February 4, 2020

Pre-and-Post Transaction Planning for Business Owners

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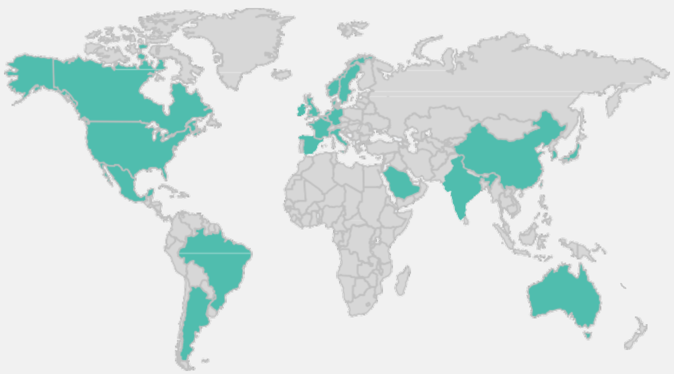
About [A|B]

$623 Billion

Assets under management

268 Research Analysts

Offices in 51 cities in 25 countries



Average years of experience per portfolio manager

12 at Bernstein

22 in the industry

50+

Years helping clients reach their financial goals

$0.00

Long-term debt on Bernstein's balance sheet

Revenue from investment research and management

As of December 31, 2019
Source: AB

The M&A Team of Professionals

CPAs	Transactional Attorneys	Investment Bankers
Corporate Attorneys	Financial Advisor	Trust and Estate Attorneys
Nonbank Lenders	Business Owner	Business Brokers
Private Equity Firms	Tax Attorneys	Commercial Banks
Valuation Consultants	C-Level Staffing	Venture Capitalists

Case Study: Joe and Jane Butler

55-Year Old Couple Wants to Sell Their Business

- Distribution company, owned 95% by Joe and Jane, where last year's EBITDA was $10.0 million
- The Butlers thought the company was valued between $50 million - $70 million
- Currently receiving $3.0 million of distributions
- Saved $12.8 million (of which $3.0 million is in retirement accounts)
- Home in Pennsylvania is valued at $1.9 million debt free
- Goals
  - **Primary**
    - Maintain lifestyle of spending $400,000 per year
    - Protect their wealth after the sale
    - Purchase a $5.0 million vacation home on the Jersey Shore
  - **Secondary**
    - Transfer wealth to their three children
    - Create a substantial family charitable legacy
    - Minimize income <u>and</u> estate taxes

The Offer Received Was Very Attractive

- Leverage recapitalization from a private equity buyer for $65 million
  - $61.7 million based on 95% ownership
  - Roll 15% (valued at $9.3 million today) into a newly formed company
  - Continue working for three years earning $300,000
  - Potential second sale in three - five years for $9.3 million - $18.6 million

Sale Breakdown	Amount
Sale Proceeds	$65.0
Ownership (95%)	61.7
Rollover (15%)	-9.3
Proceeds After Rollover	52.4
Taxes (23.07%)	-12.1
Line of Credit	-7.5
Total After-Tax Proceeds	**$32.8**

Key Questions

- Should the Butlers take the deal or keep the business and continue receiving a $3 million distribution?
- How much do they need (i.e. What’s their number)?
- How should they consider funding their family charitable legacy?
- How should they consider transferring wealth to family?
- What planning can be done for the potential second sale?
- How do they implement the plan?

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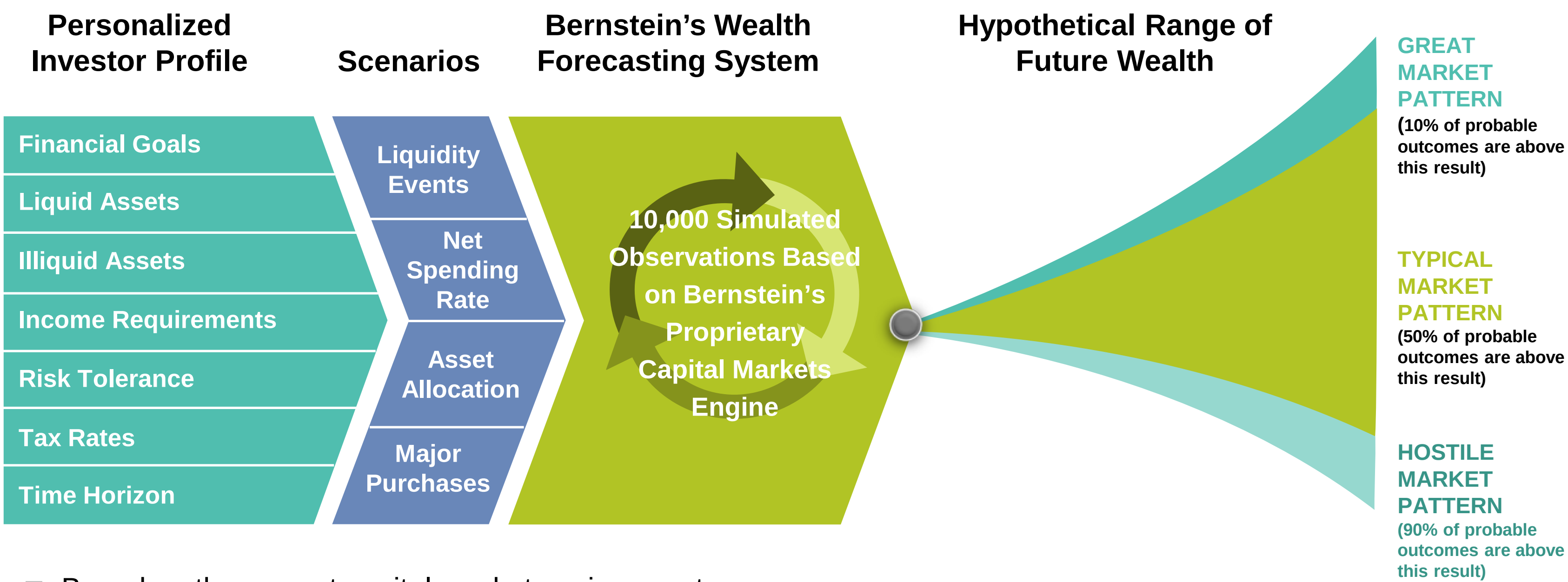
Bernstein's Wealth Forecasting System

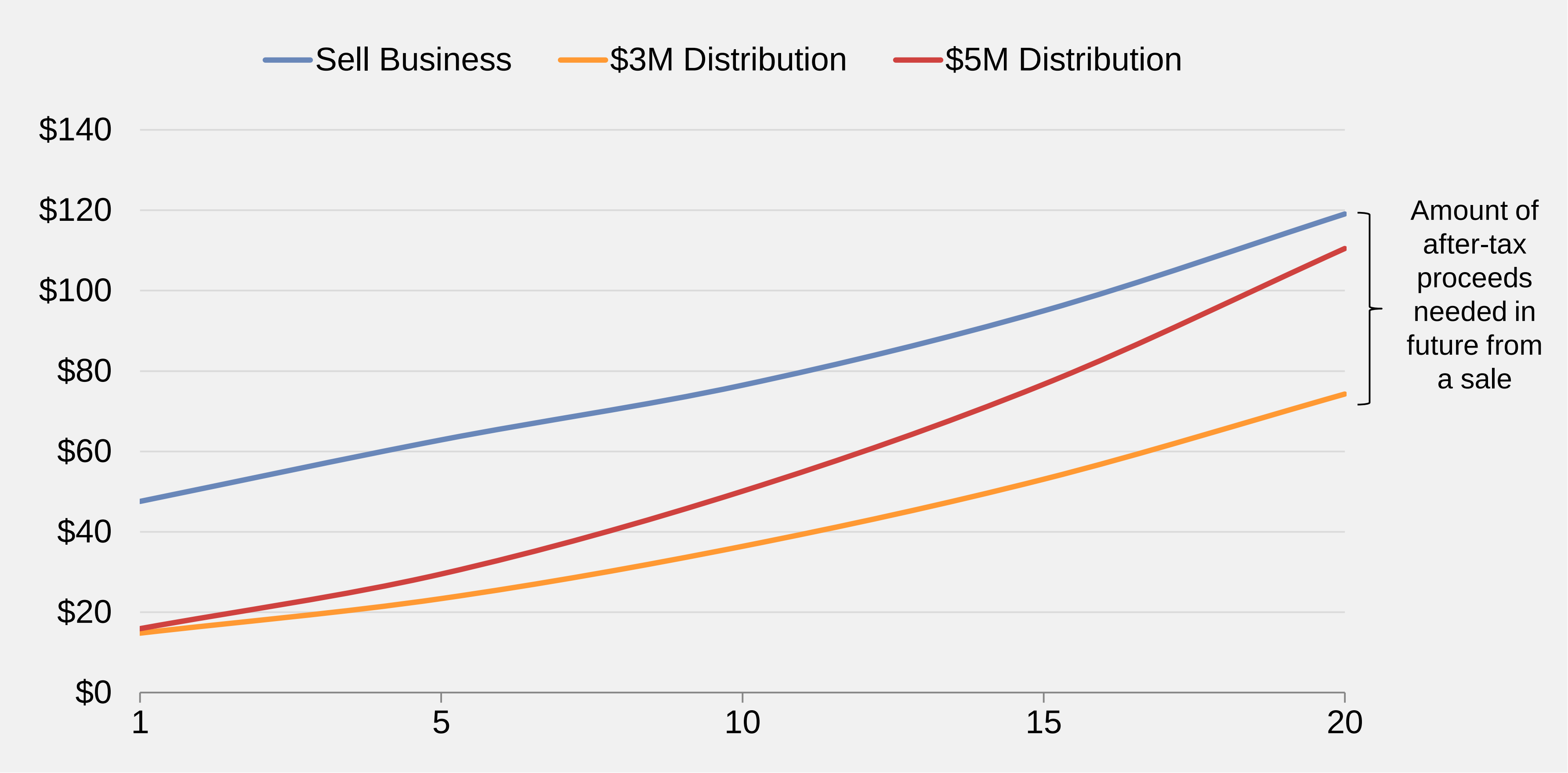


- Based on the current capital-market environment
- Customized to analyze expected financial outcomes of scenarios of your choice
- Incorporates various account types and planning vehicles
- Predicts likelihood of meeting long-term goals, reflecting what is known and unknown

Bernstein's Wealth Forecasting System[SM] is based upon our proprietary analysis of historical capital-market data over many decades. We look at variables such as past returns, volatility, valuations, and correlations to forecast a vast range of possible outcomes relating to market asset classes, not Bernstein portfolios. While there is no assurance that any specific outcome suggested by the model will actually come to pass, by quantifying the possibilities of achieving financial goals under changing, and sometimes extreme, capital-market conditions, the tool should help our clients make better choices. See Notes on Wealth Forecasting System at the end of this presentation for further details.
Source: AB

How Long Will it Take to Have the Same Wealth if They Keep the Business?

Median Wealth ($Millions, Nominal)



*Values compare selling the business and receiving $32.8 million in after-tax proceeds with a $9.3 million second sale in three years vs. keeping the business and receiving pre-tax distributions of $3.0 million or $5.0 million for the next 20 years without accounting for any residual value of the businesses. These values assumed living expenses of $400,000 per year with no vacation home purchase and all assets are invested with an allocation of 30% global stocks and 70% bonds.

Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. 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 System, for details.

