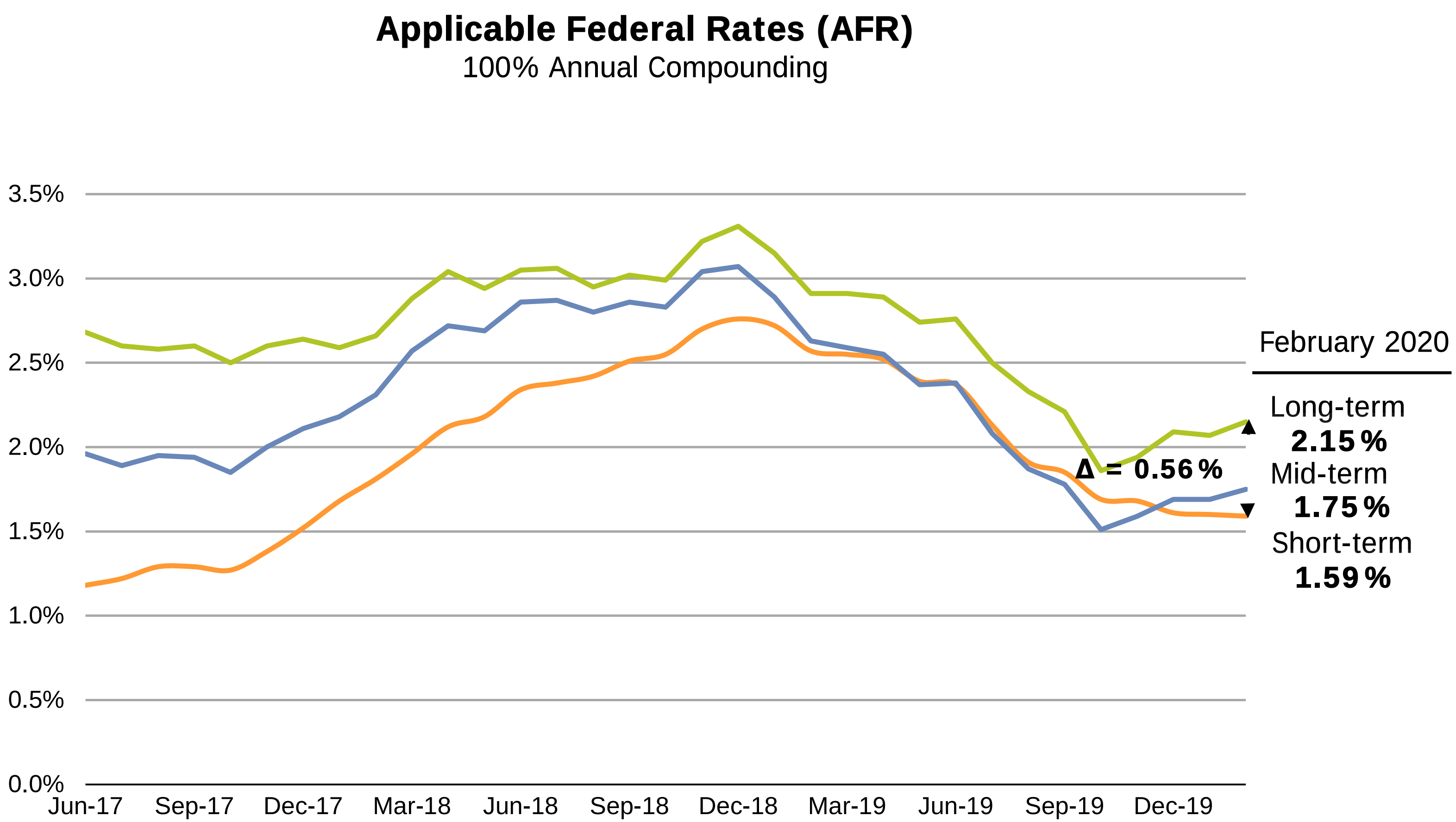
Today's Low Rates Make Wealth Transfer Strategies Compelling



Source: www.irs.gov

BERNSTEIN

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.

