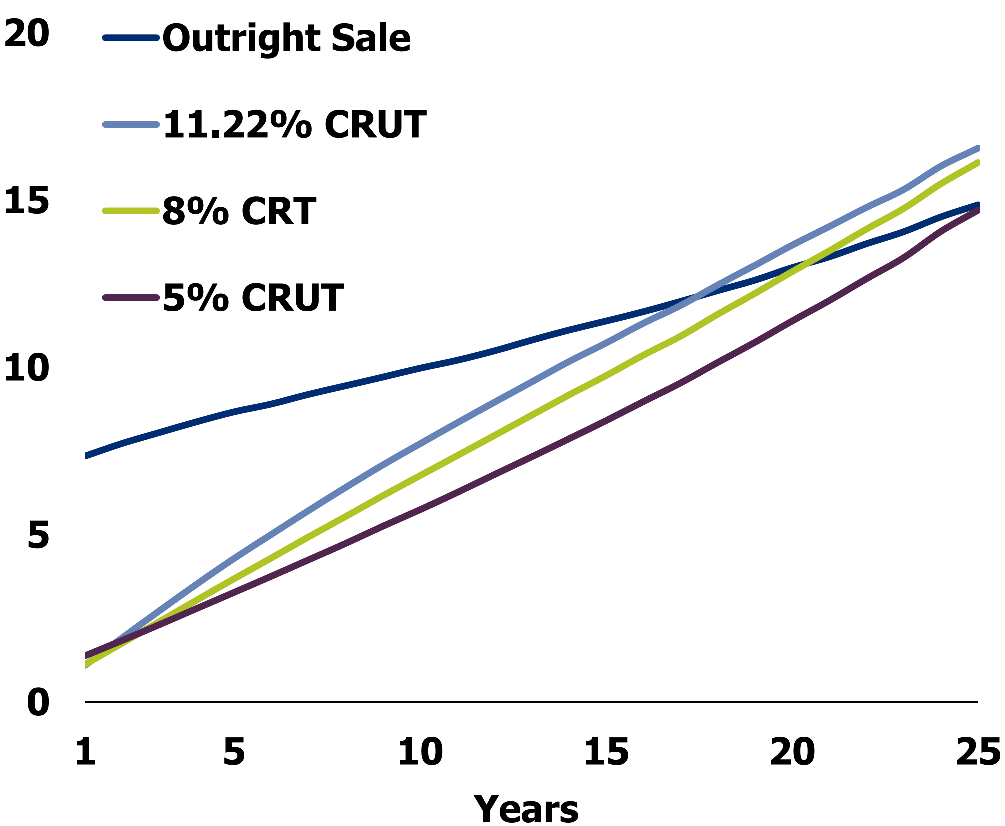
Tiered Accounting Rules with Net Investment Income

Category	Class	Rate*
Ordinary Income	NII Interest	40.8%
	Excluded Interest	37.0%
	NII Qualified Dividend	23.8%
	Excluded Qualified Dividend	20.0%
Capital Gain	NII Short-Term Gain	40.8%
	Excluded Short-Term Gain	37.0%
	NII Long-Term Gain	23.8%
	Excluded Long-Term Gain	20.0%
Other Income	Tax-Exempt Interest	0.0%
Corpus	Basis	n/a

*Current top marginal federal rate. Source: Internal Revenue Service and AB

When Is "Crossover" Achieved?

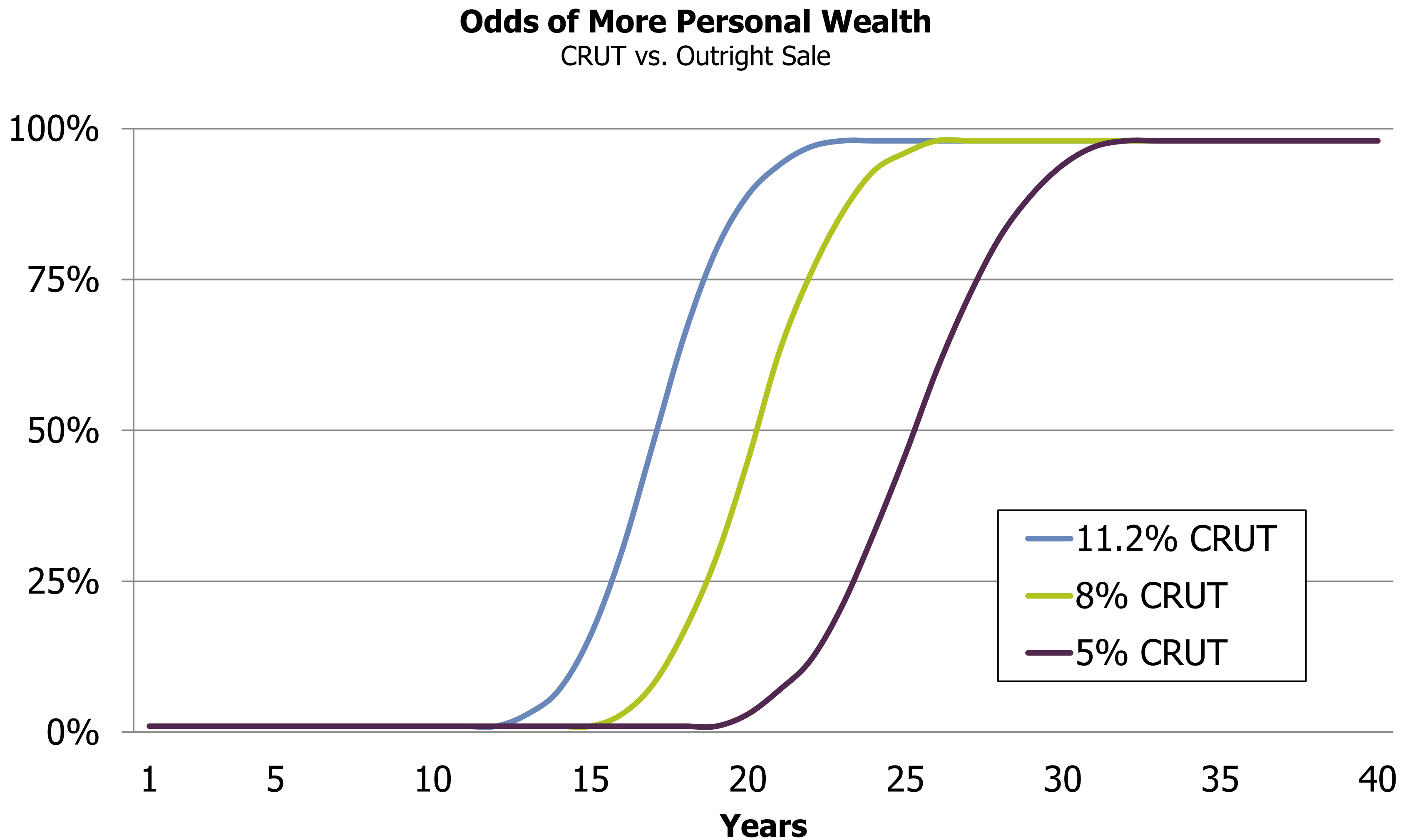
Personal Wealth Over Time—Median Case*
(Real, $ Mil.)



CRUT Payout (%)	Years Until Crossover**
11.2	18
8.0	21
5.0	26

*Charitable deduction is based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.
**"Crossover" defined as the point at which more personal wealth is accumulated from the CRUT relative to an outright sale. Results displayed are based on the median case (50% probability).
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
Source: AB

Probability of Crossover*

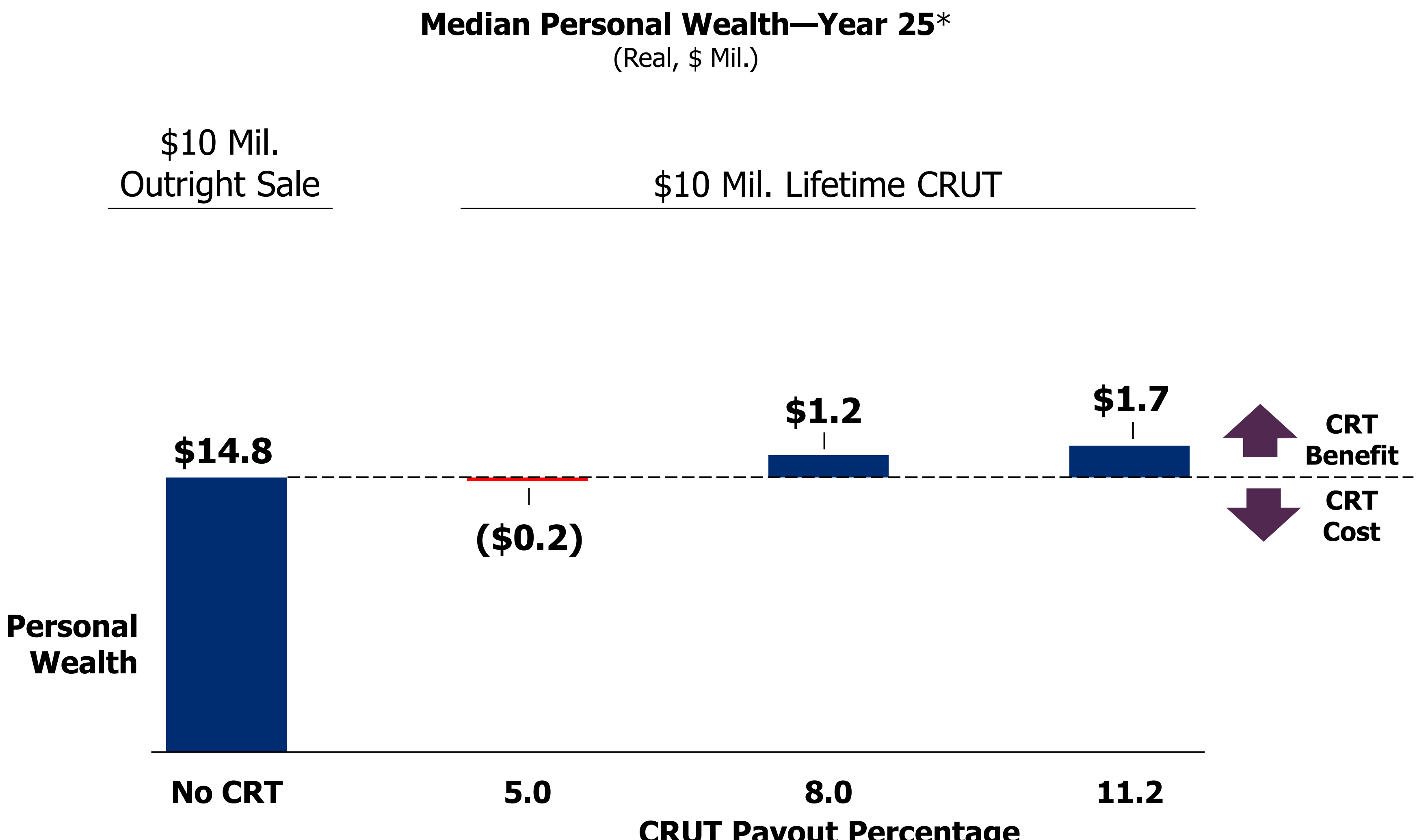


*"Crossover" defined as the point at which more personal wealth is accumulated from the CRUT relative to an outright sale. Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.

Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.

Source: AB

CRUT Can Enhance <u>Personal</u> Wealth . . . If Payout Percentage Is High and Grantor Has "Lots of Runway"

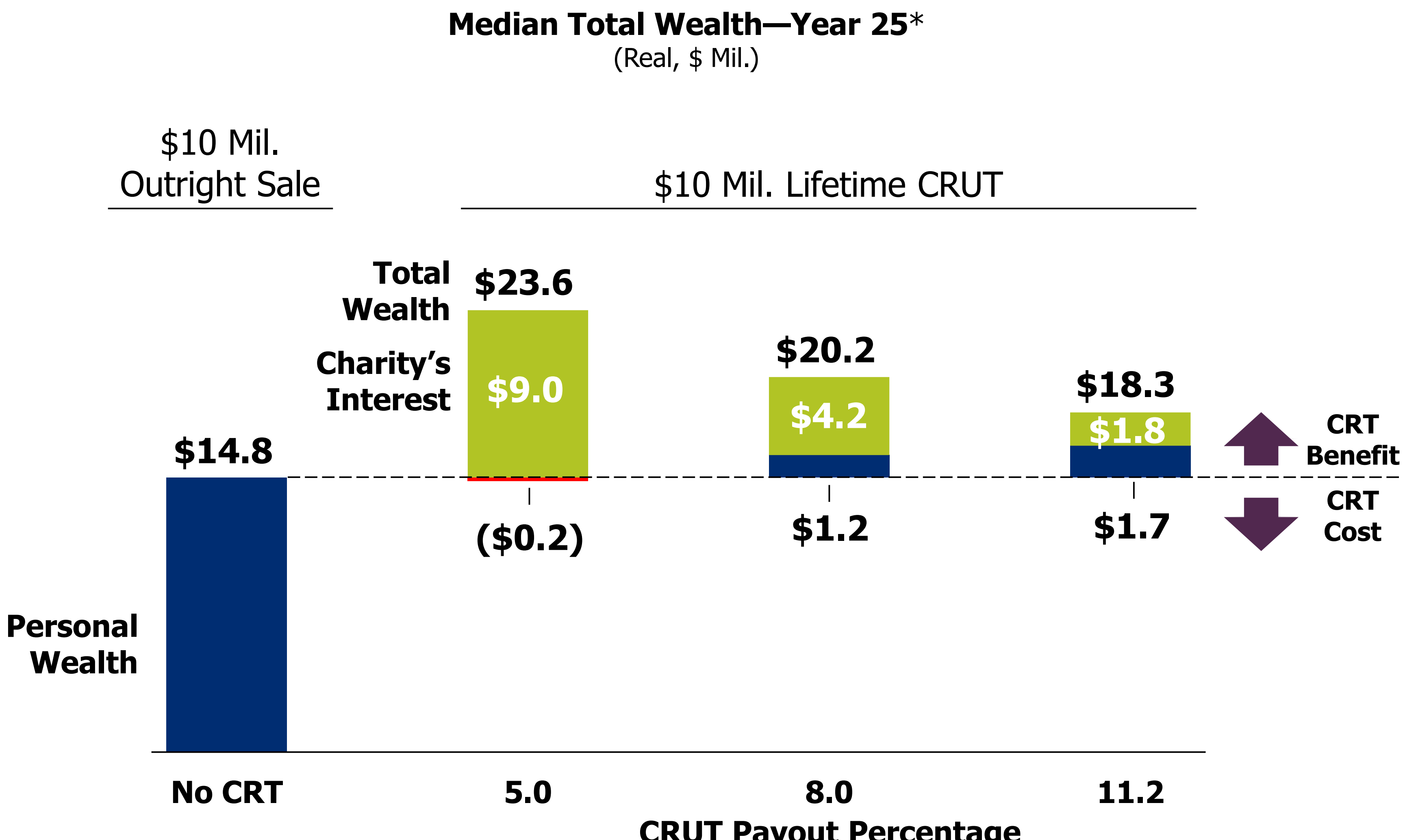


*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.

Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.

Source: AB

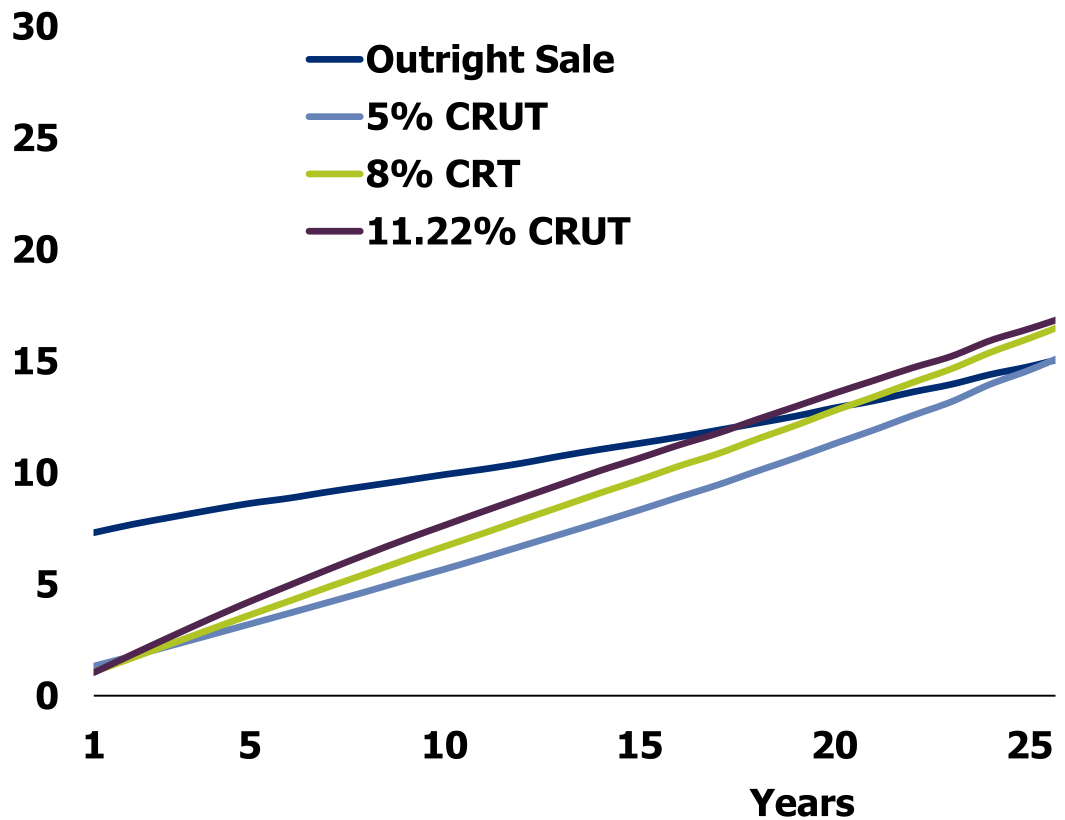
Conversely, Charity Benefits More When Payout Rate Is Low



*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
Source: AB

Highest Payout Tends to Maximize Personal Wealth . . .

Personal Wealth Over Time—Median Case*
(Real, $ Mil.)

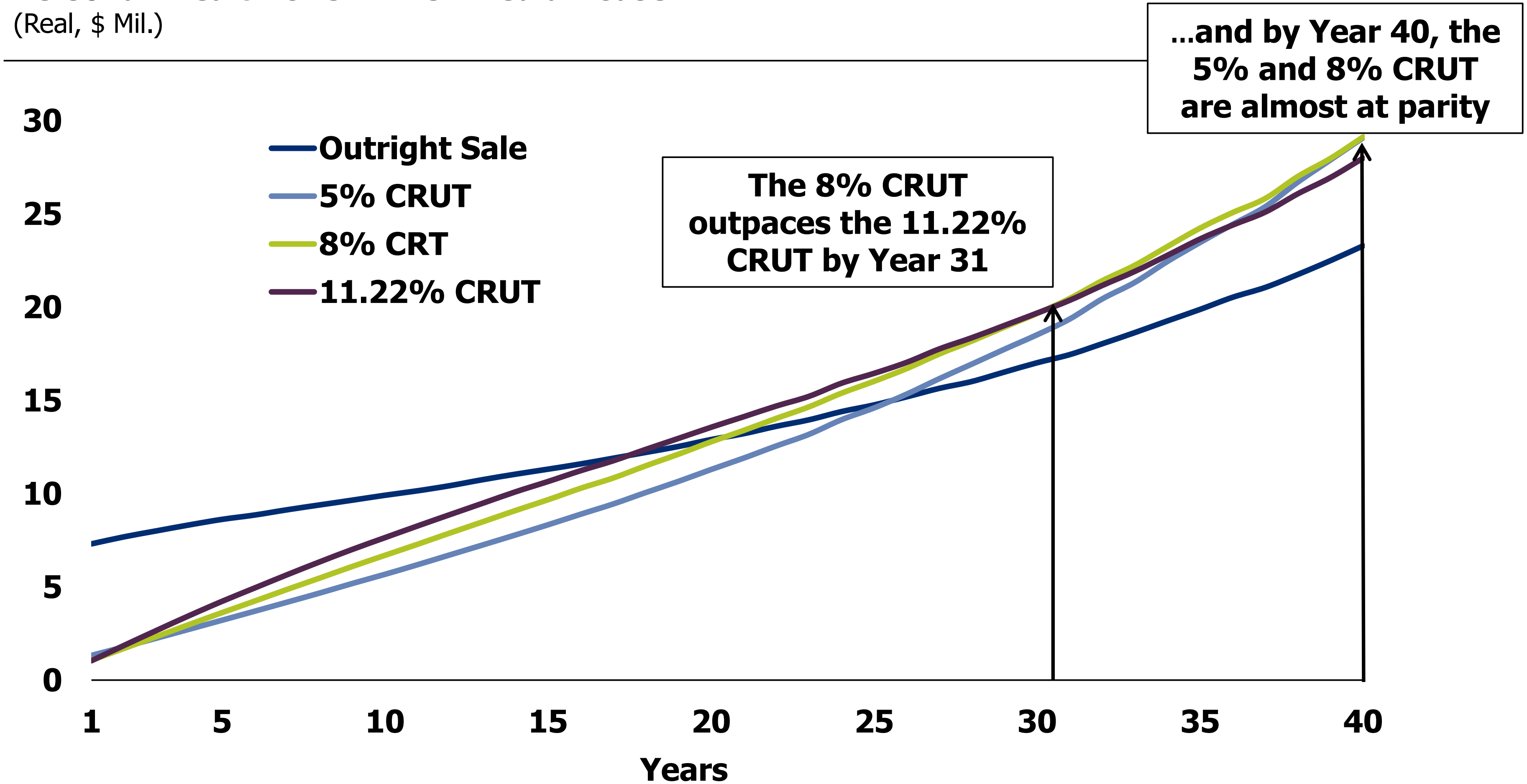


*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
Source: AB

. . . But Lower Payout CRUTs May "Catch Up" Over Longer Horizons

Personal Wealth Over Time—Median Case*

(Real, $ Mil.)

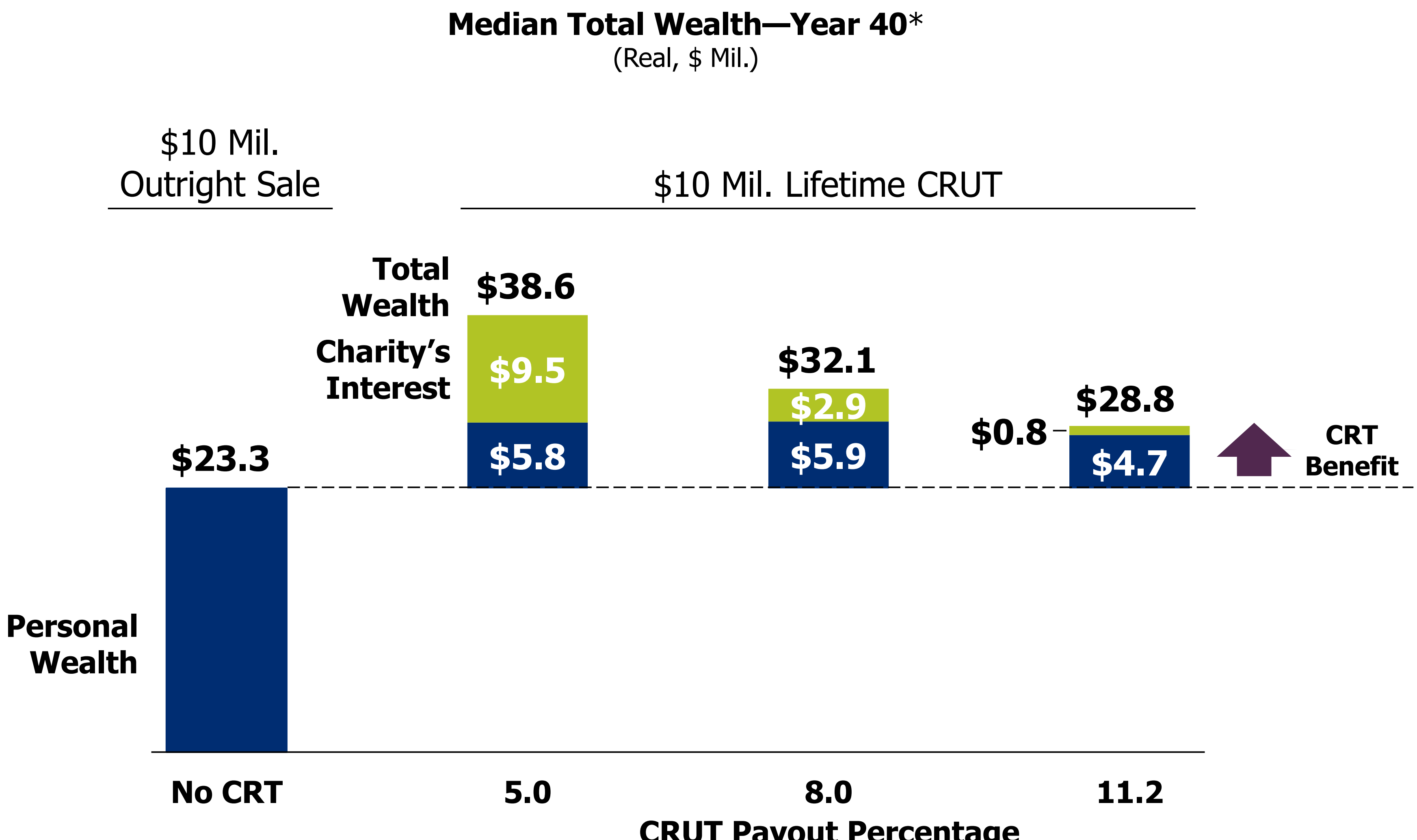


*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.

Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.

Source: AB

Over Very Long Horizons, CRUTs Can Enhance Personal Wealth Significantly

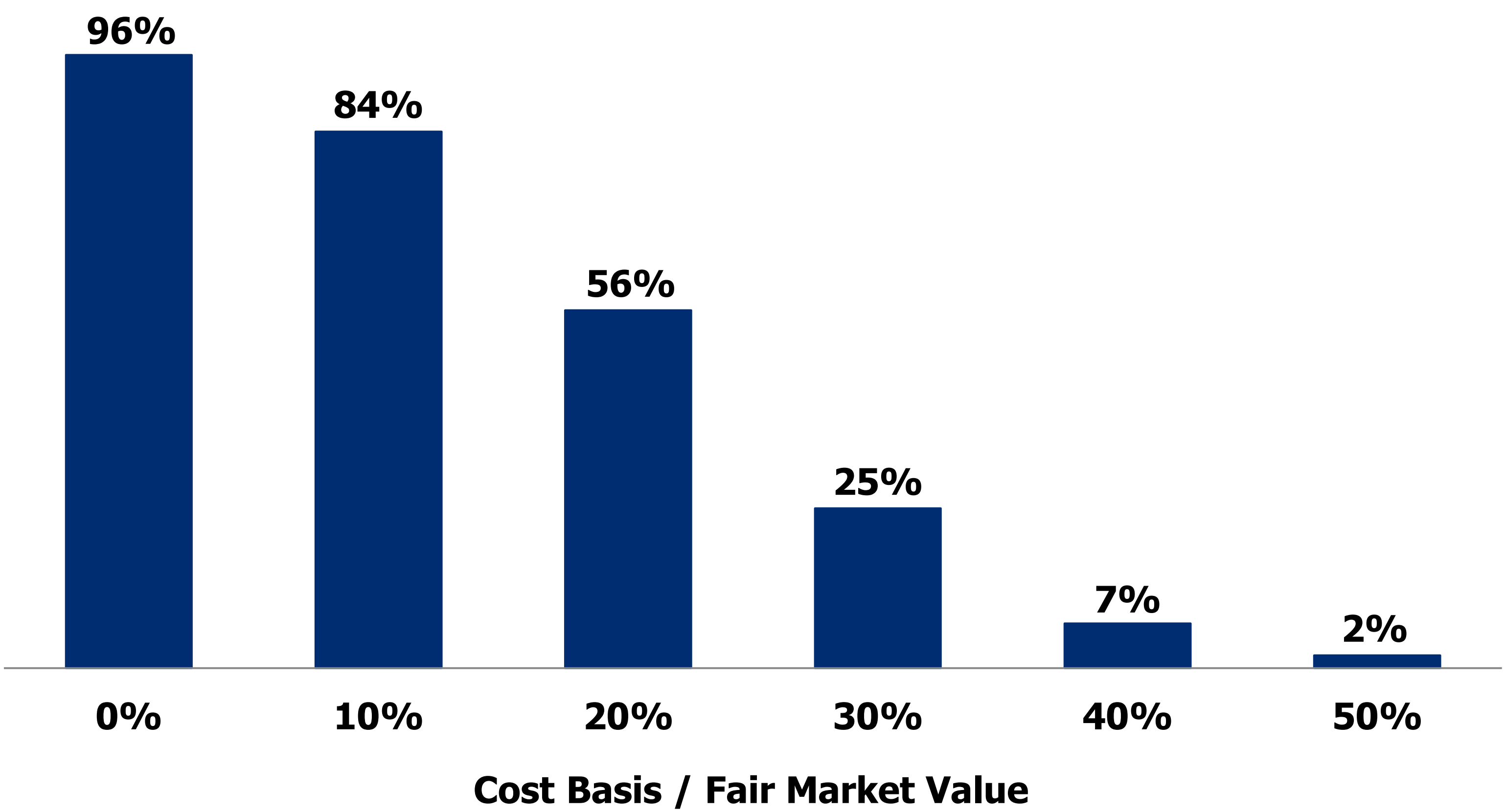


*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
Source: AB

CRUTs Work Best When Contributed Assets Have ***Lots*** of Built-In Capital Gain

Odds of More Personal Wealth—Year 25*

8% CRUT vs. Outright Sale



*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.4%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
Source: AB