Source: AB

Key Questions

- Should the Butlers take the deal or keep the business and continue receiving a $3 million distribution?
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Core and Surplus Capital

Hierarchy of Objectives

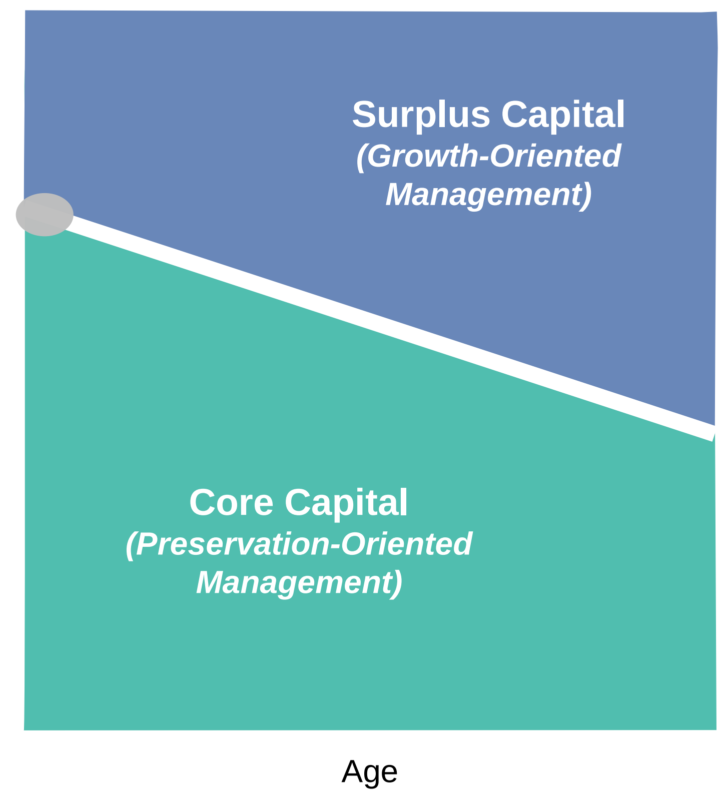
- Lifestyle Spending

Core Capital*
Assures long-term well-being

- Children/ Grandchildren
- Discretionary Spending
- New Ventures
- Charity

Surplus Capital
Provides for other goals

The Critical Goal: Meeting Lifetime Spending Needs



*The amount needed to support your lifestyle as long as you live.
Source: AB

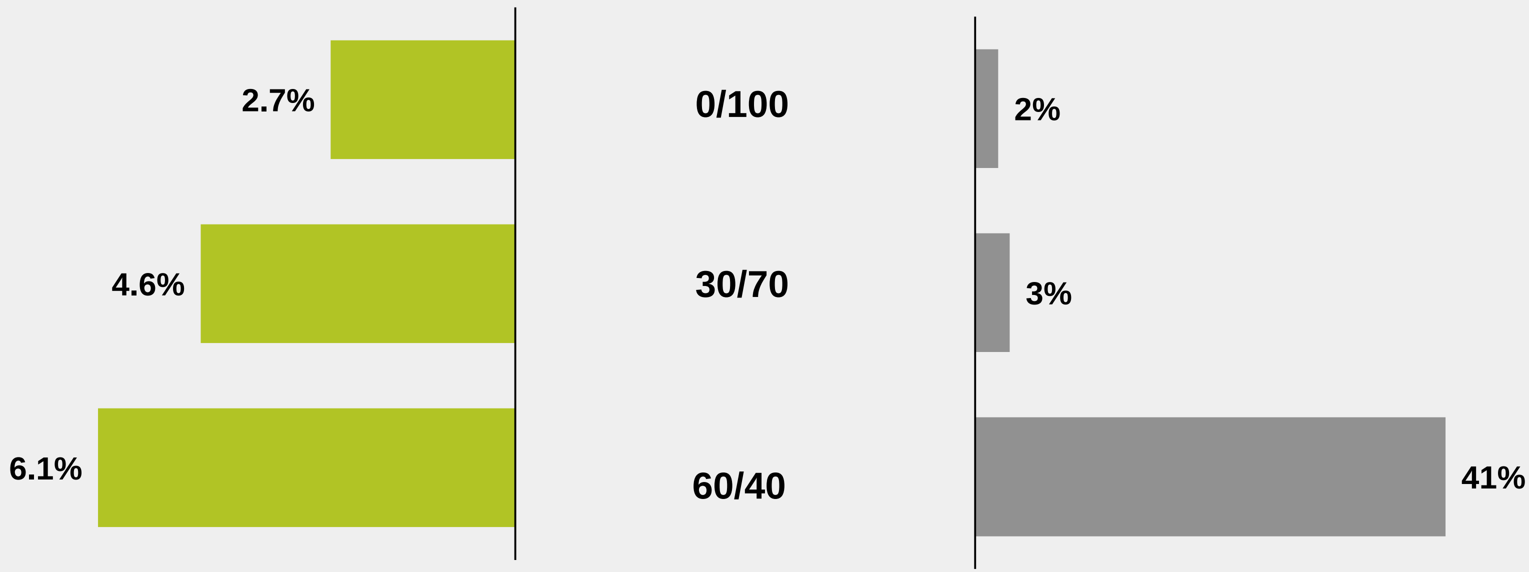
What Returns & Risk Might Be Expected from the Market?

For illustrative purposes only. There can be no assurance that any investment objectives will be achieved.
*0/100 is modeled as 100% intermediate-term bonds; 30/70 is modeled as 30% global stocks and 70% intermediate-term bonds; 60/40 is modeled as 60% global stocks and 40% intermediate-term bonds.
**Projections indicate the probability of a peak-to-trough decline in pretax, pre-cash-flow cumulative returns of 20% over the next 30 years. Because the Wealth Forecasting System uses annual capital-market returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly) may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years.
Based on AB's estimates of the range of returns for the applicable capital markets over the periods analyzed. **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 at the end of this report for further details.

What Returns & Risk Might Be Expected from the Market?

Range of Median Compound Growth Rates*
For Next 30 Years

Investment Risk**
Peak-to-Trough Loss of 20%



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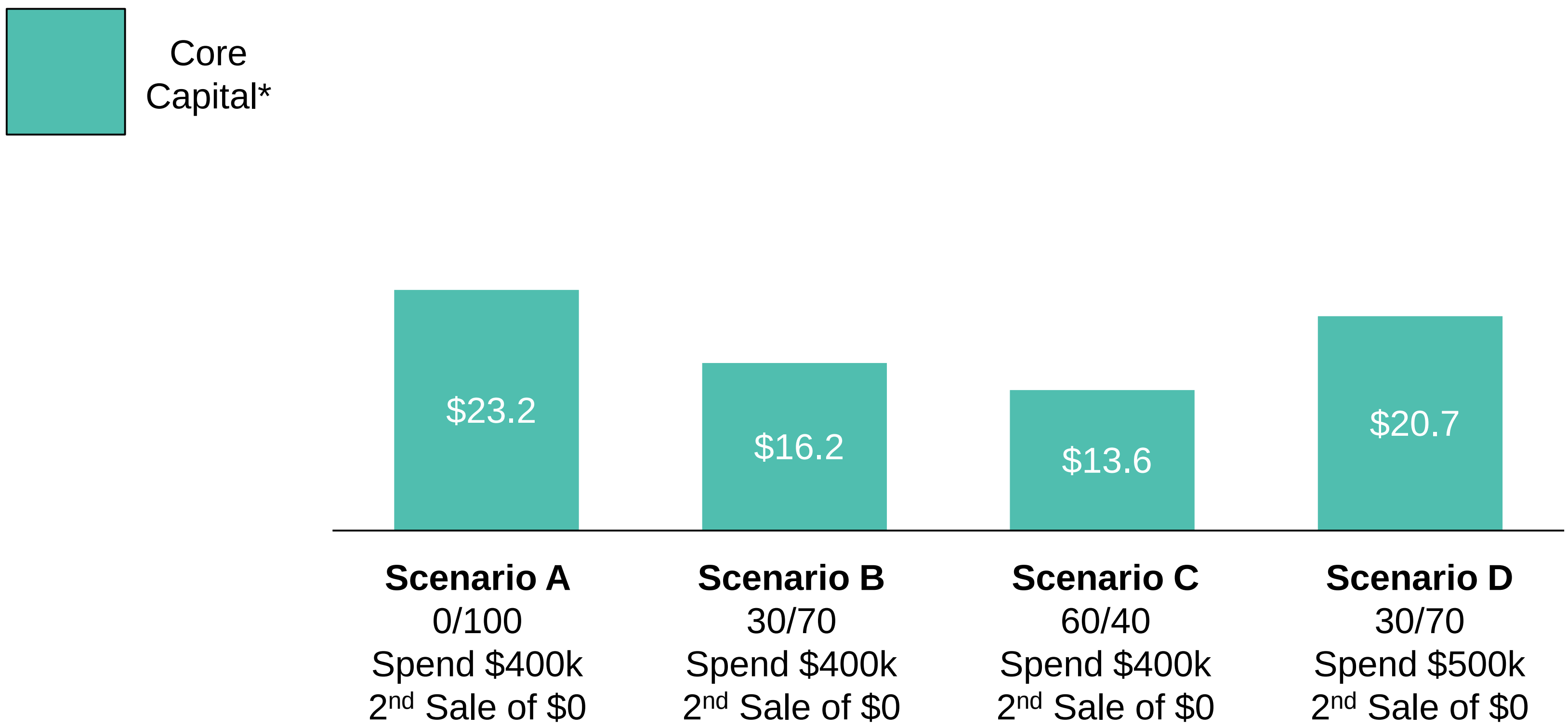
How Much You Need Depends on Your Allocation and Spending…

($Millions)

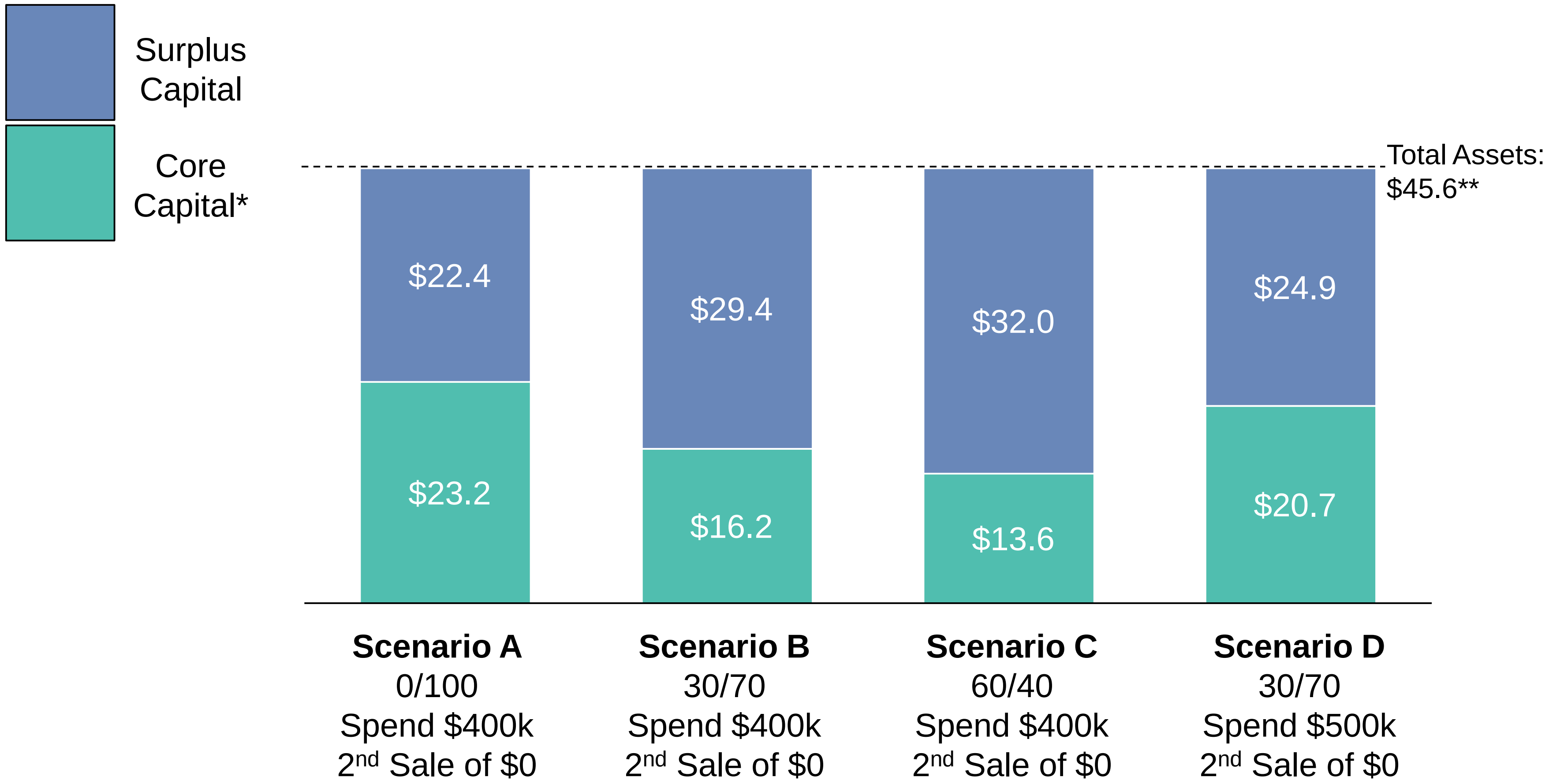


*Core capital was calculated at a 90% level of confidence assuming Joe continues receiving a salary of $300,000 for the next three years, and that they begin receiving Social Security benefits at age 67 in the amount of $28,700 and $14,400, adjusted for inflation. The spending amounts of $400,000 or $500,000 are assumed to adjust with inflation and the stock/bond allocations are assumed to be globally diversified stocks and intermediate-term bonds.

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

…While Your Surplus Capital is Determined by the Sale…

($Millions)



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**Total assets include current assets of $12.8 million and after-tax sale proceeds of $32.8 million.