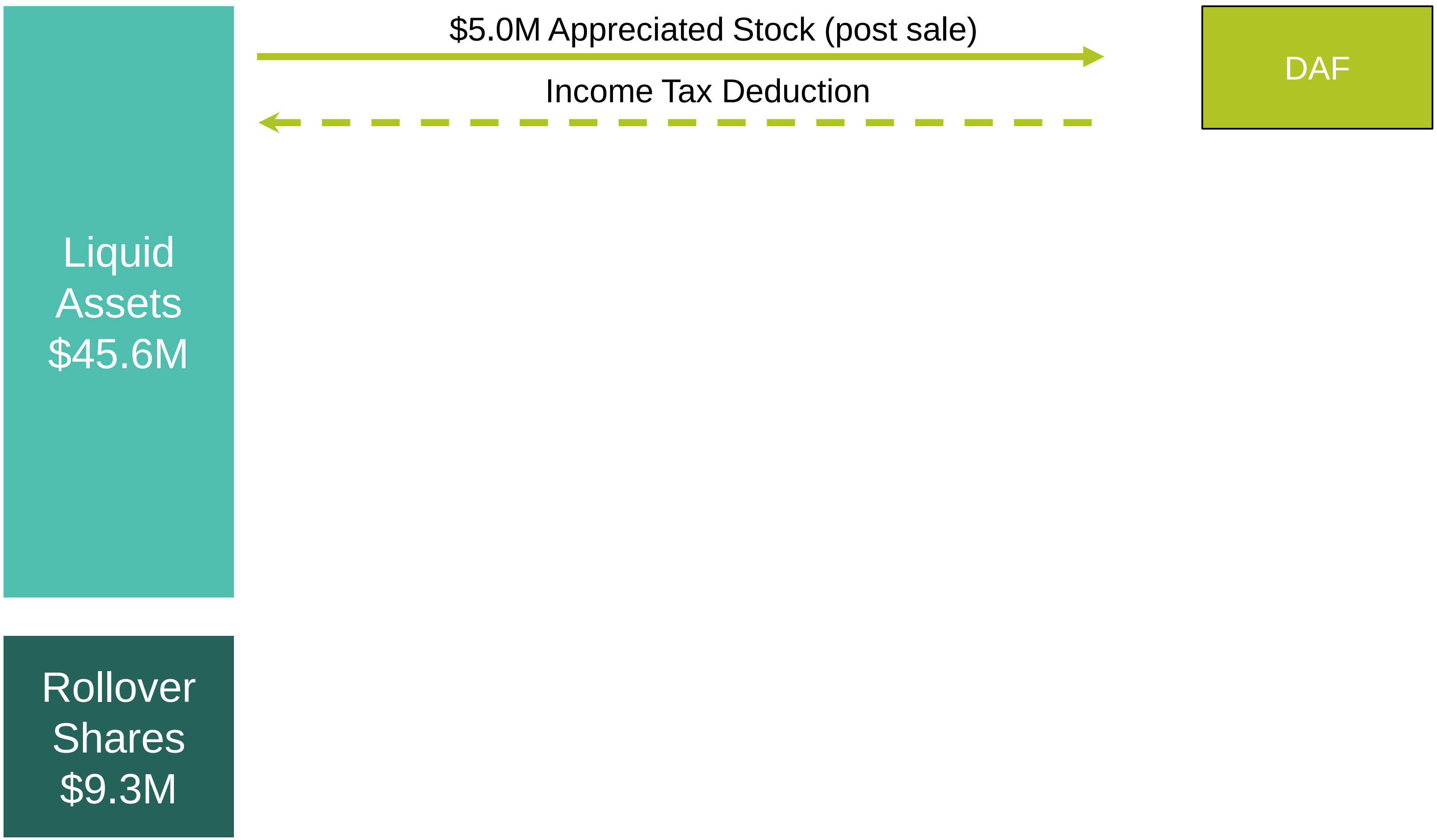
Many Strategies Implemented to Lower Taxes Today and in the Future

Joe and Jane

Bernstein is not a legal, trust, tax, or estate advisor. Investors should consult these professionals as appropriate.