Case Study: Designating a Charitable Remainder Unitrust (CRUT) as Beneficiary of One's IRA

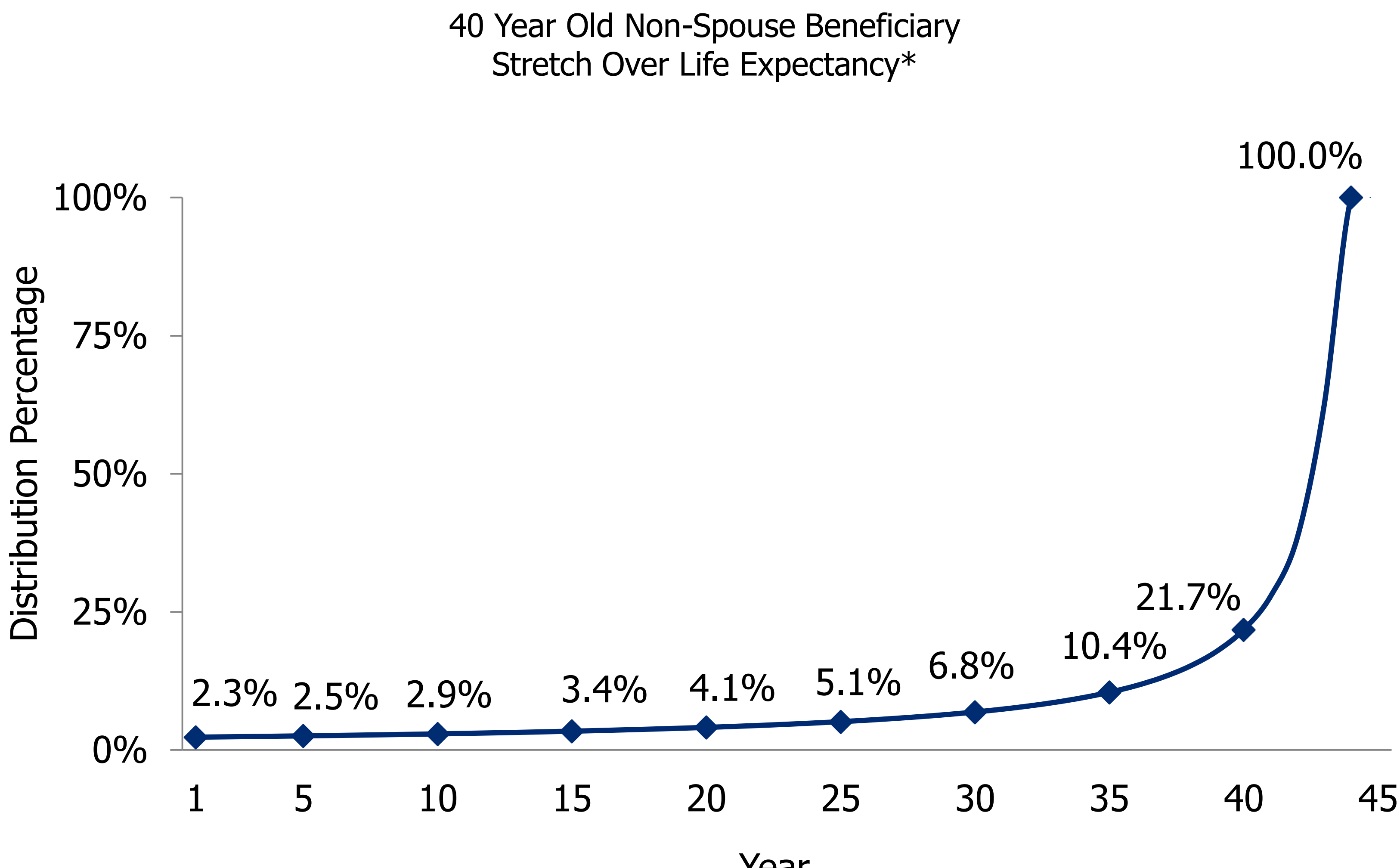
CRUT as Beneficiary of an Individual Retirement Account

- Private Letter Ruling 199901023
  - CRT can be the beneficiary of a qualified retirement plan or IRA
  - Distributions are "first tier" ordinary income [IRC §§ 691(a)(3) & 664(b)(1)]
  - Income tax deduction may be available for *federal* estate taxes paid [IRC § 691(c)(1)(A)]

Category	Class	Rate*
Ordinary Income	**NII Interest**	**40.8%**
	Excluded Interest	**37.0%**
	Excluded IRA Income	**37.0%**
	NII Qualified Dividend	**23.8%**
	Excluded Qualified Dividend	**20.0%**
Capital Gain	**NII Short-Term Gain**	**40.8%**
	Excluded Short-Term Gain	**37.0%**
	NII Long-Term Gain	**23.8%**
	Excluded Long-Term Gain	**20.0%**
Other Income	**Tax-Exempt Interest**	**0.0%**
Corpus	**Basis**	**n/a**

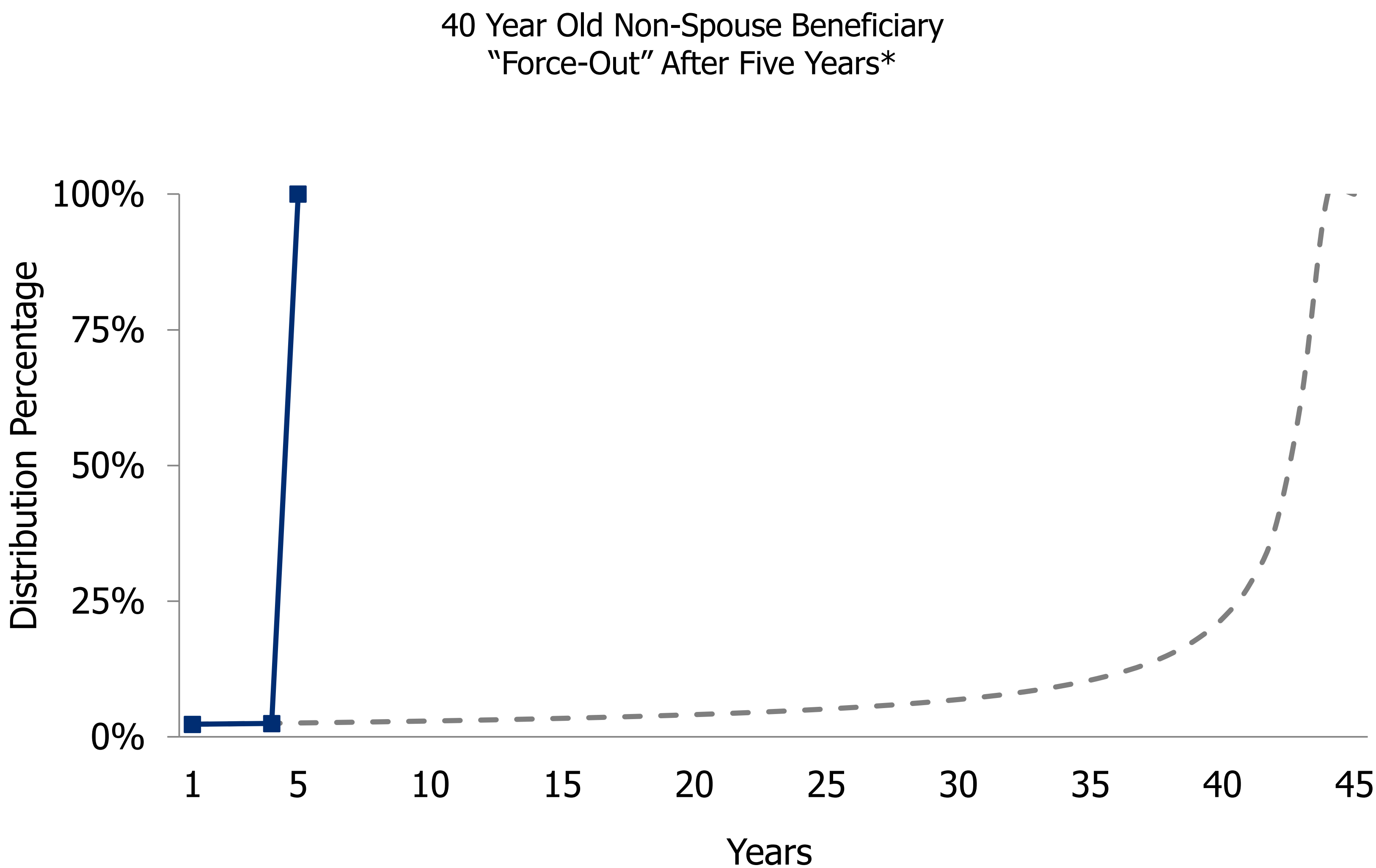
*Current top federal marginal rates.
Sources: IRS and AB

Minimum Required Distributions from an Inherited IRA May Be Very Low Under Current Law . . .



*Assumes 40-year old beneficiary with 43.6 year life expectancy.
Sources: www.irs.gov and AB

. . . But What if Congress Changes the Rules?



*Assumes that Congress enacts legislation that would require complete distribution of qualified plan or IRA benefits to non-spouse beneficiary within five years after the death of the last to die of participant and participant's spouse. Such legislation currently is under consideration in the Senate.

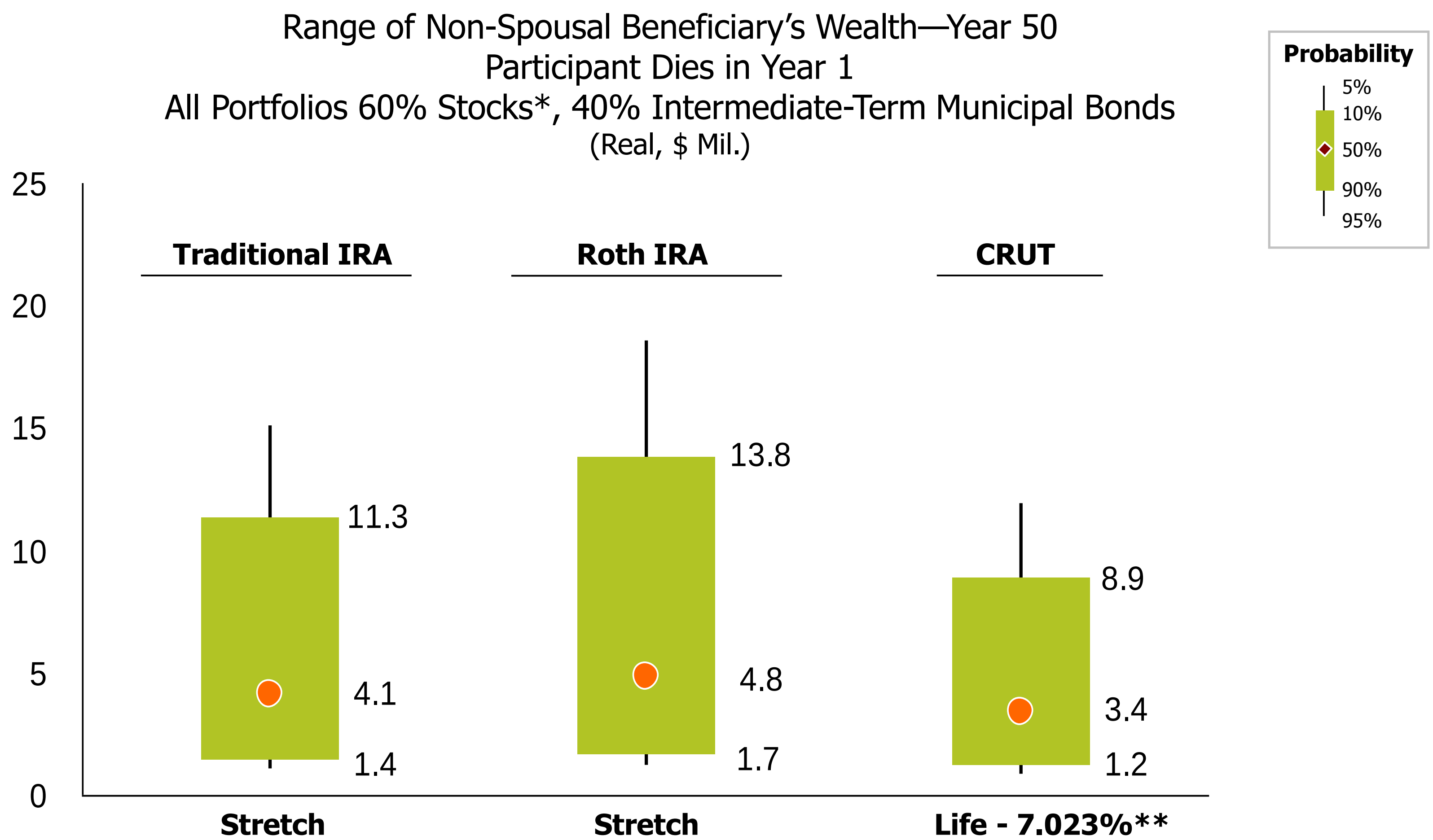
Source: AB

Assumptions

- Child, currently age 40, is prospective beneficiary of participant's estate plan
- Participant is currently 70 years old
- Three scenarios
  - $1 million inherited traditional IRA, plus $435,000 personal portfolio*, augmented by the economic benefit of income tax deduction on IRA distributions**
  - $1 million inherited Roth IRA, no personal portfolio
  - Noncharitable beneficiary of testamentary CRUT that receives $1 million from traditional IRA upon death of participant, plus personal portfolio of $435,000 augmented by economic benefit of estate tax charitable deduction attributable to present value of CRUT's charitable remainder interest***

*Personal portfolio is reduced by a 40% estate tax.
**See IRC § 691(c) Phase-out of itemized deductions for tax filers with AGIs in excess of Pease threshold ignored for the purpose of this analysis.
***Computed based upon beneficiary's age upon establishment of CRUT, assuming Section 7520 rate of 2.4%, and optimized so that the present value of the charitable remainder is 10% of the value of assets initially contributed to the CRUT.
Source: AB

If Participant Dies in Near Term, CRUT Tends to Produce the ***Least*** Personal Range to the Beneficiary . . .