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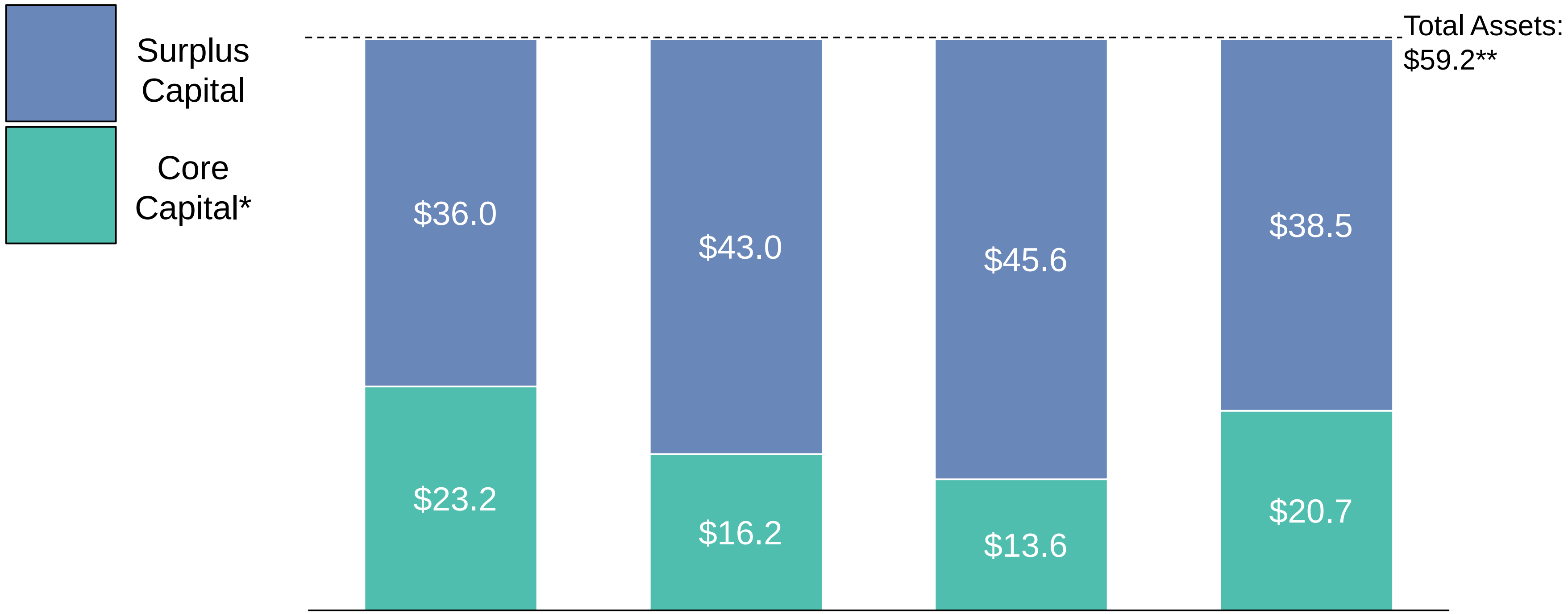
…And the Size of the Second Sale

($Millions)



Scenario A	Scenario B	Scenario C	Scenario D
0/100	30/70	60/40	30/70
Spend $400k	Spend $400k	Spend $400k	Spend $500k
2nd Sale of $18.6M	2nd Sale of $18.6M	2nd Sale of $18.6M	2nd Sale of $18.6M

*Core capital was calculated at a 90% level of confidence assuming Joe continues receiving a salary of $300,000 for the next three years, and that they begin receiving Social Security benefits at age 67 in the amount of $28,700 and $14,400, adjusted for inflation. The spending amounts of $400,000 or $500,000 are assumed to adjust with inflation and the stock/bond allocations are assumed to be globally diversified stocks and intermediate-term bonds.

**Total assets include current assets of $12.8 million and after-tax sale proceeds of $32.8 million as well as pre-tax proceeds of $18.6 million from a second sale in three year which are fully taxable as a capital gain resulting in after-tax proceeds of $13.6 million.

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

Core Capital Amounts: Based on Age and Allocation

Sustainable Spending Rate*

Allocation	0/100	20/80	40/60	60/40	80/20	100/0
Age 55	1.5%	2.0%	2.3%	2.6%	2.7%	2.6%
Age 65	2.1	2.6	2.9	3.1	3.2	3.2
Age 75	3.0	3.6	3.8	4.2	4.2	4.2

Estimated Core Capital-Spending $100,000
USD Millions

Allocation	0/100	20/80	40/60	60/40	80/20	100/0
Age 55	$6.5	$5.0	$4.3	$3.9	$3.7	$3.8
Age 65	4.8	3.8	3.4	3.2	3.1	3.1
Age 75	3.3	2.8	2.6	2.4	2.4	2.4

*These spending rates are for couples and assume an allocation of globally diversified stocks. Asset allocations assume globally diversified stocks. Globally diversified stocks are represented by the following allocation for a 100% return-seeking allocation: 16.2% US value, 16.2% US growth, 12.0% US diversified, 6.0% US small-/mid-cap, 23.7% developed foreign markets, 7.3% emerging markets, 9.6% US Low Vol Equity, 9.0% high-risk international. Equity geography weights may shift in proportion to total return-seeking allocation. Bonds and hedge funds are represented by diversified intermediate-term municipal bonds and diversified hedge funds in the proportions noted. Additional details regarding allocation available upon request. Spending is a percentage of initial value of portfolio and is grown with inflation; spending rates assume maintaining spending with a 90% level of confidence. Based on Bernstein estimates of the range of returns for the applicable capital markets over the periods analyzed as of June 30, 2019. Data do not represent past performance and are not a promise of actual future results. See Notes on Bernstein Wealth Forecasting at the end of this presentation for further details. All information on longevity and mortality-adjusted investment analyses in this study are based on mortality tables compiled in 2000. To reflect that high-net-worth individuals live longer than average, we subtract three years from each individual's age (e.g., a 55-year-old would be modeled as a 52-year-old). In our mortality-adjusted analyses, the life span of an individual varies in each of our 10,000 trials in accordance with mortality tables. Source:
Society of Actuaries RP-2000 mortality tables and AB

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BERNSTEIN

There Are Many Ways to Give to Charity

PURELY PHILANTHROPIC STRATEGIES

Immediate Gifts
- Charitable IRA Rollover
- Securities
- Cash

Staged Gifts
- Private Nonoperating Foundations
- Private Operating Foundations
- Donor-Advised Funds

Deferred Gifts
- Pledges
- Bequests

Immediate Gifts | Staged Gifts | Deferred Gifts

PARTLY PHILANTHROPIC STRATEGIES

Staged Gifts
- Charitable Lead Annuity Trusts

Deferred Gifts
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Pooled Income Funds

There Are Many Ways to Give to Charity

How should the Butlers fund their DAF?

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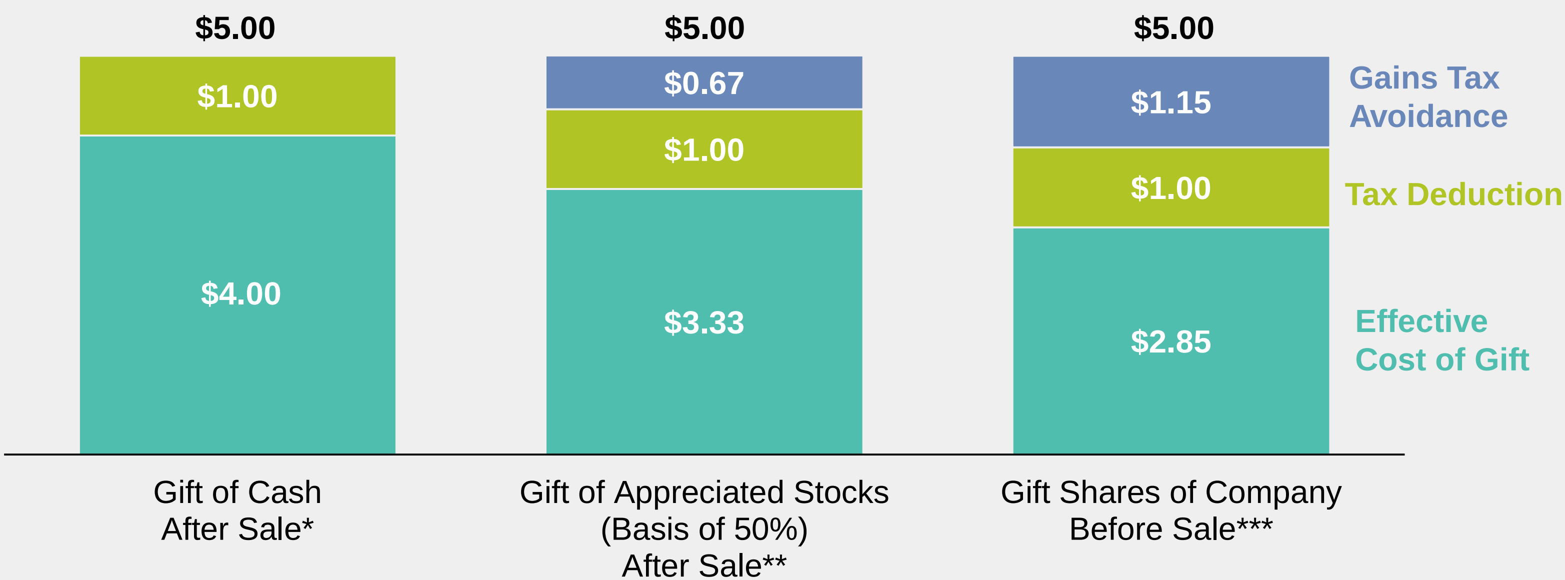
PARTLY PHILANTHROPIC STRATEGIES

Depending on the Timing, Gifting Appreciated Stocks or Shares of the Company Can Provide a Meaningful Benefit

$5.0 Million Gift to Donor-Advised Fund (DAF)
($ in Millions)

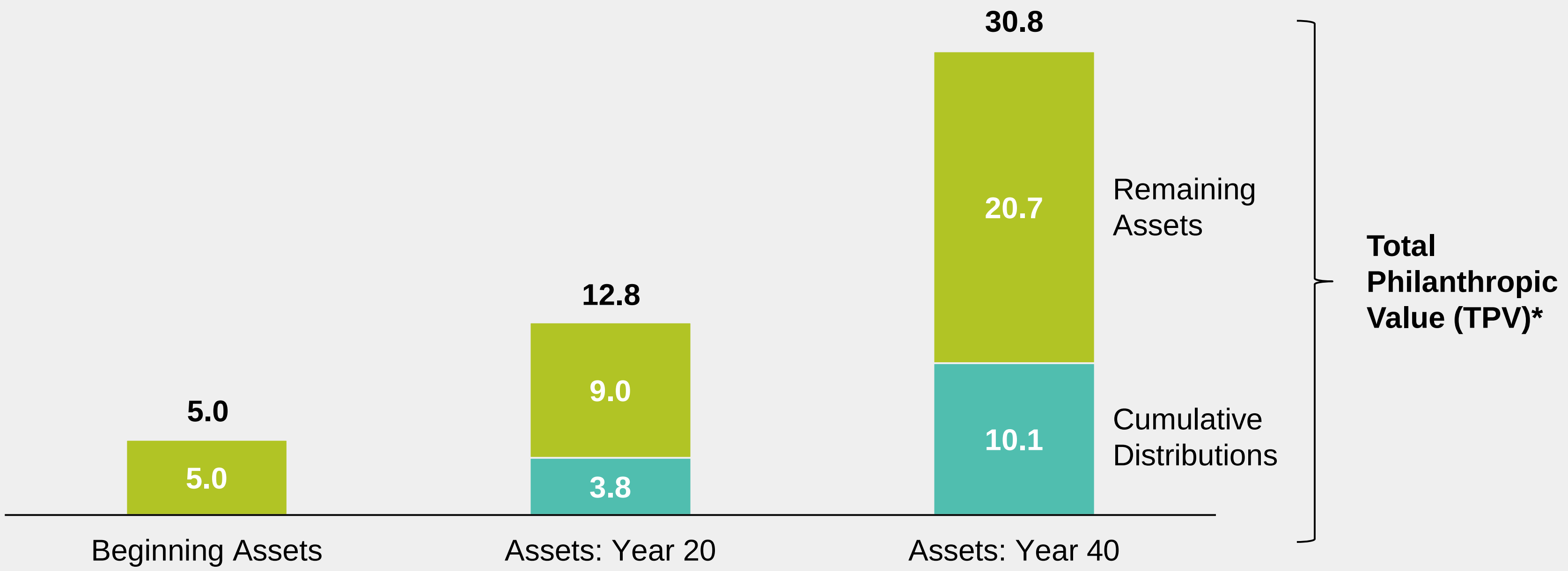


Income Tax Savings	$1.00	$1.67	$2.15

*$5.0 million gift to donor-advised fund (DAF) is assumed to be made with cash after the sale. The tax deduction assumes the donor is able to fully utilize the deduction in the year the gift is made, which will be used to offset Federal capital-gains income. The effective cost of the gift is after accounting for the tax savings from the deduction.
**$5.0 million gift to DAF is assumed to be made with appreciated stock that have a cost basis of $2.5 million after the sale. Those shares would otherwise be taxable as a Federal capital gain plus Pennsylvania state tax rates.
***$5.0 million gift is assumed to be made with shares before the sale is completed. When the gift is made, the results assume the donor will receive a Federal tax deduction based on the gift's current value of $5.0 million. This deduction would offset Federal capital-gains income. Because the shares owned by the DAF are not subject to taxation, the donor avoids paying federal and Pennsylvania taxes on the full amount of the shares within the DAF, which would have been subject to capital-gains taxes.
Bernstein does not provide tax advice; investors should seek advice from their accountant before making any tax-related decisions.