Many Strategies Implemented to Lower Taxes Today and in the Future

Joe and Jane



*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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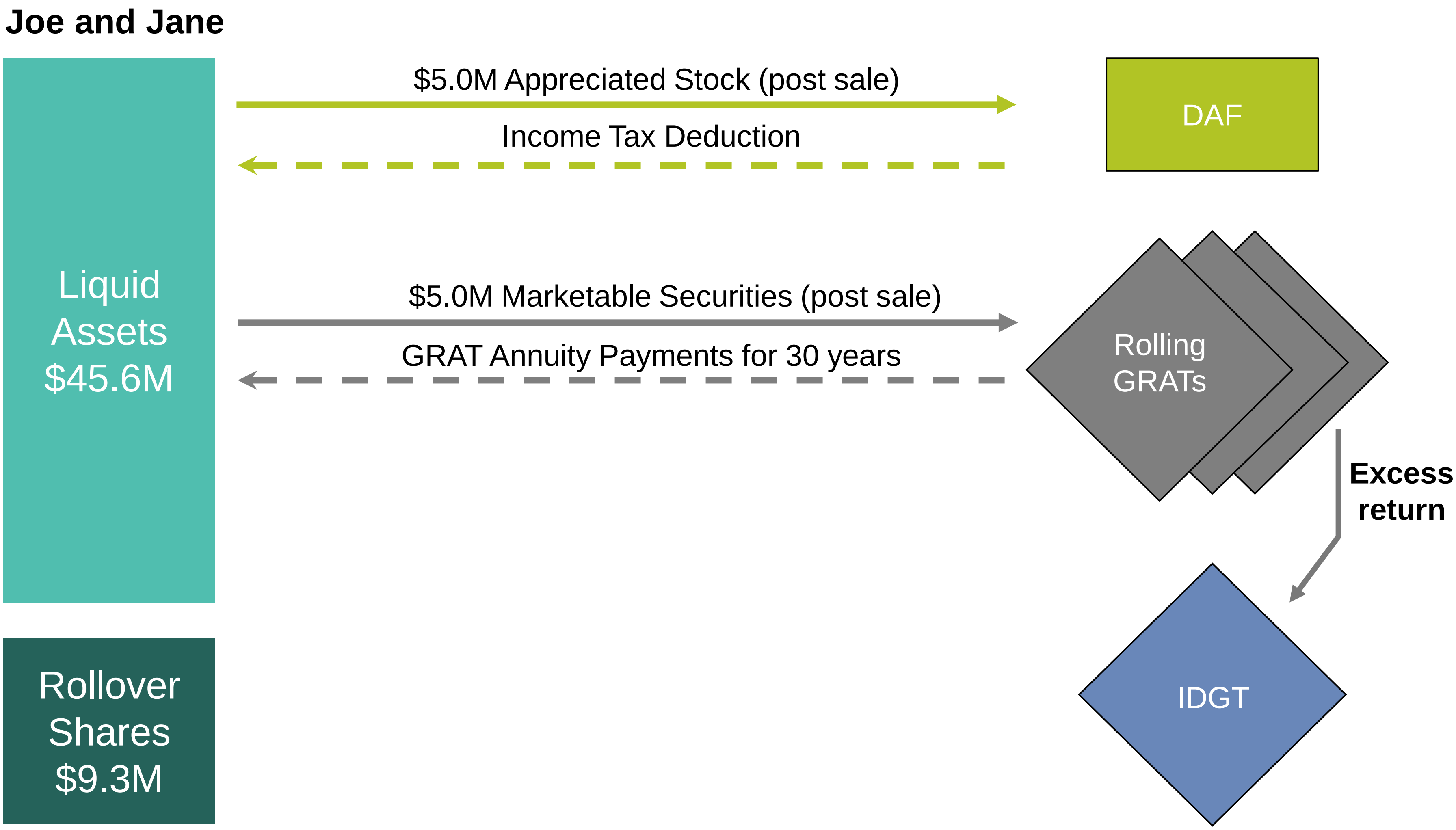
Many Strategies Implemented to Lower Taxes Today and in the Future