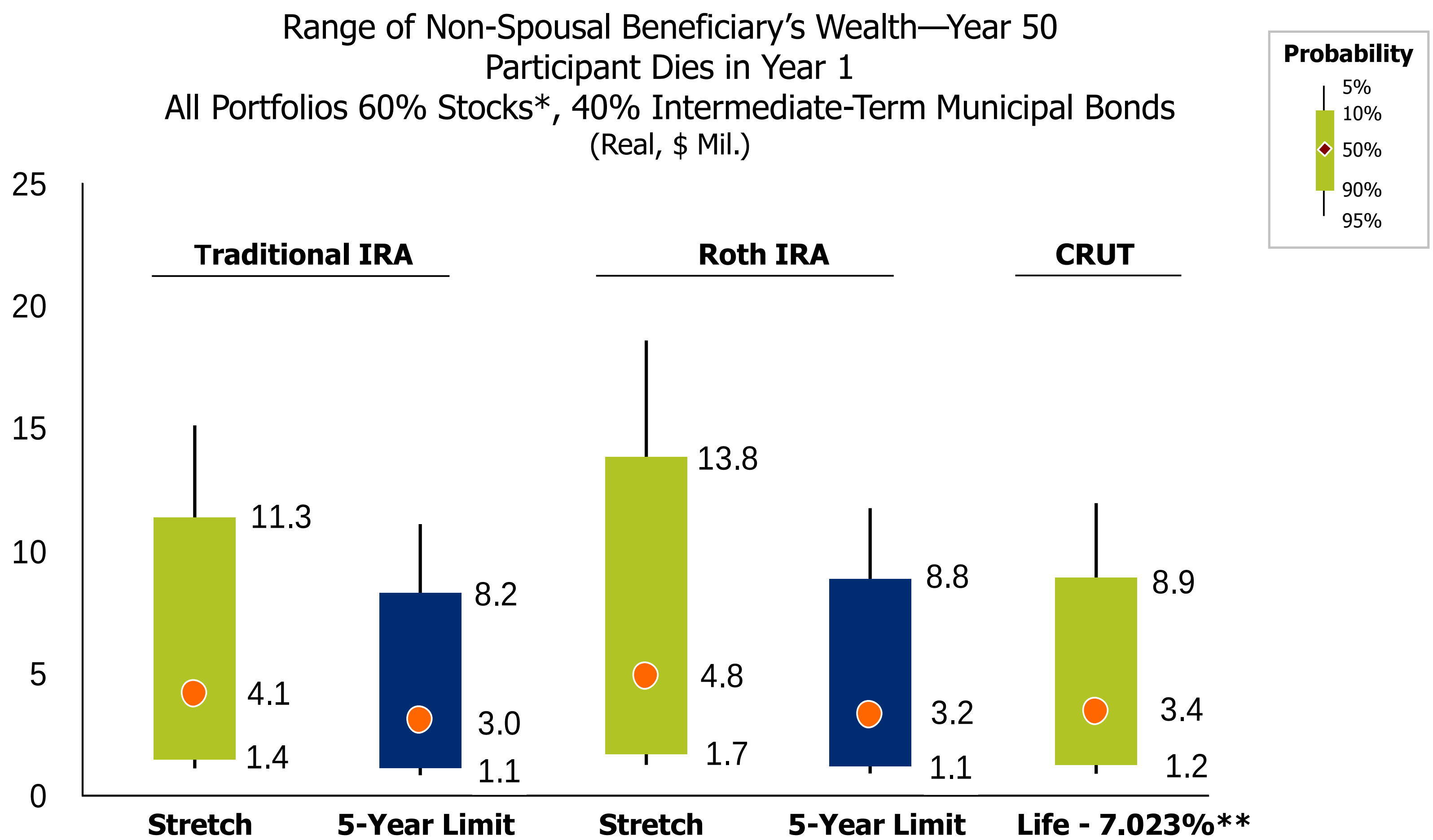
Based on Bernstein estimate of the range of returns for the applicable capital markets for 50 years. Data does not represent past performance and is not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting, for details. Bernstein does not provide legal or tax advice. Consult with competent professionals in these areas before making any decisions.

*"Stocks" means globally diversified equities, consisting of 21% US diversified, 21% US growth, 21% US value, 7% US SMID, 22.5% developed international and 7.5% emerging markets stocks.

**"Life—7.023%" assumes estate tax deduction of $102,103, based noncharitable beneficiary's age 40 and Section 7520 rate of 2.4%.

Source: AB

. . . Unless Congress Subjects Non-Spousal Beneficiaries to the "Five-Year Rule"



Based on Bernstein estimate of the range of returns for the applicable capital markets for 50 years. Data does not represent past performance and is not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting, for details. Bernstein does not provide legal or tax advice. Consult with competent professionals in these areas before making any decisions.

*"Stocks" means globally diversified equities, consisting of 21% US diversified, 21% US growth, 21% US value, 7% US SMID, 22.5% developed international and 7.5% emerging markets stocks.

**"Life—7.023%" assumes estate tax deduction of $102,103, based noncharitable beneficiary's age 40 and Section 7520 rate of 2.4%.

Source: AB

BERNSTEIN

Case Study: Charitable Lead Annuity Trusts (CLATs) . . . To Zero-Out or Not Zero-Out?

Assumptions

- Married couple; each age 70; residents of Florida
- Sold business for $17 million (pre-tax)
  - Already had approximately $3.5 million of investable assets
  - Spending goal: $300,000 annually (indexed for inflation)
  - By our reckoning, core capital required to meet spending goal is $10 million; balance is discretionary (surplus) capital
- Clients want their wealth transfer plan to include both charity and children
- Professional advisor recommends grantor charitable lead annuity trust (CLAT)

Source: AB

Assumptions (cont.)

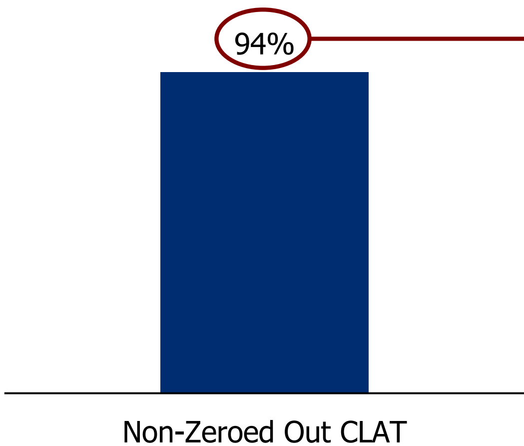
- Grantor CLAT income tax benefit and proposed structure
  - Upfront charitable income tax deduction offsets some capital gain from the sale of the business
  - Advisor recommends <u>non</u>-<u>zeroed</u>-<u>out</u> CLAT
    - $3 million contribution
    - 10-year annuity term
    - $150,000 annual payout, so present value of remainder interest is $1.7 million
    - Clients have adequate applicable exclusion to avoid gift tax

Key question: Should clients instead "bifurcate" this gift?

Source: AB

When a CLAT (or GRAT) Is Not Zeroed-Out, the Remainder Beneficiaries Bear Some Investment Risk

Non-Zeroed-Out, $3 Million Grantor CLAT
Probability of Remainder Value > $1.7 Million*
Year 10



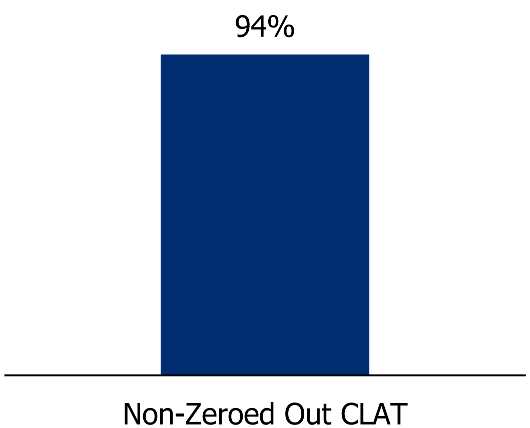
Observation: 6% chance that remainder beneficiaries will have to “subsidize” a portion of the charitable annuities

Based on Bernstein’s estimates of the range of returns for the applicable capital markets over the next 10 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.
*Assumes grantor survives annuity term; potential for recapture of charitable income tax deduction is not accounted for in this analysis. Bernstein does not provide tax, legal, or accounting advice. You should independently verify all conclusions before implementing any strategy on your own behalf or on behalf of your client
Source: AB

Investment Risk Shifts to the Current Beneficiary when the Strategy Is Zeroed-Out

Non-Zeroed-Out, $3 Million Grantor CLAT Probability of Remainder Value > $1.7 Million*

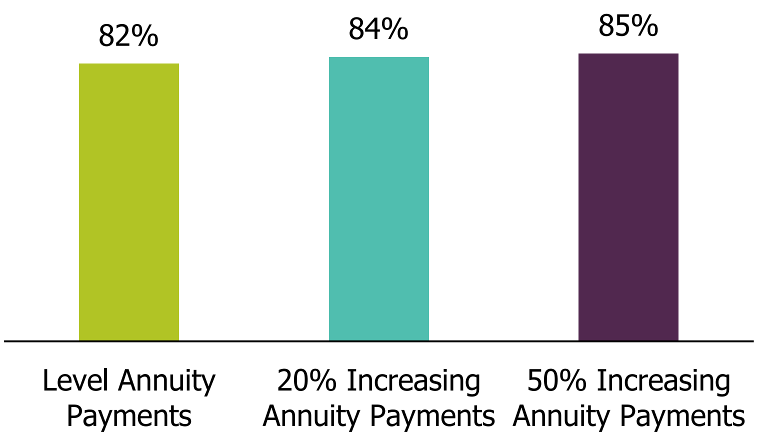
Year 10



vs.

Zeroed-Out, $3 Million Grantor CLAT Probability of Remainder Value > $1*

Year 10



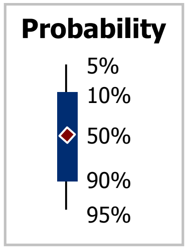
Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 10 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.

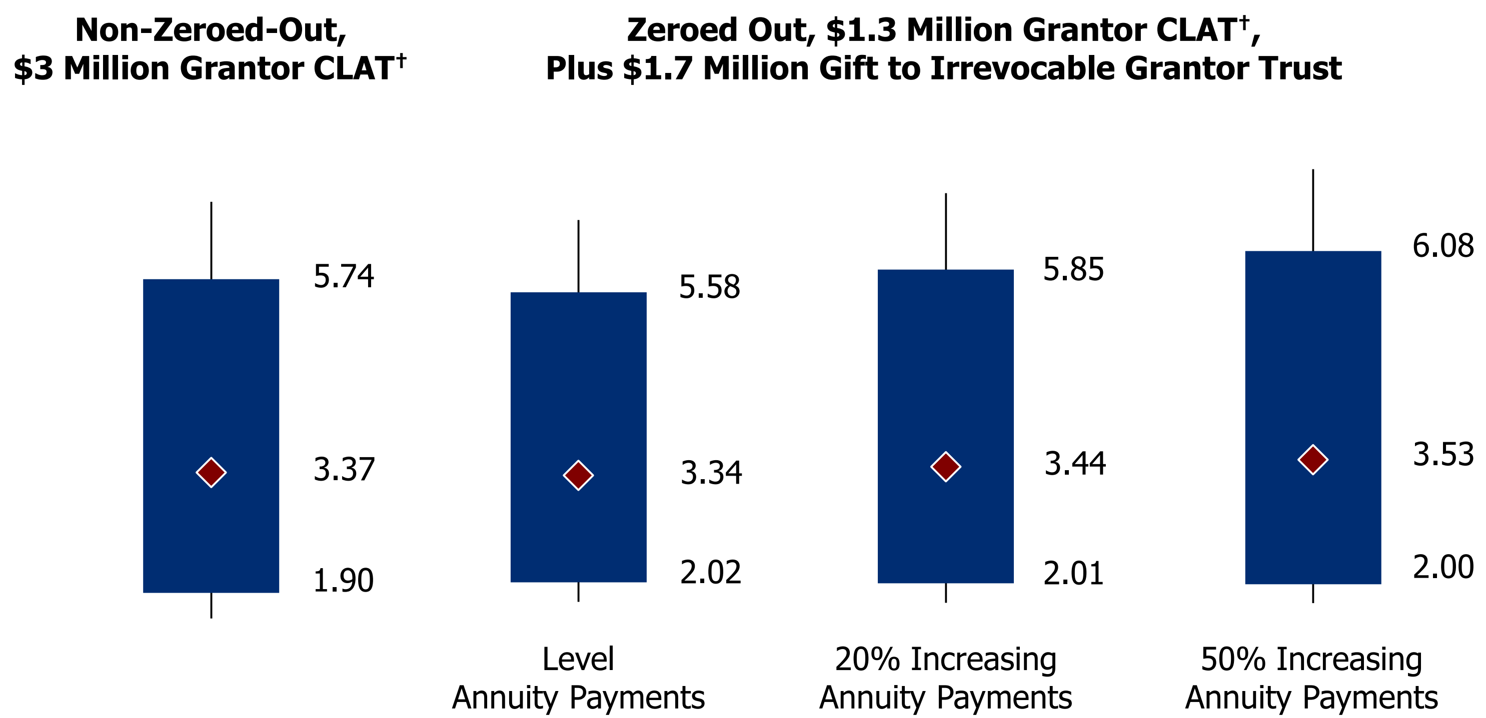
*Assumes grantor survives annuity term; potential for recapture of charitable income tax deduction is not accounted for in this analysis. Bernstein does not provide tax, legal, or accounting advice. You should independently verify all conclusions before implementing any strategy on your own behalf or on behalf of your client

Source: AB

Bifurcated Strategy Provides Downside Protection to Remainder Beneficiaries . . .

Range of Children's Wealth*—10th Year
(Nominal, $ Mil.)