How Much Is a $5.0 Million Gift to a Donor-Advised Fund Worth?

Value of Fund Distributing $150,000 Annually, Adjusted with Inflation
Median Results—Nominal (USD Millions)



*TPV is the sum of cumulative distributions and the portfolio remainder value in a given year. Allocation is 70% stocks and 30% bonds.
Based on Bernstein's estimates of the range of returns for the applicable capital markets over the period analyzed. **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 the Appendix.
Source: Bernstein

The Butlers Charitable Plan

- The Butlers gave $5.0 million to a Donor Advised Fund (DAF)
- Because the deal was closing in a few weeks, the Butlers chose to fund a DAF after the sale using highly appreciated stocks from their taxable account.

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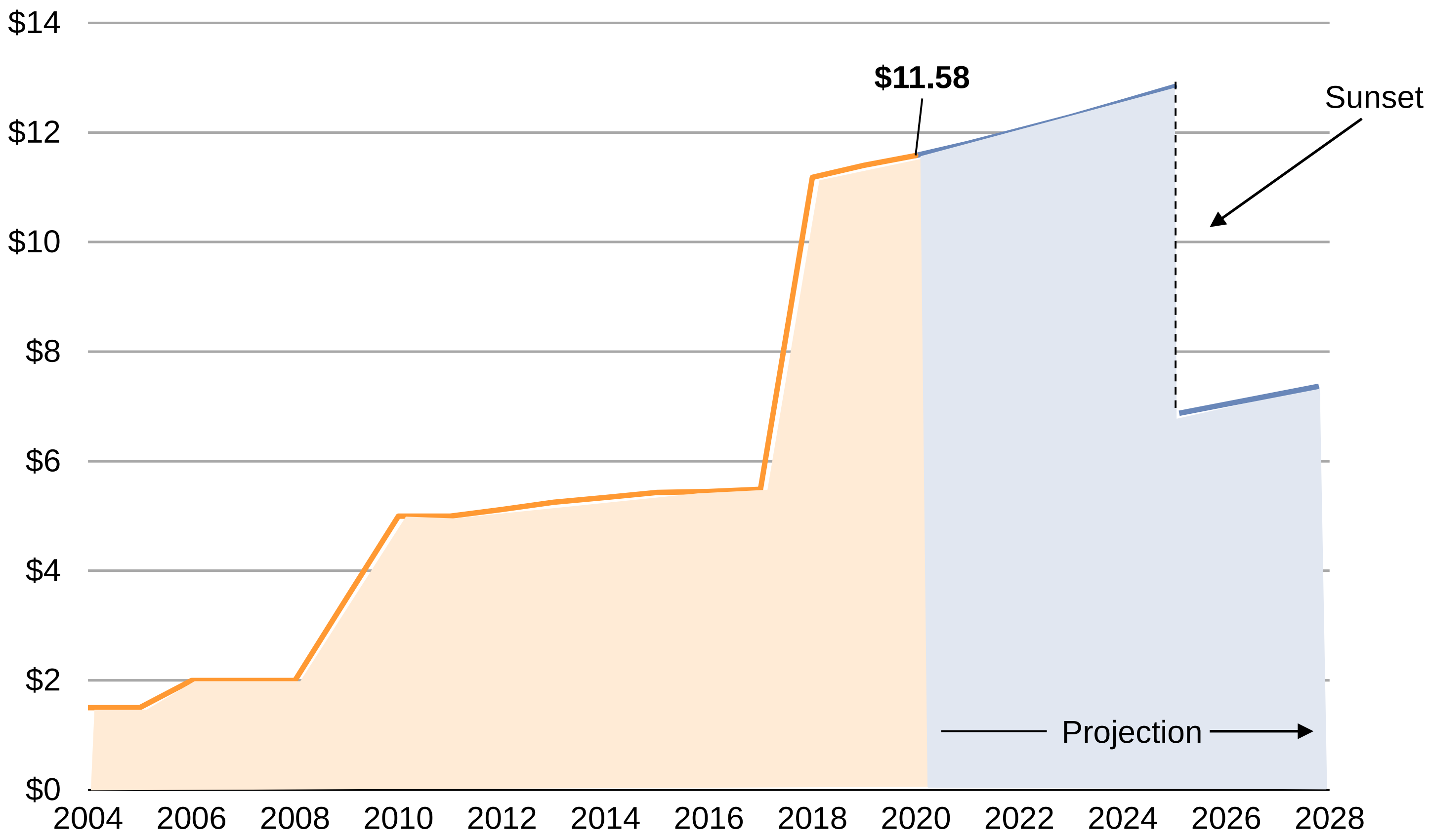
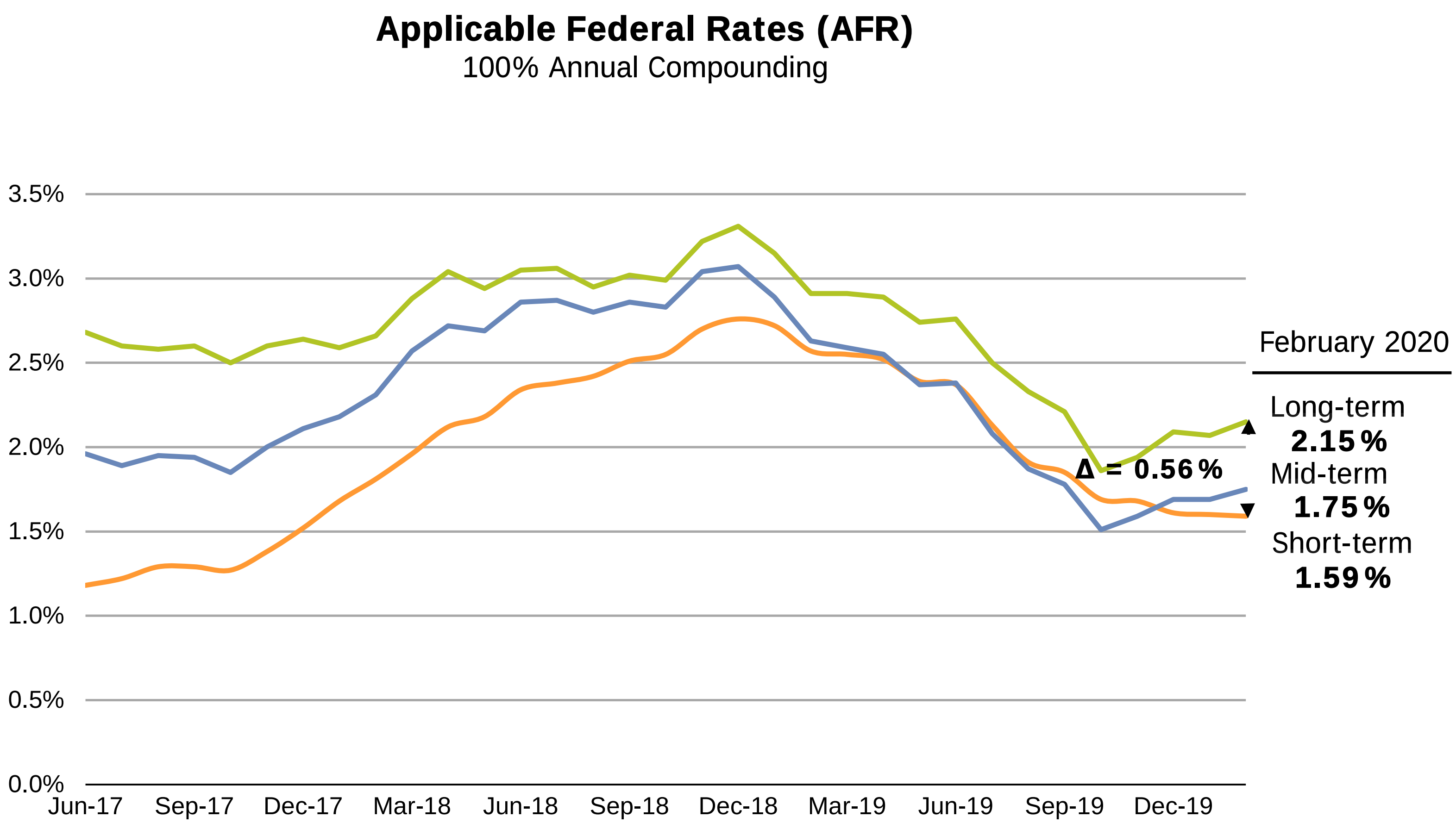
History of Estate Tax Exemption

From 2004 – 2020*



*Source: IRS – Exemption estimates from 2021 through 2028 are estimates using Bernstein's Wealth Forecasting System.

Today’s Low Rates Make Wealth Transfer Strategies Compelling



Source: www.irs.gov

Wealth Transfer Toolbox

Desired Beneficiaries

- Children
- Grandchildren
- Other Family
- Charitable Causes

Gifting Techniques

- Basic Gifts
- Spousal Lifetime Access Trust
- GRATs
- Installment Sale
- QPRT
- Foundation
- Donor Advised Fund
- Charitable Lead Trust
- Charitable Remainder Trust

Leveraging Opportunities

- Grantor Trusts
- Discounted Assets
- Early Use of Exemptions
- Insurance

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Scenarios

The following scenarios assumed that the sale just happened and that Joe and Jane will purchase a $5.0 million vacation home, give $5.0 million to a DAF, and that a second sale happens in three years for which they receive pre-tax proceeds of $18.6 million.

Scenario A: Base case where they do no additional planning and spend $400,000 per year and invest their assets according to an allocation of 30% global stocks and 70% bonds (30/70).

Scenario B: Same as A, but we assumed they begin making annual gifts of $30,000 to an Intentionally Defective Grantor Trust (IDGT) for each of their children ($90,000 total).

Scenario C: Same as B, but we assumed they contribute $5.0 million to a series to two-year rolling Grantor Retained Annuity Trusts (GRATs) for the next 30 years. The GRATs will be zeroed out with any remainder being transferred to the IDGT.

Scenario D: Same as C, but we assumed they sell 50% of their rollover shares ($4.65 million) to the IDGT in exchange for an interest only note at 1.59% for nine years. We also assumed this sale would be seeded with a cash gift of $465,000.

The GRATs and IDGTs are assumed to be invested with an asset allocation of 100% global stocks while the DAF is assumed to be invested with an allocation of 70% global stocks and 30% bonds. In addition, we assumed the grantor trust status of the IDGTs would be turned off after 30 years.