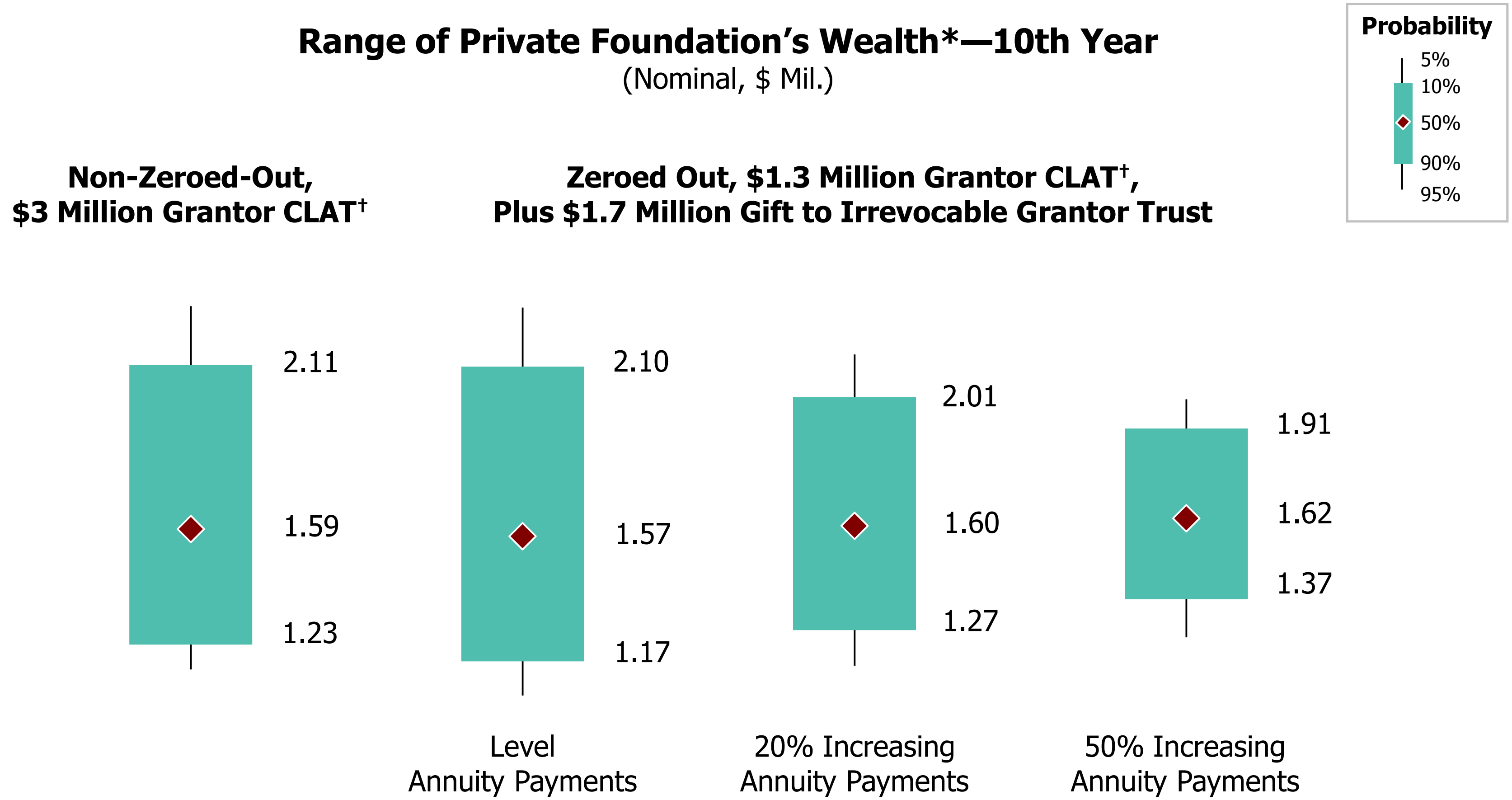
Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 10 years. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Appendix, Notes on Wealth Forecasting System, for details.

*All portfolios 70% globally diversified stocks, 30% intermediate-term bonds; bonds are municipals in CLAT and taxable portfolios, and taxables in private foundation portfolio. "Globally diversified" means 21% US value, 21% US growth, 21% US diversified, 7% US small- and mid-cap, 22.5% developed international, and 7.5% emerging markets.

†Assumes grantor survives annuity term; potential for recapture of charitable income tax deduction is not accounted for in this analysis. Bernstein does not provide tax, legal, or accounting advice. You should independently verify all conclusions before implementing any strategy on your own behalf or on behalf of your client

Source: AB

. . . Without Significantly Impacting Charity



Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 10 years. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Appendix, Notes on Wealth Forecasting System, for details.

*All portfolios 70% globally diversified stocks, 30% intermediate-term bonds; bonds are municipals in CLAT and taxable portfolios, and taxables in private foundation portfolio. "Globally diversified" means 21% US value, 21% US growth, 21% US diversified, 7% US small- and mid-cap, 22.5% developed international, and 7.5% emerging markets.

†Assumes grantor survives annuity term; potential for recapture of charitable income tax deduction is not accounted for in this analysis. Bernstein does not provide tax, legal, or accounting advice. You should independently verify all conclusions before implementing any strategy on your own behalf or on behalf of your client

Source: AB

Case Study: Testamentary Planning

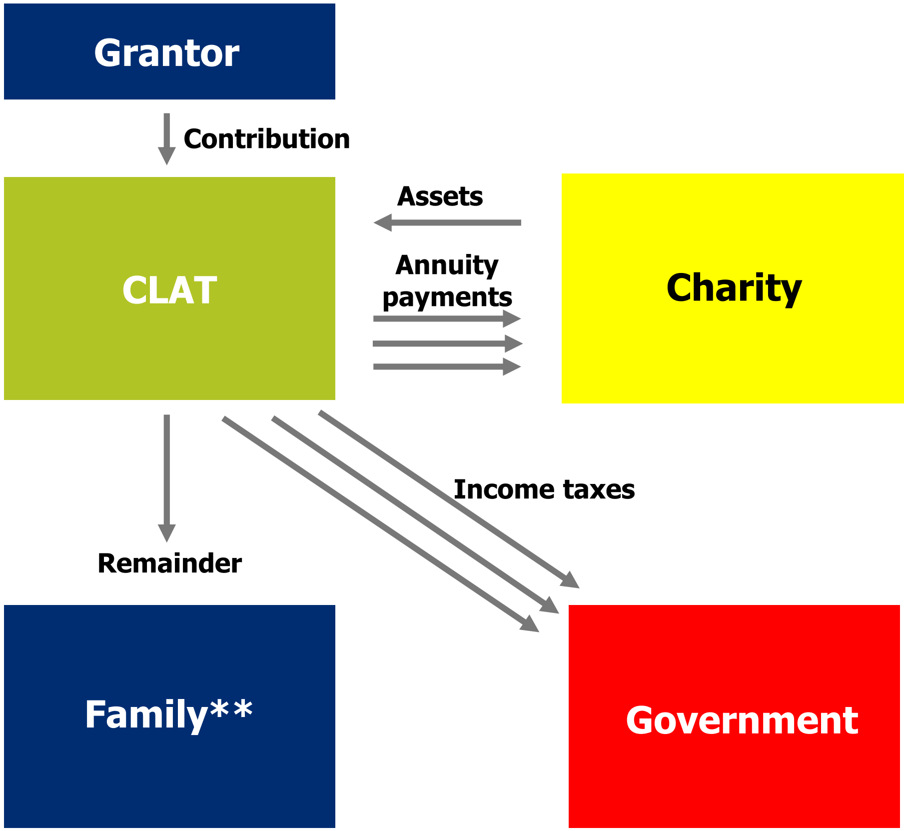
Testamentary Planning Case Study Assumptions

- Single Client has $20 million of discretionary (surplus) capital and wants to revise her testamentary estate plan
- Client's goals include
  - Provide substantial benefits to charity and to family
  - Pay no estate tax
- Attorney proposes a testamentary charitable lead annuity trust (T-CLAT) in lieu of an outright residuary bequest to charity
- <u>Problem</u>: Annual T-CLAT payouts to charity are dependent upon the Section 7520 rate *as of Client's death*, so you can't determine the annuity payout schedule, or the likelihood of any assets remaining in the trust at the end of the charitable term, until after Client dies

Research question: How sensitive is a T-CLAT to interest rates?

Source: AB

How a Nongrantor Charitable Lead Annuity Trust (CLAT) Works



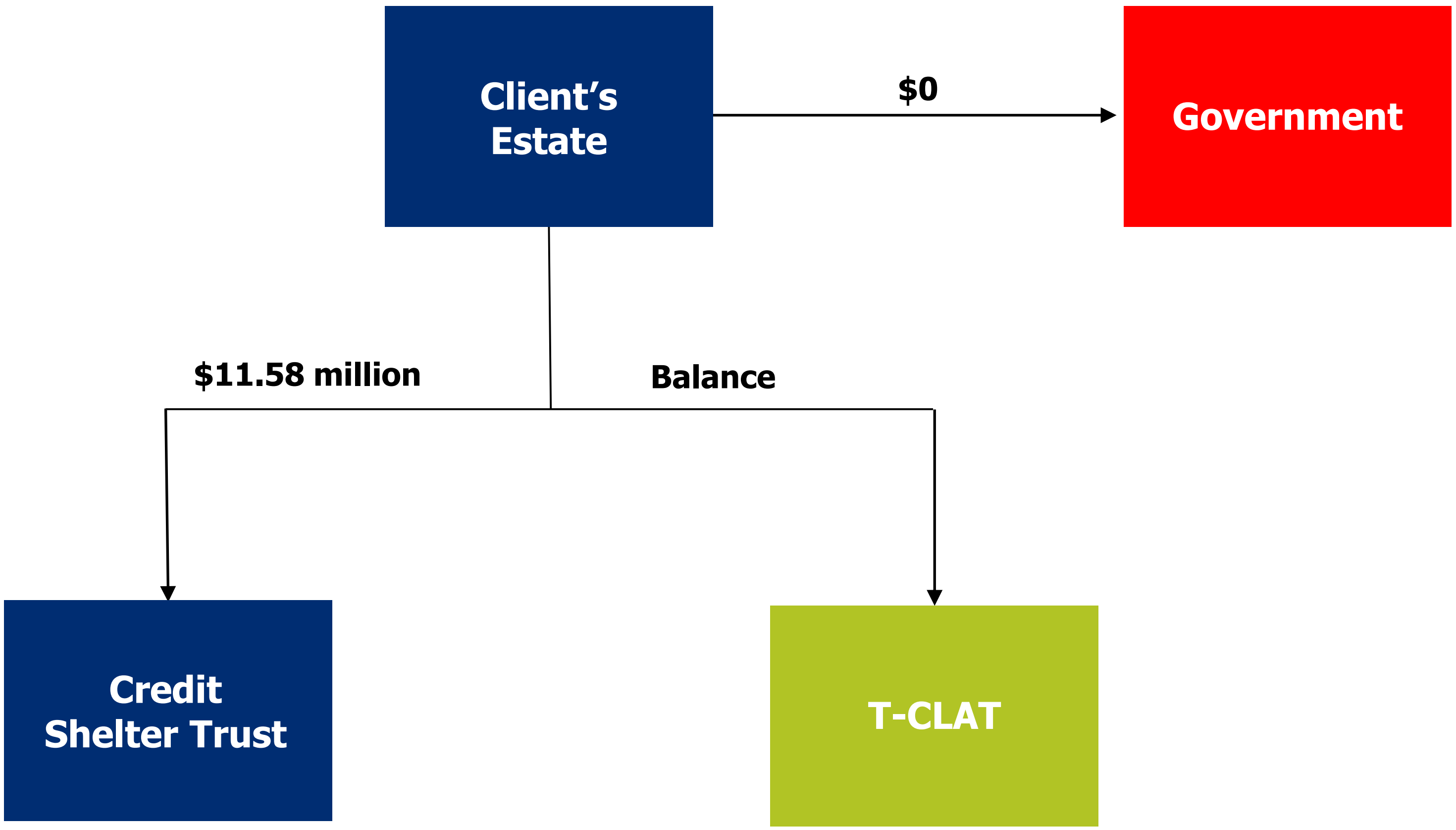
Key points:

- Grantor transfers assets to CLAT
- Charity receives annuity payments each year from CLAT
- CLAT pays income taxes each year on taxable trust income, reduced by any deduction allowable under Section 642(c)
- If CLAT assets grow faster than applicable Section 7520 rate, that excess passes to remainder beneficiaries free of gift or estate (but not necessarily generation-skipping transfer (GST)) tax*

No estate tax imposed on "zeroed-out" T-CLAT established at death

*If present value of annuities payable to charity equals value of contribution to trust, transfer qualifies in full for estate tax charitable deduction; such a CLAT is said to be "zeroed out." In addition, assets pass free of GST tax at the end of the annuity term in an amount equal to the GST exemption allocated to the CLAT, grown at the applicable Section 7520 rate, compounded annually; any excess is not exempt from GST tax. See Treas. Reg. § 26.2642-3.
**"Family" means one or more designated family members and/or trusts established for their benefit. Non-GST-exempt assets passing to skip persons would be subject to GST tax.
Source: AB

Testamentary Plan Featuring a “Zeroed-Out” CLAT



Source: AB

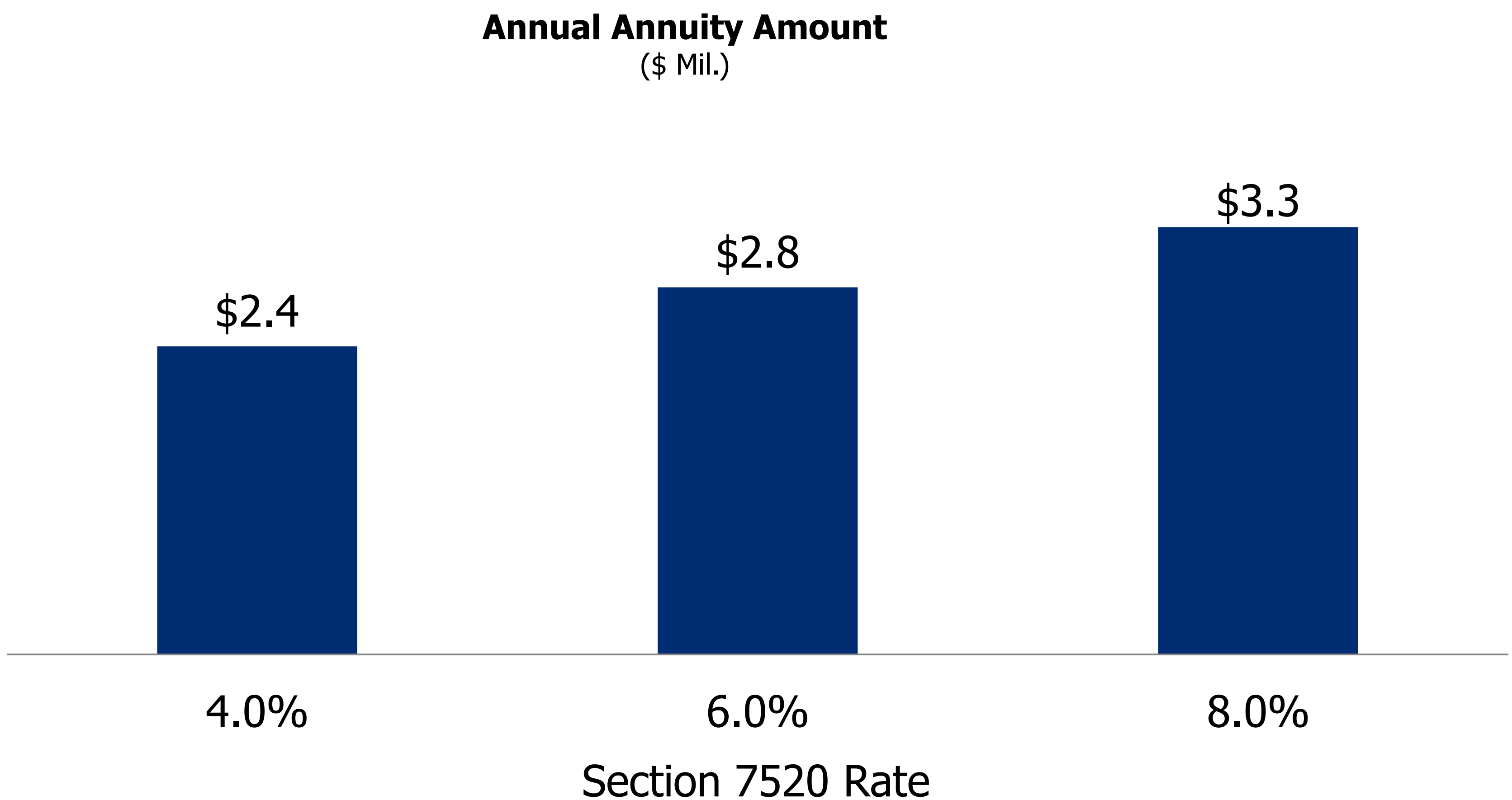
Analytical Assumptions

- $20 million T-CLAT portfolio funded at death
  - 60% globally diversified stocks
  - 40% intermediate-term municipal bonds
- T-CLAT specifications
  - 20-year annuity term
  - Zeroed-out
  - Level annuity payments

Research question: How sensitive is a T-CLAT to interest rates?

Source: AB

The Problem: Dependence on Section 7520 Rate



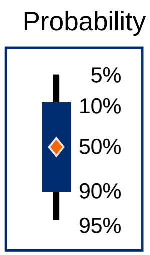
Total Annuities Required ($ Mil.)	$47.1	$55.5	$65.2

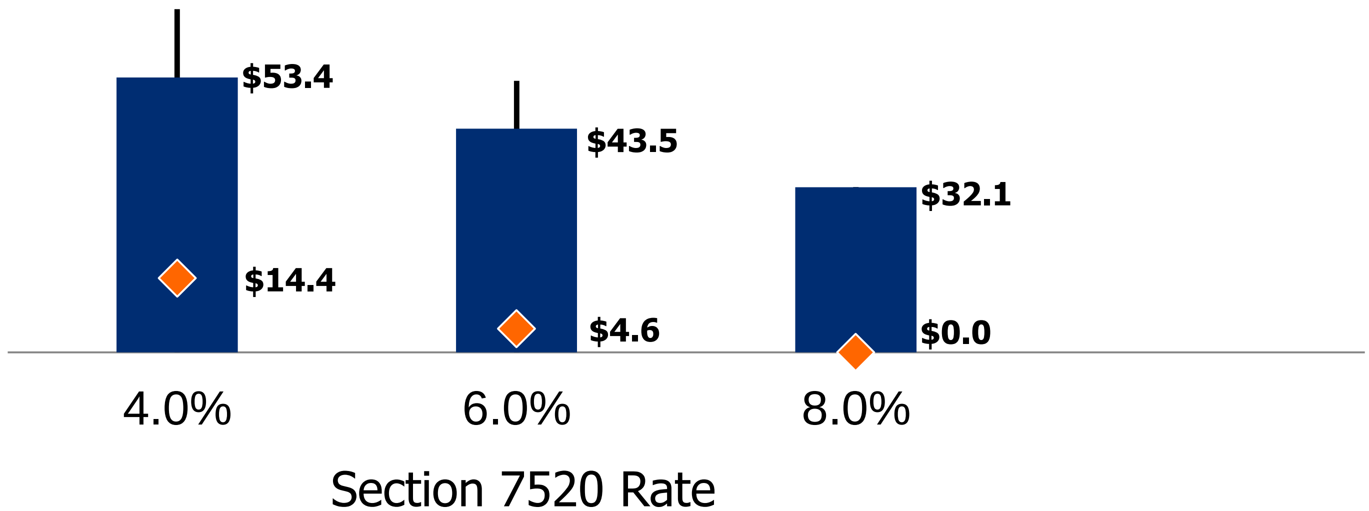
Source: AB

The Problem: Dependence on Section 7520 Rate

Range of Remainder Values 20 Years After Client's Death

After Taxes and Cash Flows ($ Mil., Nominal)





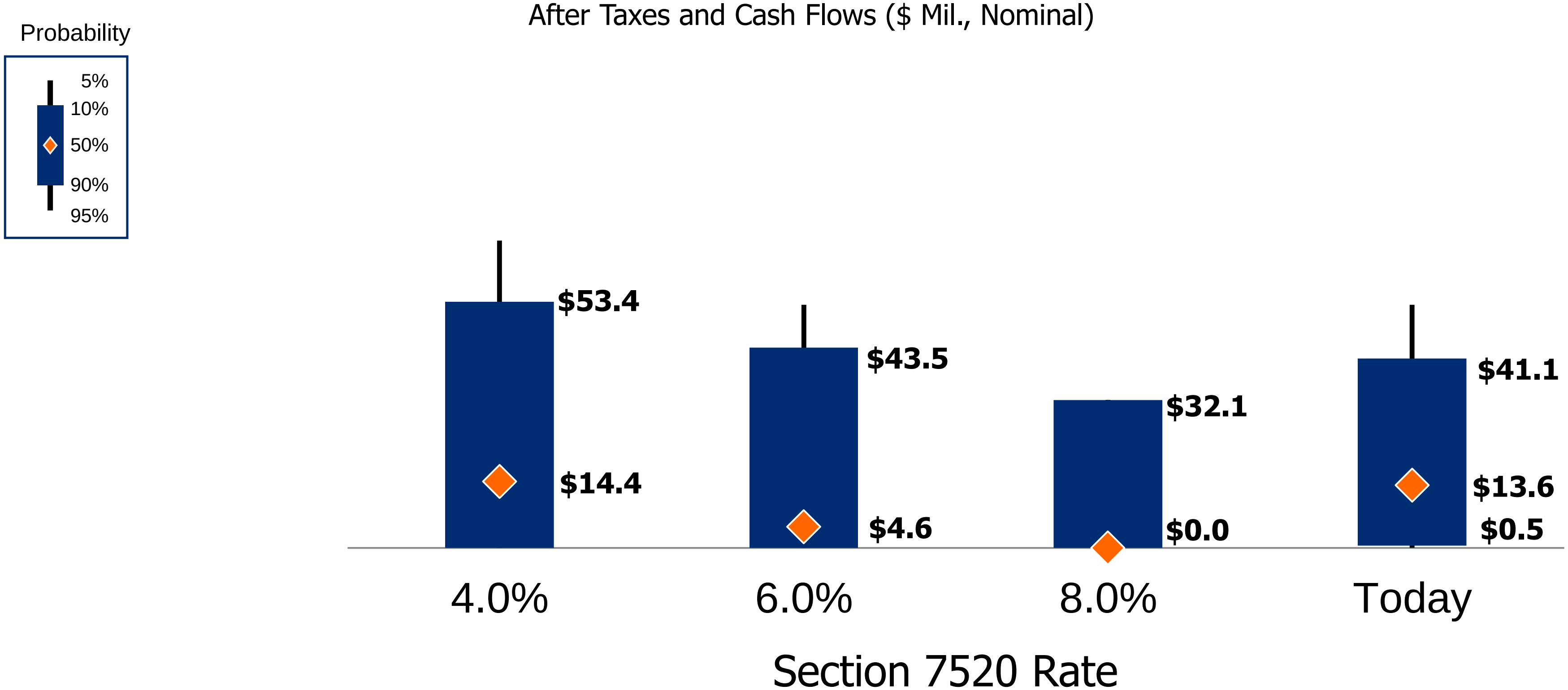
Probability of Remainder >$0	78%	59%	38%

Based on AB's estimates of the range of returns for the applicable capital market over the next 30 years. Data do not represent past performance and are not a promise of actual future results or a range of future results. Asset values represent the estimated market value; if the assets were liquidated, additional capital gains or losses would be realized that are not reflected here. See Appendix, Notes on Wealth Forecasting System, for details.
Source: AB

An Inter-Vivos CLAT, Funded Today, Is Likely to Be More Reliable . . . And Can Deliver its "Payload" Sooner

Range of Remainder Values 20 Years After Client's Death

After Taxes and Cash Flows ($ Mil., Nominal)



Probability of Remainder >$0	78%	59%	38%	91%

Based on AB's estimates of the range of returns for the applicable capital market over the next 30 years. Data do not represent past performance and are not a promise of actual future results or a range of future results. Asset values represent the estimated market value; if the assets were liquidated, additional capital gains or losses would be realized that are not reflected here. See Appendix, Notes on Wealth Forecasting System, for details.
Source: AB

Testamentary Planning Case Study Conclusions

- In general, a CLAT is an unreliable way to fund a noncharitable legacy
- A T-CLAT is particularly unreliable because one doesn't know what the applicable Section 7520 rate will be until after the testator has died
- Given today's interest-rate environment, an appropriately funded inter-vivos CLAT arguably provides a better outcome than a T-CLAT
  - Known, historically low Section 7520 rate provides somewhat greater certainty as to benefits that ultimately will pass to noncharitable remainder beneficiaries
  - Remainder will be available sooner than in the case of a T-CLAT funded at death that has an equivalent annuity term
  - Provides a hedge against the possibility that a future Congress may curtail individual income tax charitable deductions under Section 170
  - Gives the grantor the ability during life to see how charity handles distributions received from the CLAT

Source: AB

When Might a T-CLAT Be Useful?

- Convenient way to "zero-out" an otherwise taxable estate
- Leaves open the possibility of passing a "second gulp" of testamentary wealth to younger generations at a later date
- Modulates the timing of distributions to a smaller charity, as compared to an outright testamentary bequest*
- Can be funded (indirectly) with closely held business interests using the "estate administration exception" to the private foundation self-dealing rules

*See Richard S. Franklin & Jennifer A. Birchfield, The Intermediary CLAT Alternative to the Residuary Estate Family Foundation Gift, ACTEC L.J., at 355 (Winter 2013).
**See Treas. Reg. § 53.4941(d)-1(b)(3).
Source: AB

Appendix

The Zuckerberg-Chan “Virtual Foundation”: Flavor-of-the-Month or New Paradigm?

The Millennial Philanthropist

- Socially conscious . . . but perhaps not strictly “charitable” by traditional standards
- Understands “business” . . . not necessarily interested in traditional “investing”
- Lots of “excess business holdings”
- Somewhat politically motivated
- Structurally creative and open-minded
- Generally not as interested as the older generation in privacy—except when it comes to government oversight

Key question: Is this Millennial Philanthropist a good candidate for a traditional private foundation or donor-advised fund?

Source: AB

A Concept that Bears Watching . . . Courtesy of the Man Who Brought Us Facebook

- Consider the "Zuckerberg-Chan Charitable LLC"*
- Characteristics
  - Take future pass-through income tax deductions at such times and in such amounts as one chooses
  - Can lobby and contribute to political causes
  - Not subject to private foundation or excess benefit rules
  - Not subject to unrelated business taxable income (UBTI) restrictions . . . and such activities are taxed at individual, rather than corporate, rates
  - Annual tax returns are not subject to public scrutiny

Key question: Is the Zuckerberg-Chan "Charitable LLC" an aberration— or the wave of the future in charitable giving?

*See Jesse Eisinger, "How Mark Zuckerberg's Altruism Helps Himself," N.Y. Times, Dec. 4, 2015, at B4, available at http://www.nytimes.com/2015/12/04/business/dealbook/how-mark-zuckerbergs-altruism-helps-himself.html?_r=0.
Source: AB

Case Study: Public Charity Investment, Distribution, and Fund-Raising Planning

Assumptions

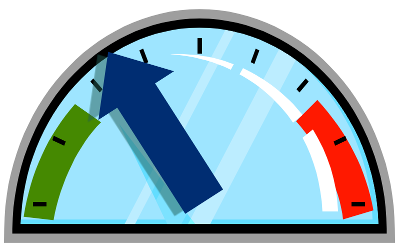
- Public charity operates a library
- $10 million portfolio, invested 60% stocks and 40% bonds
- Annual operating budget $400,000 (inflation-indexed)
- Time horizon: Perpetual

Key question: Can they maintain their purchasing power?