Many Strategies Implemented to Lower Taxes Today and in the Future

Joe and Jane

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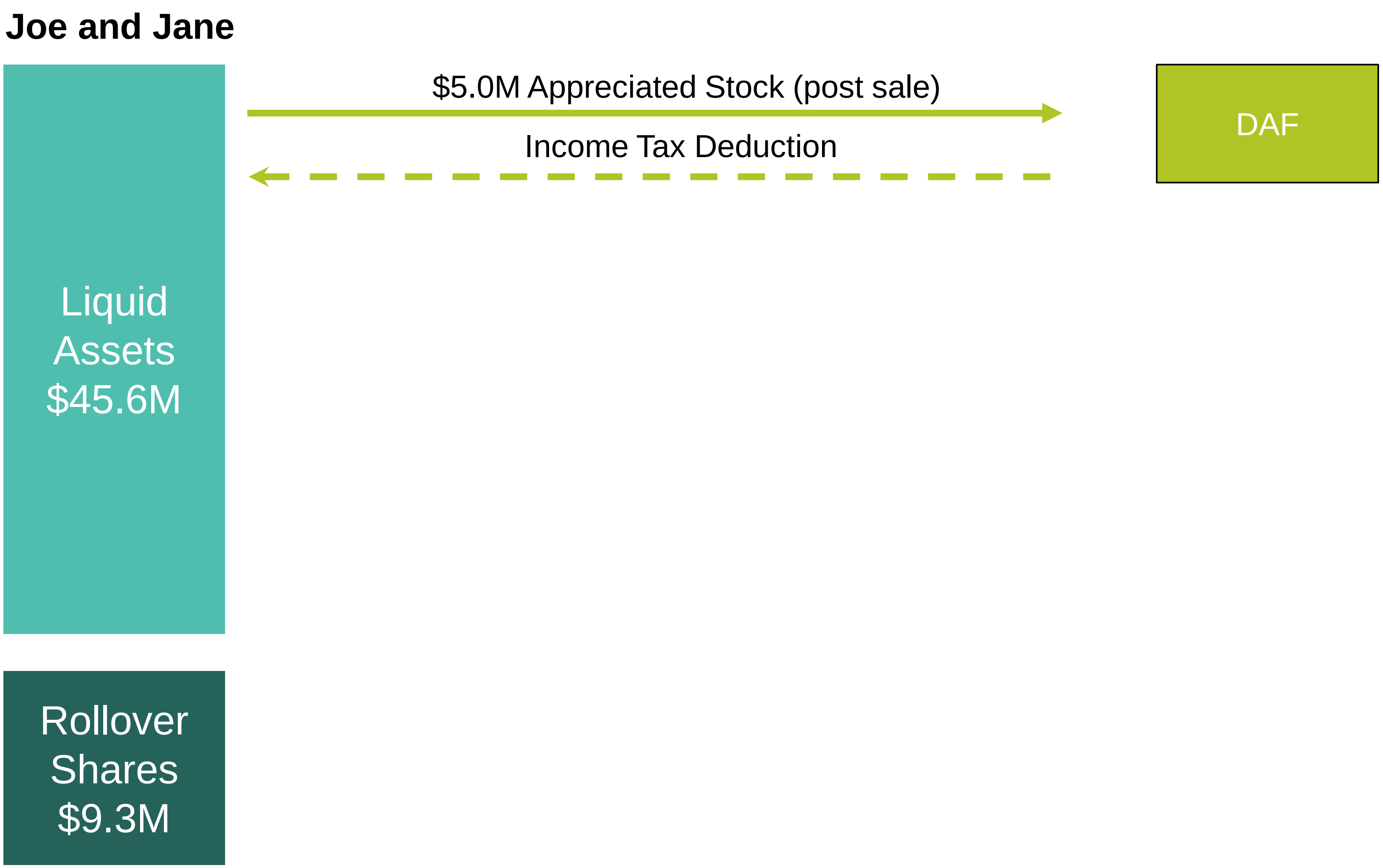
Many Strategies Implemented to Lower Taxes Today and in the Future



*Interest payments based on the mid-term applicable federal rate (AFR) of 1.59%. It is assumed that the note is repaid in year three when the second sale occurs, but the note could remain outstanding for 9 years.

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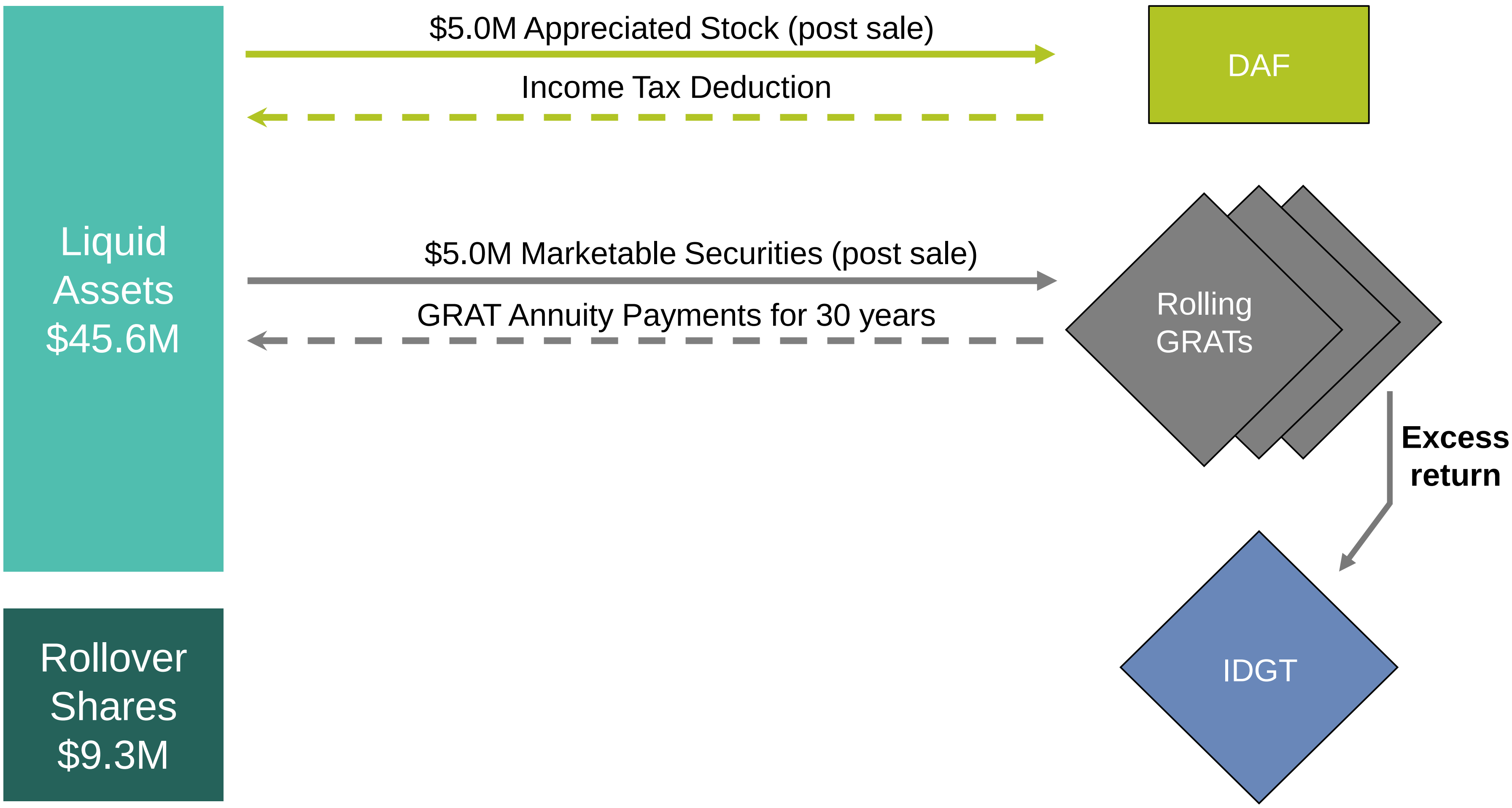
Many Strategies Implemented to Lower Taxes Today and in the Future

Joe and Jane



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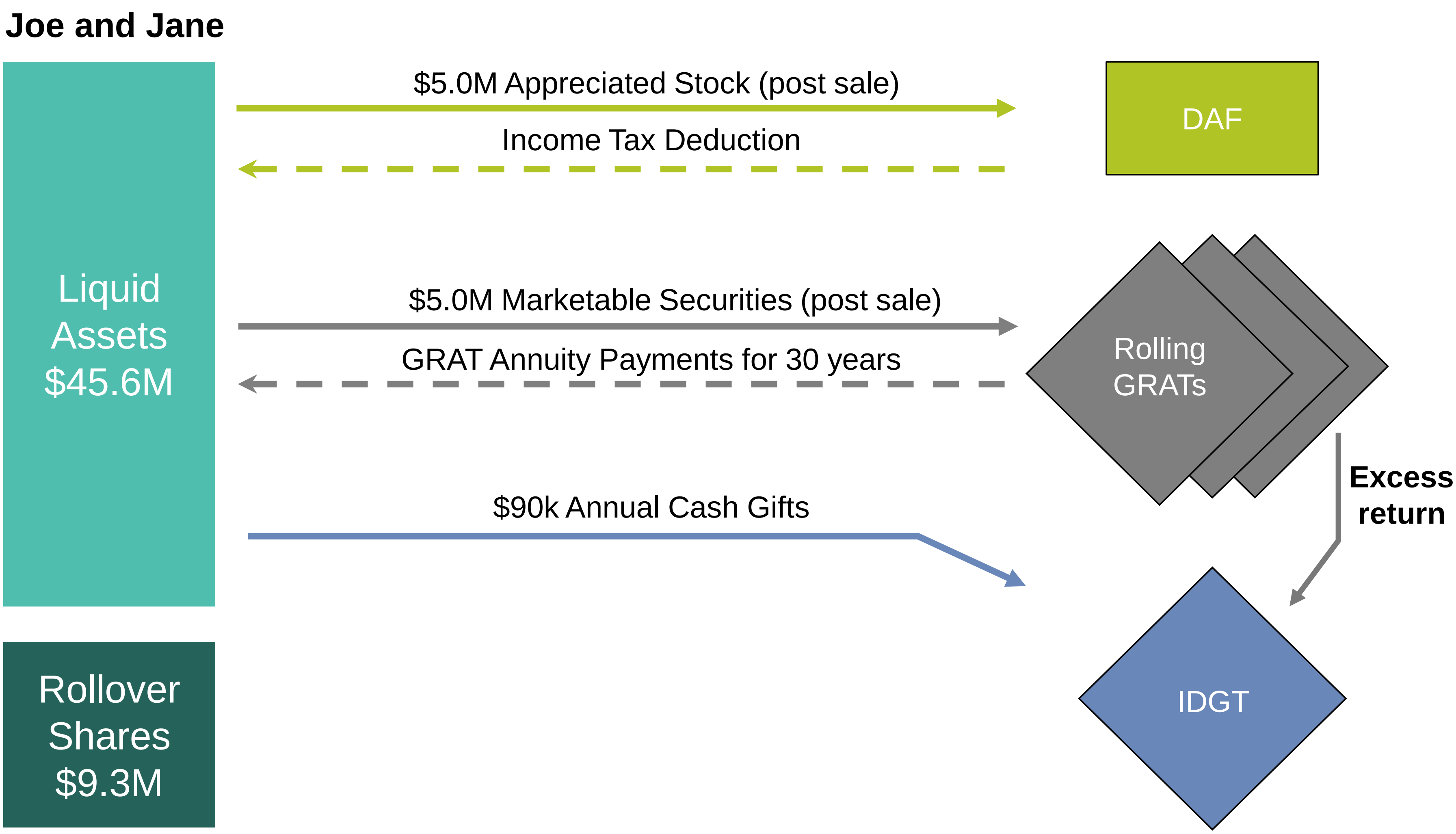

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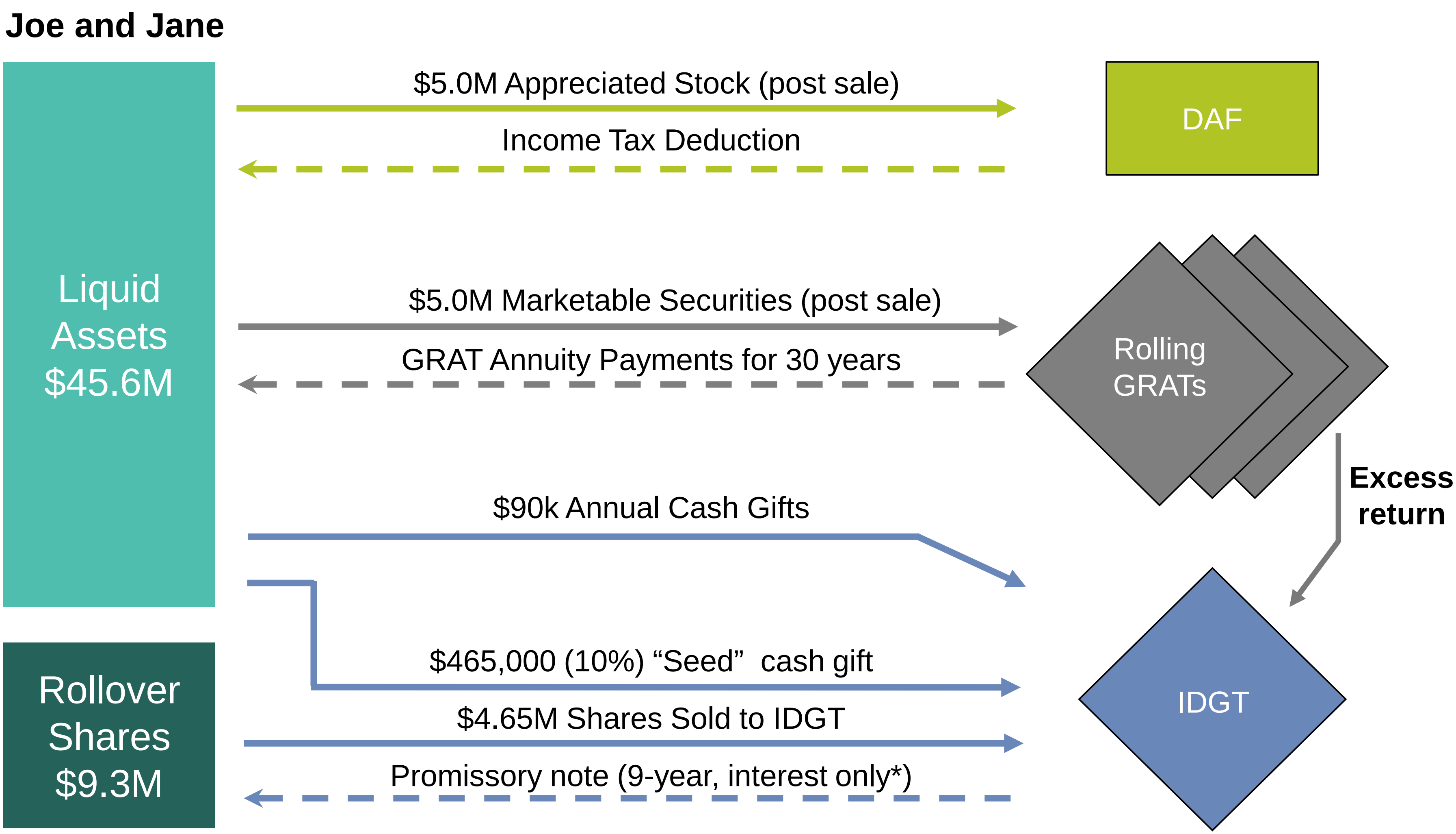

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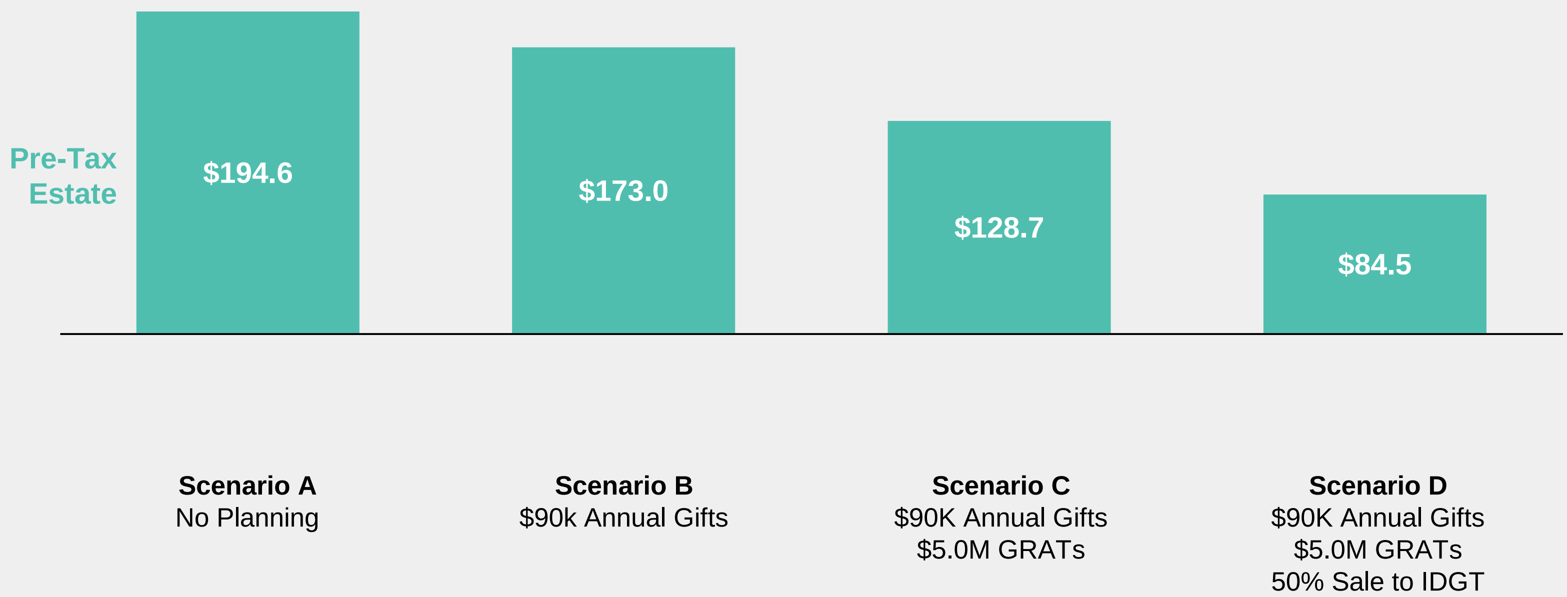
Gifts, GRATs, Sale, and a DAF Shifts Assets Out of Their Estate…

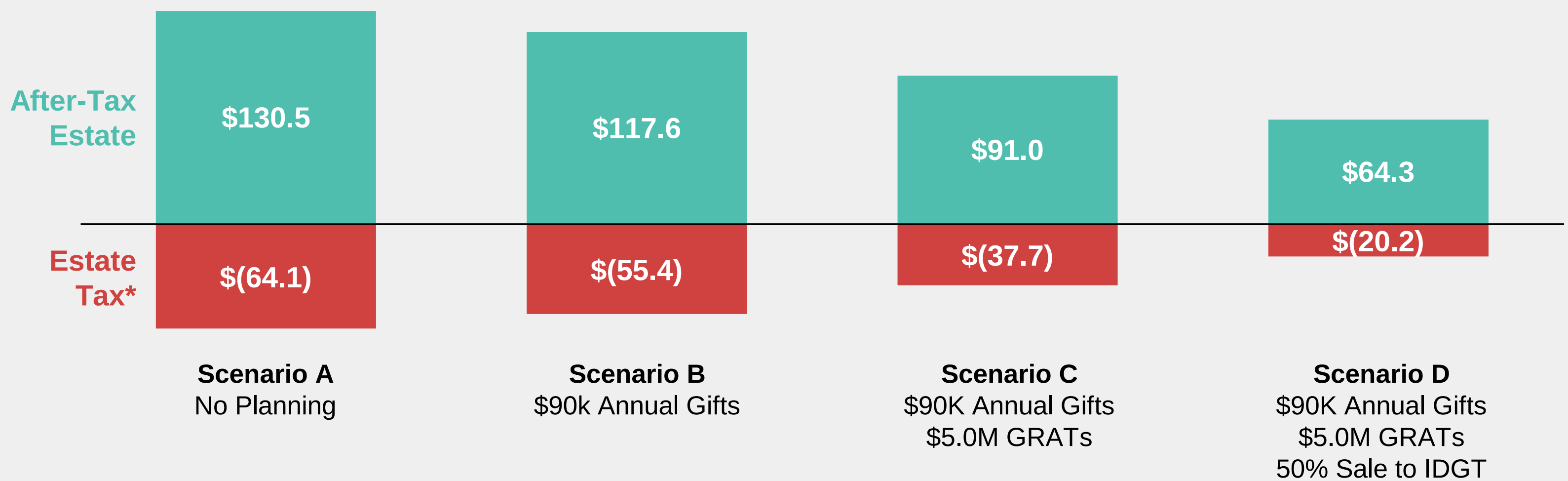
Median Wealth—Year 40 (USD Millions, Nominal)



Projections based on AB's estimates of the range of returns for the applicable capital markets over the periods analyzed**. 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.

…Which Lowers Their Estate Taxes…

Median Wealth—Year 40 (USD Millions, Nominal)



	Scenario A	Scenario B	Scenario C	Scenario D
Estate Tax Savings*		**$8.7**	**$26.4**	**$43.9**

*Estate taxes were calculated assuming a federal rate of 40% and that the current exemption of $11.4 million per person sunsets in 2026 to $5.7 million per person, adjusted for inflation.

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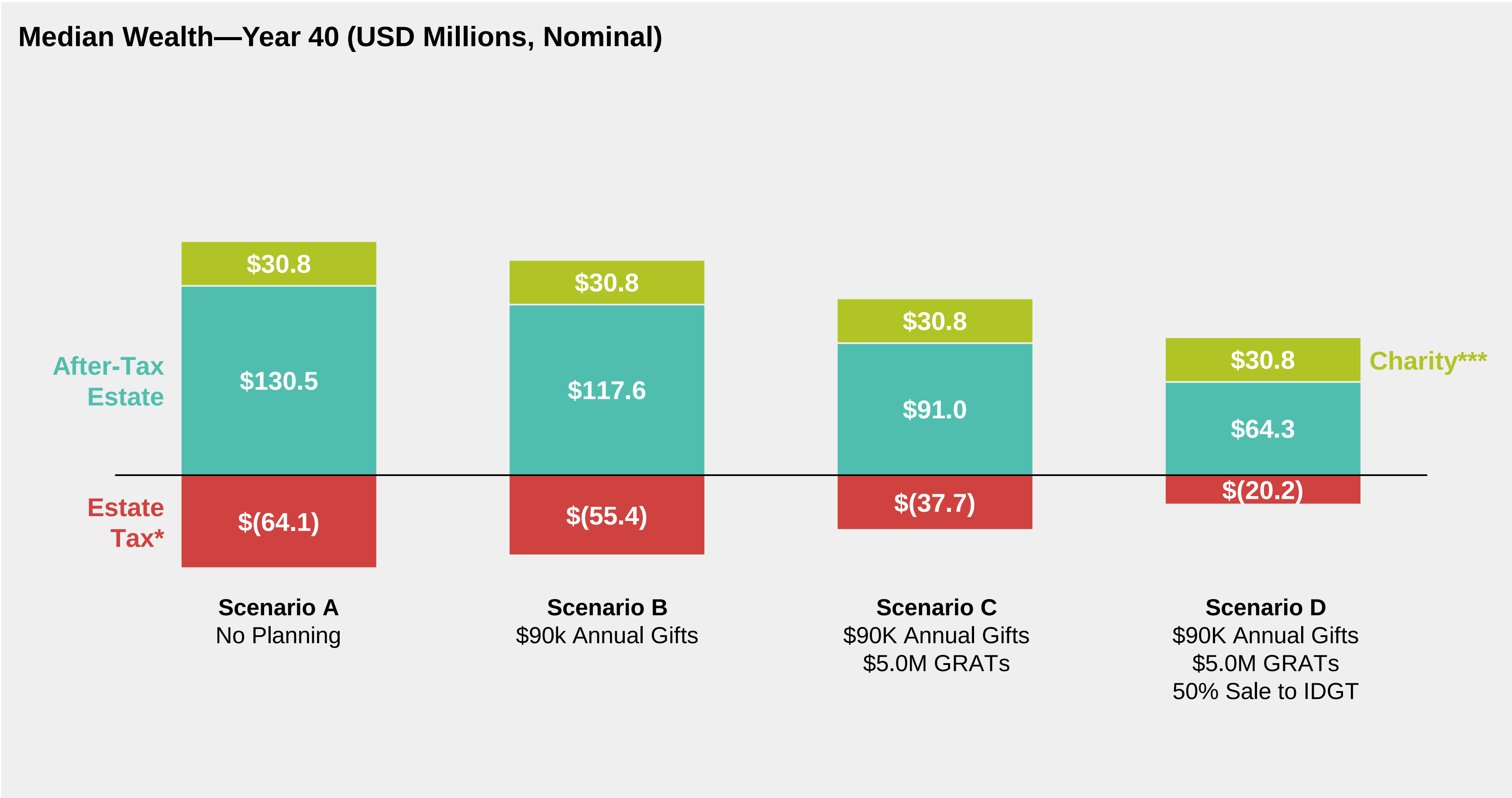
…And Creates More Wealth for Charity…