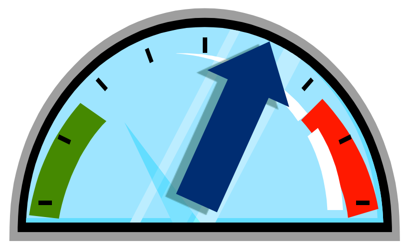
Source: AB

Three Key Levers

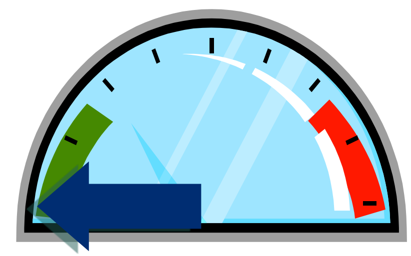
Asset Allocation



Spending Policy



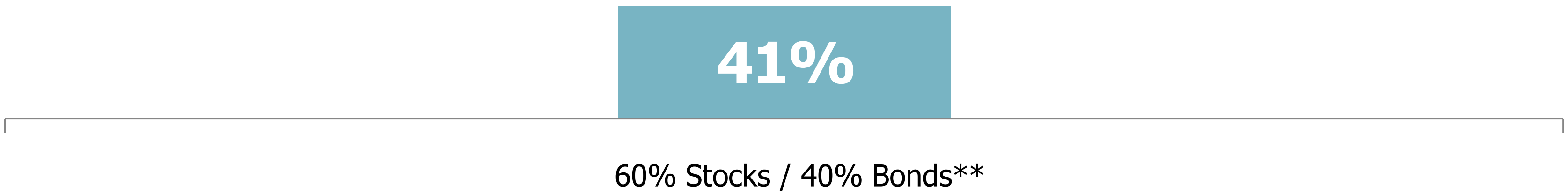
Fundraising



Source: AB

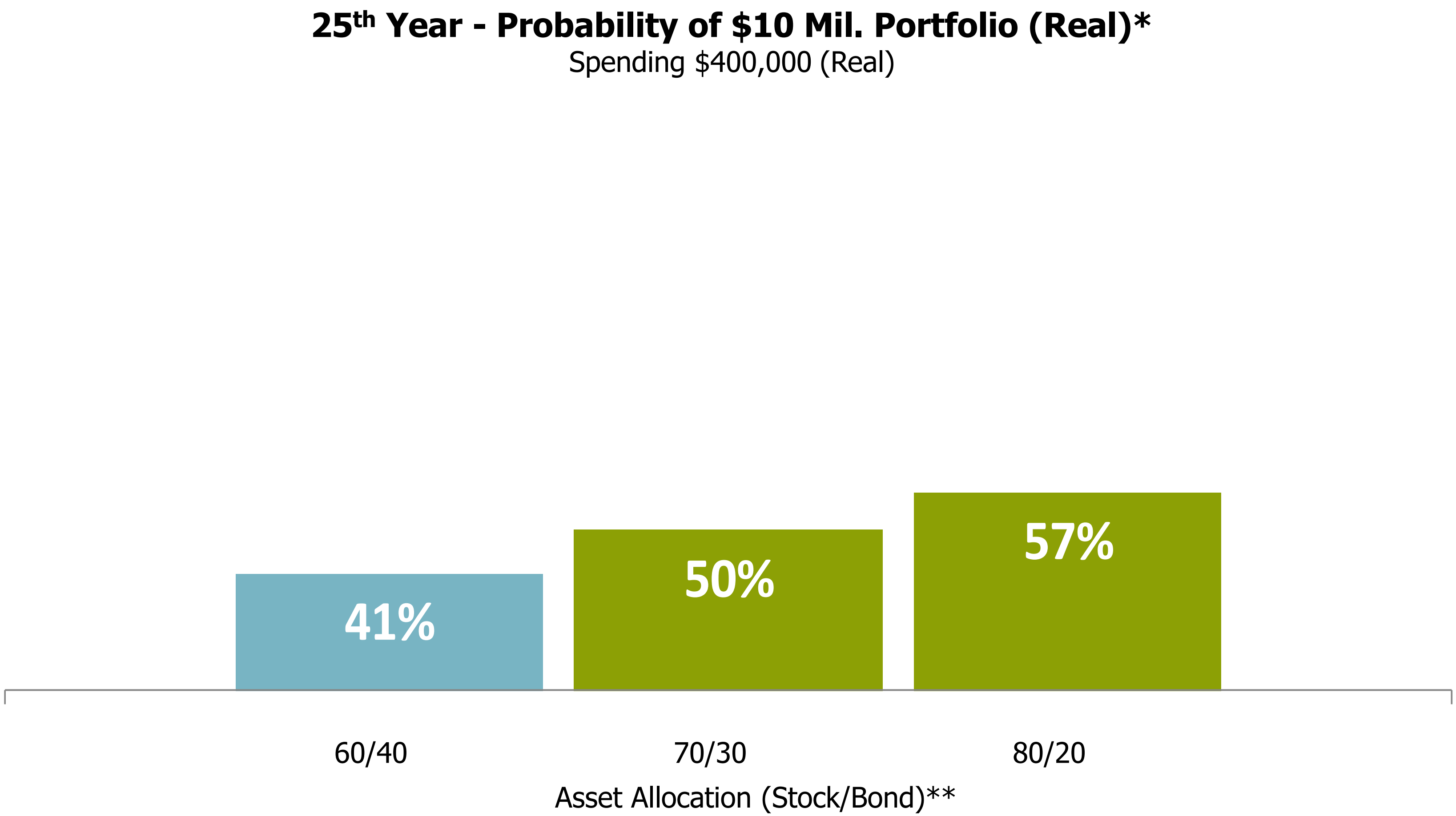
Probability of Maintaining Long-Term Purchasing Power

25th Year - Probability of $10 Mil. Portfolio (Real)*
Spending $400,000 (Real)



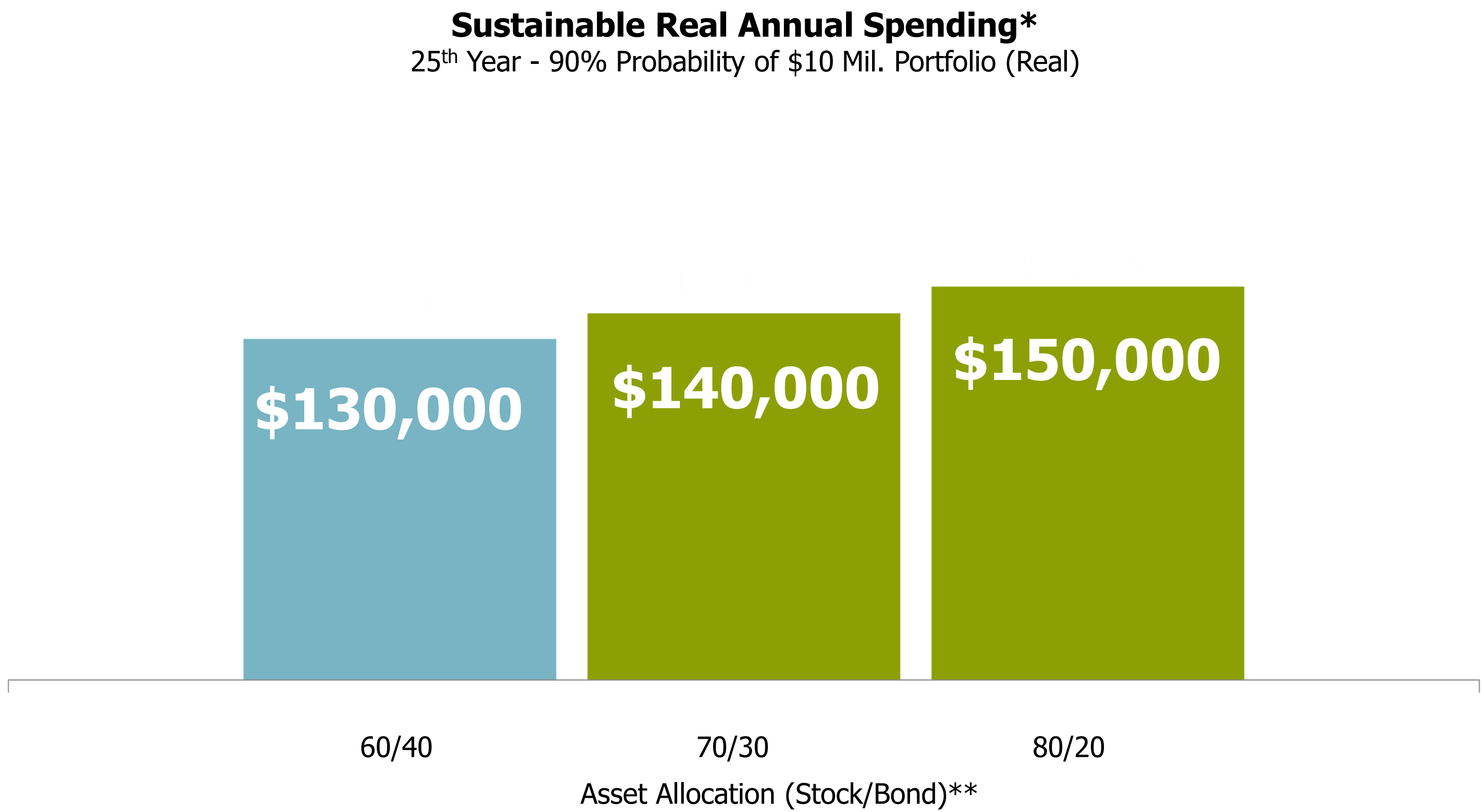
Based on Bernstein's estimate of returns for the applicable capital markets over the next 25 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.
*"Probability of $10 Mil. Portfolio (Real)" means the probability of having assets of at least $10 million (in today's dollars, adjusted for inflation) at the end of 25 years.
**"60% Stocks / 40% Bonds" means 60% globally diversified stocks (21% U.S. value, 21% U.S. growth, 21% diversified U.S., 7% small-mid cap U.S., 22.5% developed international and 7.5% emerging markets) and 40% taxable bonds (50% intermediate term and 50% short-term).
Source: AB

A More Aggressive Allocation Doesn't Help Much



Based on Bernstein's estimate of returns for the applicable capital markets over the next 25 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.
*"Probability of $10 Mil. Portfolio (Real)" means means the probability of having assets of at least $10 million (in today's dollars, adjusted for inflation) at the end of 25 years.
**"Asset Allocation (Stock/Bond)" means the percentage of the portfolio invested in globally diversified stocks (21% U.S. value, 21% U.S. growth, 21% diversified U.S., 7% small-mid cap U.S., 22.5% developed international and 7.5% emerging markets) followed by the percentage of the portfolio invested in taxable bonds (50% intermediate term and 50% short-term).
Source: AB

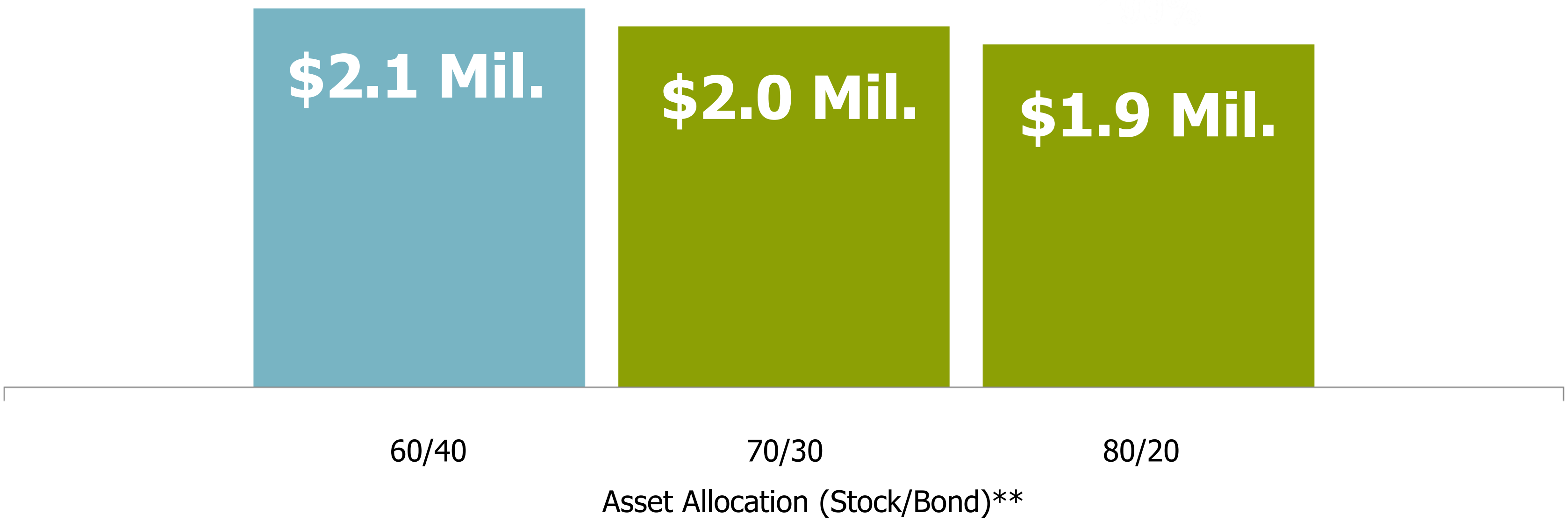
Any Spending Reduction Would Have to Be Drastic



Based on Bernstein's estimate of returns for the applicable capital markets over the next 25 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.
*"Sustainable Real Spending" means the amount of annual spending (in today's dollars, adjusted for inflation) to provide a 90% probability of having assets of at least $10 million (also in today's dollars, adjusted for inflation) at the end of the 25 years.
**"Asset Allocation (Stock/Bond)" means the percentage of the portfolio invested in globally diversified stocks (21% U.S. value, 21% U.S. growth, 21% diversified U.S., 7% small-mid cap U.S., 22.5% developed international and 7.5% emerging markets) followed by the percentage of the portfolio invested in taxable bonds (50% intermediate term and 50% short-term).
Source: AB

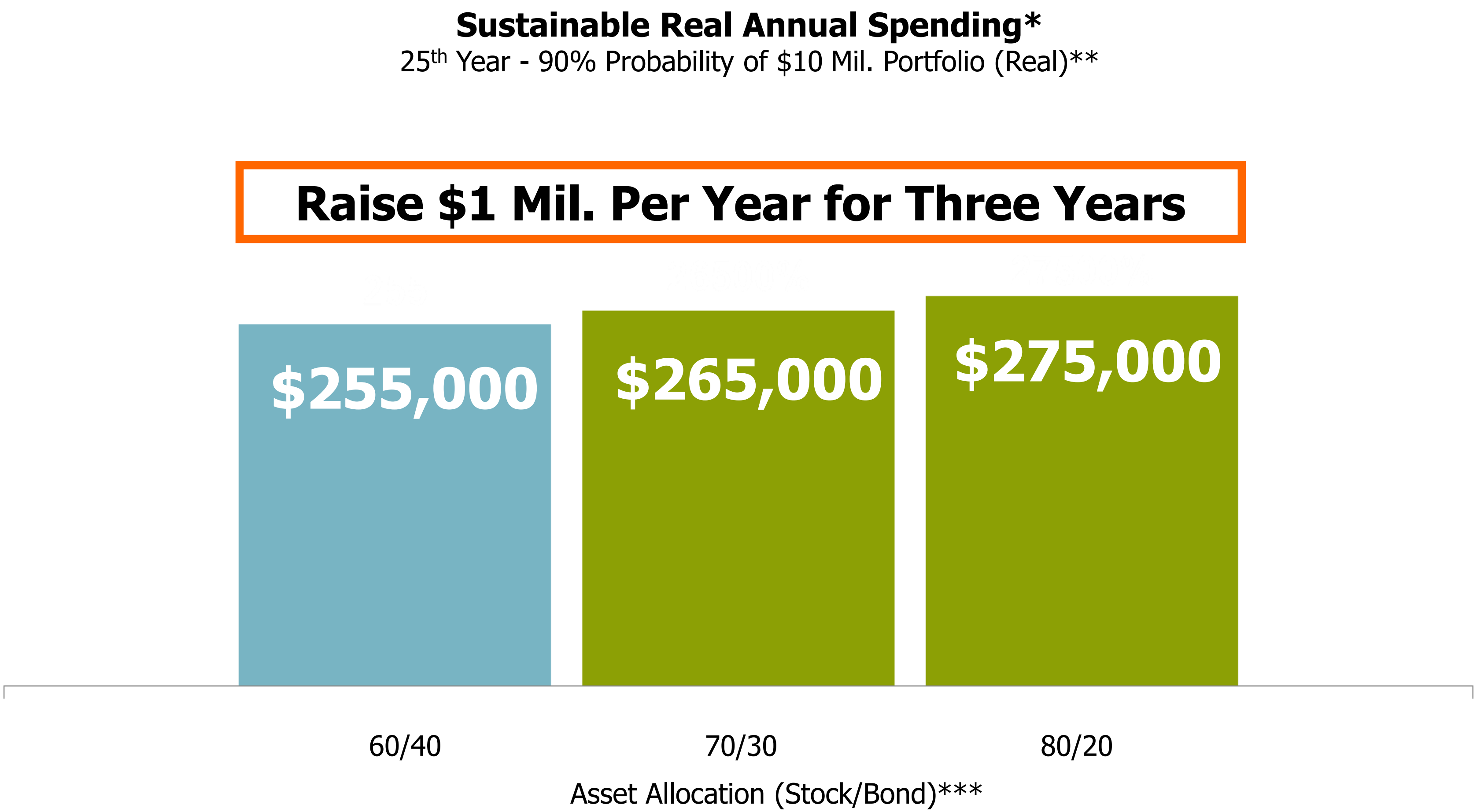
Fundraising Could Provide the Answer . . .