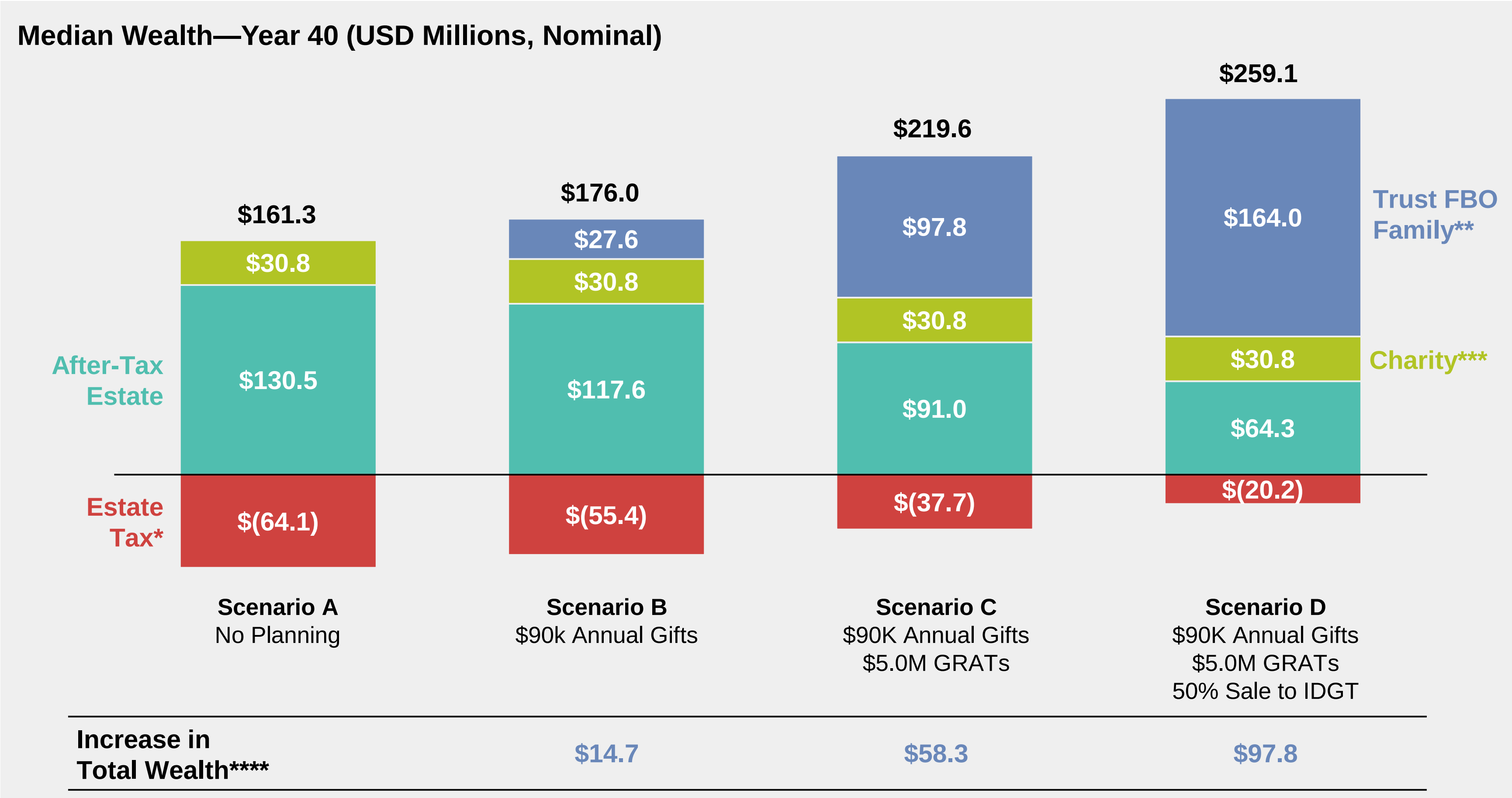
*Estate taxes were calculated assuming a federal rate of 40% and that the current exemption of $11.4 million per person sunsets in 2026 to $5.7 million per person, adjusted for inflation.

***The charity value represents the amount remaining in the DAF as well as the cumulative amount of distributions that were made over 40 years.

***Increase in total wealth calculates the sum of the after-tax estate, charity, and Trust FBO Family in scenarios B, C, and D relative to scenario A.

Projections based on AB's estimates of the range of returns for the applicable capital markets over the periods analyzed**. 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.

…and Family



*Estate taxes were calculated assuming a federal rate of 40% and that the current exemption of $11.4 million per person sunsets in 2026 to $5.7 million per person, adjusted for inflation.
**Trust FBO Family includes the growth on the $90,000 annual gifts (Scenarios B, C and D), and GRAT remainder (Scenarios C and D), and the $4.65 million worth of appreciation from the sale to the IDGT (Scenario D). The grantor trust status is assumed to be turned off after 30 years and all assets are invested with an allocation of 100% global stocks.
***The charity value represents the amount remaining in the DAF as well as the cumulative amount of distributions that were made over 40 years.
***Increase in total wealth calculates the sum of the after-tax estate, charity, and Trust FBO Family in scenarios B, C, and D relative to scenario A.
Projections based on AB's estimates of the range of returns for the applicable capital markets over the periods analyzed**. 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.

The Butlers Wealth Transfer Plan

- The Butlers contributed $5.0 million to a GRAT (post sale) and sold 50% of their retained shares to the IDGT (post initial sale, pre-second sale) in exchange for a note
- Planned to make annual exclusion gifts of $90,000 to IDGT
- Maintained flexibility by:
  - GRATs can be stopped at the end of any two year term
  - Loan from IDGT can be called, forgiven, or remain outstanding for 9 years, but they were able to lock in today's low AFR
  - Annual exclusion gifts can continue or stop
  - Grantor trust status can be turned off (after note is repaid)

Key Questions

- Should the Butlers take the deal or keep the business and continue receiving a $3 million distribution?
- How much do they need (i.e. What’s their number)?
- How should they consider funding their family charitable legacy?
- How should they consider transferring wealth to family?
- What planning can be done for the potential second sale?
- How do they implement the plan?

Joe and Jane's Roadmap to Achieve Their Goals

($Millions)

Plan to Achieve Goals

*Capital allocation illustrates where all proceeds will be held at the time of the sale. The $67.0 million includes the after-tax sales proceeds of $32.8 million, the taxes of $12.1 million, the rollover shares of $9.3 million and the existing assets of $12.8 million. The values do not account for any illiquid assets or tax benefit from making charitable gifts.

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 future results or a range of future results.** See Notes on Bernstein Wealth Forecasting System for further details.

Joe and Jane’s Roadmap to Achieve Their Goals

($Millions)

Plan to Achieve Goals

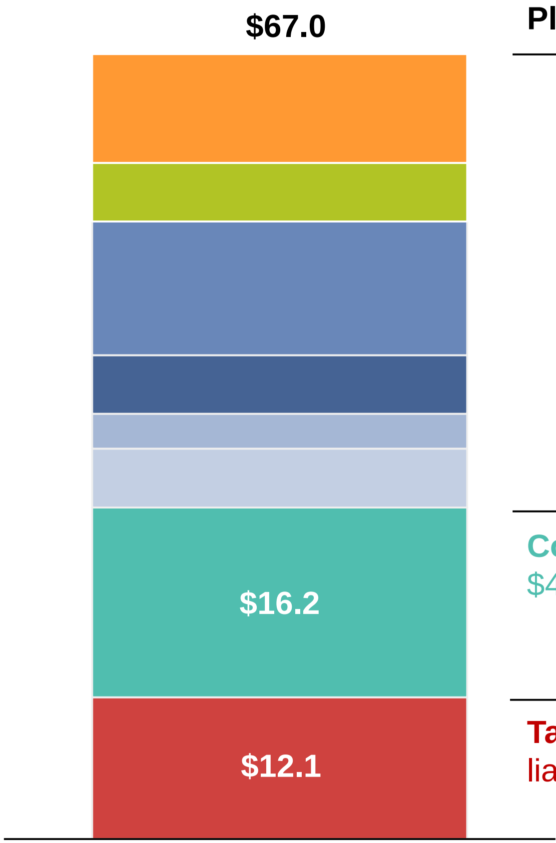
Taxes: $12.1 million set aside in a matched maturity cash product to pay for tax liability

*Capital allocation illustrates where all proceeds will be held at the time of the sale. The $67.0 million includes the after-tax sales proceeds of $32.8 million, the taxes of $12.1 million, the rollover shares of $9.3 million and the existing assets of $12.8 million. The values do not account for any illiquid assets or tax benefit from making charitable gifts.

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 future results or a range of future results.** See Notes on Bernstein Wealth Forecasting System for further details.

Joe and Jane's Roadmap to Achieve Their Goals

($Millions)



Capital Allocation*

Plan to Achieve Goals

Core Capital (Spending): $16.2 million set aside in a 30/70 portfolio to support $400,000 of spending

Taxes: $12.1 million set aside in a matched maturity cash product to pay for tax liability

*Capital allocation illustrates where all proceeds will be held at the time of the sale. The $67.0 million includes the after-tax sales proceeds of $32.8 million, the taxes of $12.1 million, the rollover shares of $9.3 million and the existing assets of $12.8 million. The values do not account for any illiquid assets or tax benefit from making charitable gifts.
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Joe and Jane’s Roadmap to Achieve Their Goals

($Millions)

Plan to Achieve Goals

Surplus Capital: $11.4 million set aside in a growth allocation to fund $90,000 of annual gifts to IDGT

GRATs: $5.0 million contributed to rolling GRATs with a 100% stock allocation

Dry Powder: $3.0 million set aside in cash for angel investments

Vacation Home: $5.0 million set aside in cash for the purchase of a home

Core Capital (Spending): $16.2 million set aside in a 30/70 portfolio to support $400,000 of spending

Taxes: $12.1 million set aside in a matched maturity cash product to pay for tax liability

*Capital allocation illustrates where all proceeds will be held at the time of the sale. The $67.0 million includes the after-tax sales proceeds of $32.8 million, the taxes of $12.1 million, the rollover shares of $9.3 million and the existing assets of $12.8 million. The values do not account for any illiquid assets or tax benefit from making charitable gifts.
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 future results or a range of future results.** See Notes on Bernstein Wealth Forecasting System for further details.

Joe and Jane's Roadmap to Achieve Their Goals

($Millions)

Plan to Achieve Goals

DAF: Give $5.0 million in DAF invested in a moderate allocation

Surplus Capital: $11.4 million set aside in a growth allocation to fund $90,000 of annual gifts to IDGT

GRATs: $5.0 million contributed to rolling GRATs with a 100% stock allocation

Dry Powder: $3.0 million set aside in cash for angel investments

Vacation Home: $5.0 million set aside in cash for the purchase of a home

Core Capital (Spending): $16.2 million set aside in a 30/70 portfolio to support $400,000 of spending

Taxes: $12.1 million set aside in a matched maturity cash product to pay for tax liability

*Capital allocation illustrates where all proceeds will be held at the time of the sale. The $67.0 million includes the after-tax sales proceeds of $32.8 million, the taxes of $12.1 million, the rollover shares of $9.3 million and the existing assets of $12.8 million. The values do not account for any illiquid assets or tax benefit from making charitable gifts.
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 future results or a range of future results.** See Notes on Bernstein Wealth Forecasting System for further details.

Joe and Jane's Roadmap to Achieve Their Goals

($Millions)

Plan to Achieve Goals

Rollover Shares: Sell all or a portion of the $9.3 million of retained equity with company to a trust for the benefit of your children

DAF: Give $5.0 million in DAF invested in a moderate allocation

Surplus Capital: $11.4 million set aside in a growth allocation to fund $90,000 of annual gifts to IDGT

GRATs: $5.0 million contributed to rolling GRATs with a 100% stock allocation

Dry Powder: $3.0 million set aside in cash for angel investments

Vacation Home: $5.0 million set aside in cash for the purchase of a home

Core Capital (Spending): $16.2 million set aside in a 30/70 portfolio to support $400,000 of spending

Taxes: $12.1 million set aside in a matched maturity cash product to pay for tax liability

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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 future results or a range of future results.** See Notes on Bernstein Wealth Forecasting System for further details.

APPENDIX

Questions to Consider When Implanting a Plan

Are you investing all at once or over time?

How much will be allocated to active or passive services?

What type of investment focus should be implemented (e.g. total return, income, stability, purpose)?

How will the portfolio be managed to have an after-tax focus?

What type of solutions are provided to reduce volatility?

Have you educated your family and discussed your values?

How do non traditional asset classes fit into the allocation?

Are there ways to reduce fees?

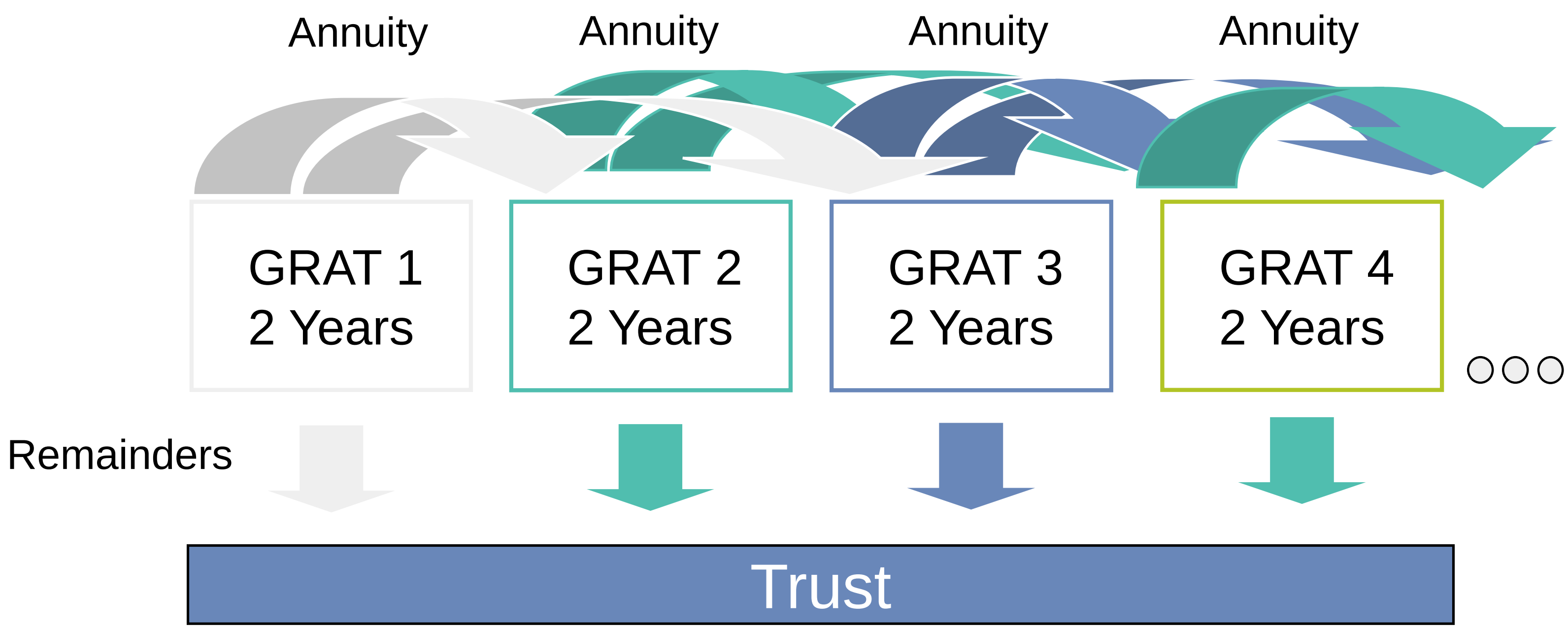
Will you need consolidated reporting?

How will your assets be protected?

Source: AB

Short-Term Rolling GRATs

- Grantor contribute assets to initial two-year trust
- Each annuity is re-contributed to new two-year GRAT for duration of strategy
- Any appreciation above Section 7520 rate passes free of transfer tax to Trust*

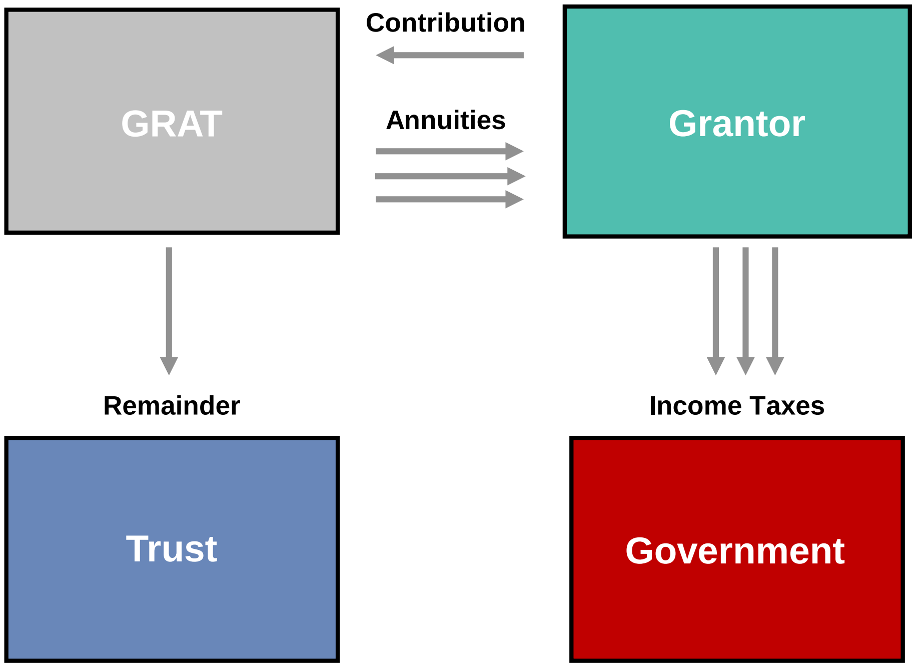


*Assumes that each GRAT is zeroed-out; see footnote accompanying the immediately preceding display. Excess appreciation from a GRAT passes free of gift and estate tax. Bernstein does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions. See Appendix, Details and Notes on Wealth Forecasting, for additional information.
Source: AB

Intentionally Defective Grantor Trusts

- An “intentionally defective grantor trust” (“IDGT”) is considered “owned” by the donor for income tax purposes
- All trust income/capital gains are taxable to the donor, allowing IDGT to effectively grow tax-free. Distributions to beneficiaries are also free of income tax.
- Gifts to the trust are nonetheless excluded from the donor’s estate
- **The IRS has ruled that:**
  - The donor’s payment of income tax does not constitute a gift to the trust for gift tax purposes
  - Transactions between an IDGT and the trust donor are ignored for income tax purposes, and so the donor’s sale of appreciated assets to the trust does not result in capital-gains recognition

How a Grantor Retained Annuity Trust (GRAT) Works



Key Points:

- Grantor transfer assets to GRAT
- Grantor receive annuity payments from trust
- Grantor pays taxes on trust income
- If GRAT assets grow faster than Section 7520 rate (currently 2.2%), wealth is transferred to Trust at end of annuity term free of gift tax*

If Grantor fails to survive annuity term, full date-of-death value of GRAT assets may be subject to estate tax

*If present value of annuity stream retained by grantor equals value of contribution to trust, grantor makes no gift for gift tax purposes; GRAT is said to be "zeroed out."

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. See Appendix, Details and Notes on Wealth Forecasting, for additional information.

Source: AB

Capital-Market Projections: Next 40 Years

Percent

	Median 40-Year Growth Rate	Mean Annual Return	Mean Annual Income	1-Year Volatility	40-Year Annual Equivalent Volatility
Cash Equivalents	3.0	3.4	3.4	0.5	12.9
Int.-Term Diversified Municipals	3.0	3.4	3.4	4.2	9.5
Int.-Term Taxables	3.9	4.4	5.3	5.4	11.0
Global Int. Taxable Bonds Hedged	3.2	3.6	4.4	4.4	11.6
US Diversified	7.0	8.7	2.9	16.4	22.4
US Value	7.2	8.8	3.3	16.0	22.0
US Growth	6.8	8.8	2.6	18.2	23.7
US SMID	7.0	9.1	2.6	18.7	24.5
US Low-Vol Equity	6.7	7.9	3.3	14.3	18.9
Developed International	7.9	10.1	3.4	18.1	23.1
Emerging Markets	7.2	11.2	5.7	26.1	30.3
High-Risk Int'l	7.9	11.1	2.4	22.1	26.8
Inflation	2.8	3.1	n/a	1.2	12.2

Based on 10,000 simulated trials each consisting of 40-year periods. Reflects AB's estimates and the capital-market conditions as of June 30, 2019.
For hedge-fund asset classes, "mean annual income" represents income and short-term capital gains.
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.

Notes on Wealth Forecasting System

1. **Purpose and Description of Wealth Forecasting System**
   AB's Wealth Forecasting System is designed to assist investors in making their long-term investment decisions as to their allocation of investments among categories of financial assets. Our 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 affect his/her long-term security; (3) The Capital-Markets Engine: our proprietary model that uses our research and historical data to create a vast range of hypothetical market returns, which takes into account the linkages within and among the capital markets, as well as their unpredictability; and (4) A Probability Distribution of Outcomes: based on the assets invested pursuant to the stated asset allocation, 90% of the estimated ranges of probable returns and asset values the client could 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 guarantee results or establish the boundaries for all outcomes. Estimated market returns on bonds are derived 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 AB'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. The information provided here is not intended for public use or distribution beyond our private meeting. Of course, no investment strategy or allocation can eliminate risk or guarantee returns.

2. **Retirement Vehicles**
   Each retirement plan is modeled as one of the following vehicles: Traditional IRA, 401(k), 403(b), Keogh, or Roth IRA/401(k). One of the significant differences among these vehicle types is the date at which mandatory distributions commence. For traditional IRA vehicles, mandatory distributions are assumed to commence during the year in which the investor reaches the age of 70.5. For 401(k), 403(b), and Keogh vehicles, mandatory distributions are assumed to commence at the later of: (i) the year in which the investor reaches the age of 70.5; or (ii) the year in which the investor retires. In the case of a married couple, these dates are based on the date of birth of the older spouse. The minimum mandatory withdrawal is estimated using the Minimum Distribution Incidental Benefit tables as published on www.irs.gov. For Roth IRA/401(k) vehicles, there are no mandatory distributions. Distributions from Roth IRA/401(k) that exceed principal will be taxed and/or penalized if the distributed assets are less than five years old and the contributor is less than 59.5 years old. All Roth 401(k) plans will be rolled into a Roth IRA plan when the investor turns 59.5 years old, to avoid Minimum Distribution requirements.

3. **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.

Notes on Wealth Forecasting System

4. **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, which will have capital-gains tax implications.

5. **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
Cash Equivalents	3-month Treasury bills	100%
Intermediate-Term Diversified Municipals	AA-rated diversified municipal bonds of 7-year maturity	30%
Intermediate-Term Taxables	Taxable bonds with maturity of 7 years	30%
Int.-Term Inflation Munis	Long Int.-Term Diversified Munis, Long Int.-Term TIPS, and Short Int.-Term Treasury Adjusted for Cost	30%
Inflation-Protected Bonds	7-Year Treasury Inflation-Protected Security	30%
US Diversified	S&P 500 Index	15%
US Value	S&P/Barra Value Index	15%
US Growth	S&P/Barra Growth Index	15%
US Low-Vol Equity	MSCI US Minimum Volatility Index	15%
Developed International	MSCI EAFE Unhedged	15%
Emerging Markets	MSCI Emerging Markets Index	20%
US SMID	Russell 2500	15%
High-Risk Int’l	Country Fund	15%
Real Assets	1/3 NAREIT, 1/3 MSCI ACWI Commodity Producer Index, 1/3 DJ UBS Commodity Futures Index	30%
Diversified Hedge Funds Portfolio	Diversified Hedge Fund Asset Class	33%
Global Intermediate Taxable Bonds Hedged	7-year 50% Sovereign and 50% Investment-Grade Corporate Debt of Developed Countries	30%

Notes on Wealth Forecasting System

6. **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-Market Projections page that precedes 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 28.8%. 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%. AB's forecast of volatility is based on historical data and incorporates AB's judgment that the volatility of fixed-income assets is different for different time periods.

7. **Technical Assumptions**
   AB's Wealth Forecasting System is based on a number of technical assumptions regarding the future behavior of financial markets. AB's Capital-Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the current condition of the capital markets as of June 30, 2019. Therefore, the first 12-month period of simulated returns represents the period from June 30, 2019, through June 30, 2020, and not necessarily the calendar year of 2016. A description of these technical assumptions is available on request.

8. **Tax Implication**
   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. AB 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.

Notes on Wealth Forecasting System

9. Tax Rates

AB's Wealth Forecasting System has used the following tax rates for this analysis:

Taxpayer	Start Year	End Year	Federal Income Tax	Federal Capital-Gains	State Income Tax	State Capital-Gains Tax	Tax Method Type
Mr. and Mrs. Client	2020	2020	see below	see below	see below	see below	Top Marginal Rates
Mr. and Mrs. Client	2021	2054	see below	see below	see below	see below	Automatic-Joint Filer

The federal income tax rate represents AB's estimate of either the top marginal tax bracket or an "average" rate calculated based upon the marginal rate schedule. The federal capital-gains tax rate is represented by the lesser of the top marginal income tax bracket 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 income tax rate represents AB's estimate of the "average" rate calculated based upon the applicable state's marginal tax schedule. Where an applicable state tax code permits the exclusion of a portion of capital-gains income from gross income for purposes of calculating state income tax, such exclusions have been included in the calculation.

10. Core Capital Analysis

The term "Core Capital" means the amount of money necessary to cover anticipated lifetime net spending. All non–Core Capital assets are termed "Excess Capital." AB estimates Core Capital by inputting information supplied by the client, including expected future income and spending, into our Wealth Forecasting System, which simulates a vast range of potential market returns over the client's anticipated life span. From these simulations, we develop an estimate of the Core Capital the client will require to maintain spending level over time. Variations in actual income, spending, applicable tax rates, life span, and market returns may substantially affect the likelihood that a Core Capital estimate will be sufficient to provide for future expenses. Accordingly, the estimate should not be construed as a promise of actual future results, the actual range of results, or the actual probability that the results will be realized.