Three-Year Required Annual Fund Raising*
Spending $400,000 (Real)
25th Year - 90% Probability of $10 Mil. Portfolio (Real)



Based on Bernstein's estimate of returns for the applicable capital markets over the next 25 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.
*"Three-Year Required Annual Fundraising" means the amount that would need to be raised each year (in nominal dollars) for the first three years of the analysis to provide a 90% probability of having assets of at least $10 million (also in today's dollars, adjusted for inflation) at the end of 25 years.
**"Asset Allocation (Stock/Bond)" means the percentage of the portfolio invested in globally diversified stocks (21% U.S. value, 21% U.S. growth, 21% diversified U.S., 7% small-mid cap U.S., 22.5% developed international and 7.5% emerging markets) followed by the percentage of the portfolio invested in taxable bonds (50% intermediate term and 50% short-term).
Source: AB

. . . Or a Hybrid Solution of Fundraising and Spending Cuts



Based on Bernstein's estimate of returns for the applicable capital markets over the next 25 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.
*"Sustainable Real Spending" means the amount of annual spending (in today's dollars, adjusted for inflation) to provide a 90% probability of having assets of at least $10 million (also in today's dollars, adjusted for inflation) at the end of the 25 years, assuming $1 million (nominal) of fundraising each year for the first three years of the analysis.
**"Asset Allocation (Stock/Bond)" means the percentage of the portfolio invested in globally diversified stocks (21% U.S. value, 21% U.S. growth, 21% diversified U.S., 7% small-mid cap U.S., 22.5% developed international and 7.5% emerging markets) followed by the percentage of the portfolio invested in taxable bonds (50% intermediate term and 50% short-term).
Source: AB

Notes on Wealth Forecasting System

1. Purpose and Description of Wealth Forecasting System

Bernstein's Wealth Forecasting System[SM] is designed to assist investors in making long-term investment decisions regarding their allocation of investments among categories of financial assets. Our new planning tool consists of a four-step process: (1) Client Profile Input: the client's asset allocation, income, expenses, cash withdrawals, tax rate, risk-tolerance level, goals and other factors; (2) Client Scenarios: in effect, questions the client would like our guidance on, which may touch on issues such as when to retire, what his/her cash-flow stream is likely to be, whether his/her portfolio can beat inflation long term and how different asset allocations might impact his/her long-term security; (3) The Capital Markets Engine: Our proprietary model, which uses our research and historical data to create a vast range of market returns, takes into account the linkages within and among the capital markets, as well as their unpredictability; and finally (4) A Probability Distribution of Outcomes: Based on the assets invested pursuant to the stated asset allocation, 90% of the estimated ranges of returns and asset values the client could expect to experience are represented within the range established by the 5th and 95th percentiles on "box and whiskers" graphs. However, outcomes outside this range are expected to occur 10% of the time; thus, the range does not establish the boundaries for all outcomes. Expected market returns on bonds are derived by taking into account yield and other criteria. An important assumption is that stocks will, over time, outperform long bonds by a reasonable amount, although this is in no way a certainty. Moreover, actual future results may not meet Bernstein's estimates of the range of market returns, as these results are subject to a variety of economic, market and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results or the actual probability that these results will be realized.

2. Rebalancing

Another important planning assumption is how the asset allocation varies over time. We attempt to model how the portfolio would actually be managed. Cash flows and cash generated from portfolio turnover are used to maintain the selected asset allocation between cash, bonds, stocks, REITs and hedge funds over the period of the analysis. Where this is not sufficient, an optimization program is run to trade off the mismatch between the actual allocation and targets against the cost of trading to rebalance. In general, the portfolio allocation will be maintained reasonably close to its target. In addition, in later years, there may be contention between the total relationship's allocation and those of the separate portfolios. For example, suppose an investor (in the top marginal federal tax bracket) begins with an asset mix consisting entirely of municipal bonds in his/her personal portfolio and entirely of stocks in his/her retirement portfolio. If personal assets are spent, the mix between stocks and bonds will be pulled away from targets. We put primary weight on maintaining the overall allocation near target, which may result in an allocation to taxable bonds in the retirement portfolio as the personal assets decrease in value relative to the retirement portfolio's value.

3. Expenses and Spending Plans (Withdrawals)

All results are generally shown after applicable taxes and after anticipated withdrawals and/or additions, unless otherwise noted. Liquidations may result in realized gains or losses that will have capital gains tax implications.

Notes on Wealth Forecasting System

4. Modeled Asset Classes

The following assets or indexes were used in this analysis to represent the various model classes:

Asset Class	Modeled As…	Annual Turnover Rate
Intermediate-Term Diversified Municipal Bonds	AA-rated diversified municipal bonds with seven-year maturity	30%
US Diversified	S&P 500 Index	15
US Value Stocks	S&P/Barra Value Index	15
US Growth Stocks	S&P/Barra Growth Index	15
Developed International Stocks	MSCI EAFE Unhedged	15
Emerging Markets Stocks	MSCI Emerging Markets Index	20
US SMID	Russell 2000	15

5. Volatility

Volatility is a measure of dispersion of expected returns around the average. The greater the volatility, the more likely it is that returns in any one period will be substantially above or below the expected result. The volatility for each asset class used in this analysis is listed on the Capital Markets Projections page at the end of these Notes.
In general, two-thirds of the returns will be within one standard deviation. For example, assuming that stocks are expected to return 8.0% on a compounded basis and the volatility of returns on stocks is 17.0%, in any one year it is likely that two-thirds of the projected returns will be between (8.9)% and 28.0%. With intermediate government bonds, if the expected compound return is assumed to be 5.0% and the volatility is assumed to be 6.0%, two-thirds of the outcomes will typically be between (1.1)% and 11.5%. Bernstein's forecast of volatility is based on historical data and incorporates Bernstein's judgment that the volatility of fixed income assets is different for different time periods.

6. Technical Assumptions

Bernstein's Wealth Forecasting System is based on a number of technical assumptions regarding the future behavior of financial markets. Bernstein's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. Except as otherwise noted, these simulations are based on inputs that summarize the current condition of the capital markets as of March 31, 2013. Therefore, the first 12-month period of simulated returns represents the period from April 1, 2013, through March 31, 2014, and not necessarily the calendar year of 2013. A description of these technical assumptions is available upon request.

Notes on Wealth Forecasting System

7. Tax Implications

Before making any asset allocation decisions, an investor should review with his/her tax advisor the tax liabilities incurred by the different investment alternatives presented herein, including any capital gains that would be incurred as a result of liquidating all or part of his/her portfolio, retirement-plan distributions, investments in municipal or taxable bonds, etc. Bernstein does not provide tax, legal or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

8. Income Tax Rates

Bernstein's Wealth Forecasting System has used various assumptions for the income tax rates of investors in the case studies that constitute this analysis. See the assumptions in each case study (including footnotes) for details. Contact Bernstein for additional information.

The Federal Income Tax Rate is Bernstein's estimate of either the top marginal federal income tax rate or an "average" rate calculated based upon the marginal-rate schedule. The Federal Capital Gains Tax Rate is the lesser of the top marginal federal income tax rate or the current cap on capital gains for an individual or corporation, as applicable. Federal tax rates are blended with applicable state tax rates by including, among other things, federal deductions for state income and capital gains taxes. The State Tax Rate generally is Bernstein's estimate of the top marginal state income tax rate, if applicable.

The Wealth Forecasting System uses the following top marginal federal tax rates unless otherwise stated: For 2013 and beyond, the maximum federal ordinary income tax rate is 43.4% and the maximum federal capital gain and qualified dividend tax rate is 23.8%.

9. Estate Transfer and Taxation

The Wealth Forecasting System models the transfer of assets to children, more remote descendants, and charities, taking into account applicable wealth transfer taxes. If the analysis concerns a grantor and his or her spouse, the System assumes that only the first to die owns assets in his or her individual name and that no assets are owned jointly. It is further assumed that the couple's estate plan provides that an amount equal to the largest amount that can pass free of Federal estate tax by reason of the federal unified credit against estate taxes (or, if desired, the largest amount that can pass without state death tax, if less) passes to a trust for the benefit of the surviving spouse and/or descendants of the first-to-die, or directly to one or more of those descendants. It is further assumed that the balance of the first-to-die's individually owned assets passes outright to the surviving spouse and that such transfer qualifies for the federal estate tax marital deduction. Any state death taxes payable at the death of the first-to-die after 2010 are assumed to be paid from the assets otherwise passing to the surviving spouse. To the extent that this assumption results in an increase in state death taxes under any state's law, this increase is ignored. In addition, it is assumed that the surviving spouse "rolls over" into an IRA in his or her own name any assets in any retirement accounts (e.g., an IRA) owned by the first to die, and that the surviving spouse withdraws each year at least the minimum required distribution ("MRD"), if any, from that IRA.
At the survivor's death, all applicable wealth transfer taxes are paid, taking into account any deductions to which the survivor's estate may be entitled for gifts to charity and/or (after 2010) the payment of state death taxes. The balance of the survivor's individually-owned assets passes to descendants and/or charities and/or trusts for their benefit. The survivor's retirement accounts (if any) pass to descendants and/or charities. To the extent that a retirement account passes to more than one individual beneficiary, it is assumed that separate accounts are established for each beneficiary and that each takes at least the MRD each year from the account. In all cases, it is assumed that all expenses are paid from an individual's taxable accounts rather than his or her retirement accounts to the maximum extent possible.

Notes on Wealth Forecasting System

10. Capital Markets Projections (Inversion and IRA Beneficiary Case Studies)

	Median 40-Year Growth Rate	Mean Annual Return	Mean Annual Income	One-Year Volatility	40-Year Annual Equivalent Volatility
Int.-Term Diversified Municipal Bonds	3.8%	4.0%	3.8%	3.1%	9.6%
US Diversified	7.7	9.4	3.1	16.3	21.6
US Value	8.0	9.6	3.7	16.0	21.2
US Growth	7.5	9.5	2.5	18.1	23.0
Developed International	8.2	10.4	3.4	18.0	22.2
Emerging Markets	6.6	10.6	4.2	26.2	29.6
US SMID	7.9	9.9	2.7	18.7	23.8
Inflation	3.1	3.4	—	0.9	11.3

Data do not represent any past performance and are not a guarantee of any future specific risk levels or returns, or any specific range of risk levels or returns.
Based on 10,000 simulated trials each consisting of 10-year periods; contact Bernstein for additional information.
Reflects Bernstein's estimates and the capital market conditions as of September 30, 2014.

Notes on Wealth Forecasting System

11. Capital Markets Projections (Non-Zeroed-Out CLAT Case Study)

	Median 10-Year Growth Rate	Mean Annual Return	Mean Annual Income	One-Year Volatility	10-Year Annual Equivalent Volatility
Cash Equivalents	1.8%	2.1%	2.1%	0.3%	3.9%
Int.-Term Diversified Municipal Bonds	2.4	2.5	2.5	3.6	2.9
Int.-Term Taxable Bonds	2.8	2.9	4.1	4.7	3.6
US Diversified	6.5	8.0	2.3	16.3	15.3
US Value	6.9	8.3	2.8	16.0	15.0
US Growth	6.2	8.0	1.9	18.1	16.7
Developed International	7.5	9.3	3.2	18.0	16.8
Emerging Markets	5.9	9.6	3.2	26.1	25.6
US SMID	6.8	8.8	1.9	18.7	17.7
Inflation	2.3	2.6	—	1.2	5.7

Data do not represent any past performance and are not a guarantee of any future specific risk levels or returns, or any specific range of risk levels or returns.
Based on 10,000 simulated trials each consisting of 10-year periods; contact Bernstein for additional information.
Reflects Bernstein's estimates and the capital market conditions as of September 30, 2014.

Notes on Wealth Forecasting System (cont.)

12. Capital Markets Projections (Testamentary Planning Case)

	Median 35-Year Growth Rate	Mean Annual Return	Mean Annual Income	1-Year Volatility	35-Year Annual Equivalent Volatility
Cash Equivalents	3.4%	3.7%	3.7%	0.3%	12.5%
Int.-Term Diversified Municipals	3.7%	4.0%	3.8%	3.9%	9.2%
Int.-Term Taxables	4.7%	5.1%	6.3%	4.9%	10.6%
Int.-Term Inflation Muni	3.4%	4.0%	4.1%	3.5%	16.3%
Inflation Linked Bonds	4.1%	4.8%	5.1%	3.4%	18.9%
Global Int. Taxable Bonds Hedged	4.1%	4.4%	5.4%	4.1%	11.2%
Real Assets	7.0%	8.3%	4.2%	13.3%	18.5%
Diversified Hedge Fund Portfolio	6.2%	6.9%	3.5%	11.0%	17.4%
US Diversified	7.5%	9.2%	3.1%	16.4%	22.0%
US Value	7.8%	9.4%	3.7%	16.0%	21.5%
US Growth	7.2%	9.3%	2.5%	18.2%	23.5%
US SMID	7.7%	9.8%	2.7%	18.7%	24.2%
US Low Vol Equity	7.5%	8.7%	4.3%	14.2%	18.3%
Developed International	8.4%	10.6%	3.4%	18.1%	22.9%
Emerging Markets	6.5%	10.5%	4.5%	26.1%	29.9%
High-Risk Int'l	8.6%	11.7%	2.3%	22.1%	26.7%
Inflation	3.2%	3.6%	n/a	1.2%	12.8%

Data do not represent any past performance and are not a guarantee of any future specific risk levels or returns, or any specific range of risk levels or returns. Based on 10,000 simulated trials each consisting of 35-year periods; contact Bernstein for additional information. Reflects Bernstein's estimates and the capital market conditions as of September 30, 2016.

Notes on Wealth Forecasting System

13. Capital Markets Projections (Public Charity Case Study)

	Median 25-Year Growth Rate	Mean Annual Return	Mean Annual Income		25-Year Annual Equivalent Volatility
Cash Equivalents	3.0	3.3	3.3	0.3	8.7
Short-Term Taxables	4.3	4.6	4.9	0.9	8.5
Int.-Term Taxables	3.9	4.2	5.4	4.5	7.7
US Diversified	8.2	9.7	3.0	16.3	17.4
US Value	8.4	9.9	3.6	15.8	17.2
US Growth	7.9	9.8	2.5	18.2	18.7
Developed International	8.9	10.9	4.0	17.9	18.2
Emerging Markets	7.0	10.9	3.9	26.6	26.8
US SMID	8.3	10.4	2.6	18.5	19.8
REITs	8.3	10.0	5.6	17.5	16.9
Inflation	3.2	3.5	n/a	1.1	9.1

Does not represent any past performance and is not a guarantee of any future specific risk levels or returns, or any specific range of risk levels or returns.
Based on 10,000 simulated trials, each consisting of 25-year periods. Reflects Bernstein's estimates and the capital-markets conditions as of March 31, 2012.

AB BERNSTEIN