*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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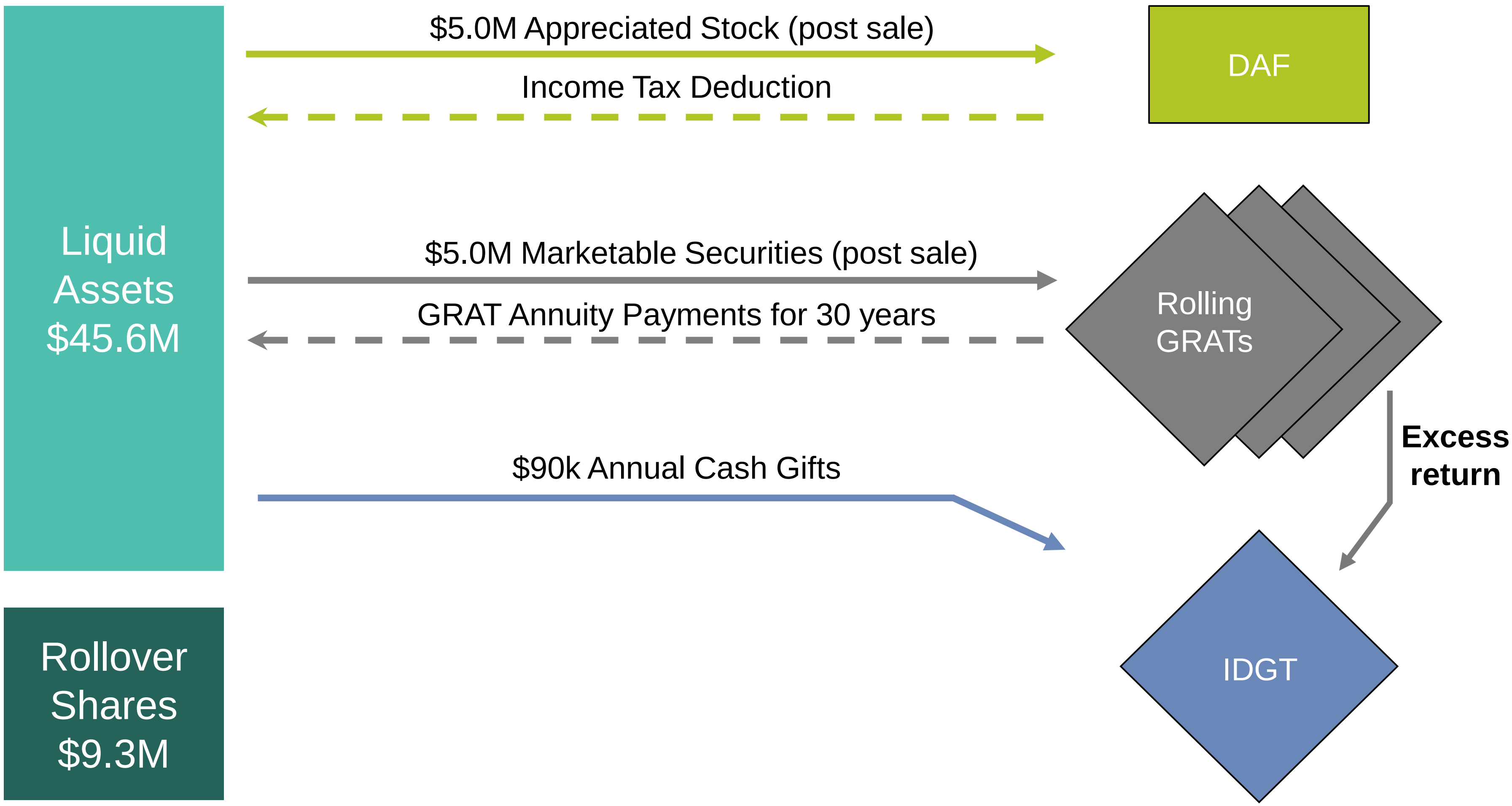
Many Strategies Implemented to Lower Taxes Today and in the Future

Joe and Jane



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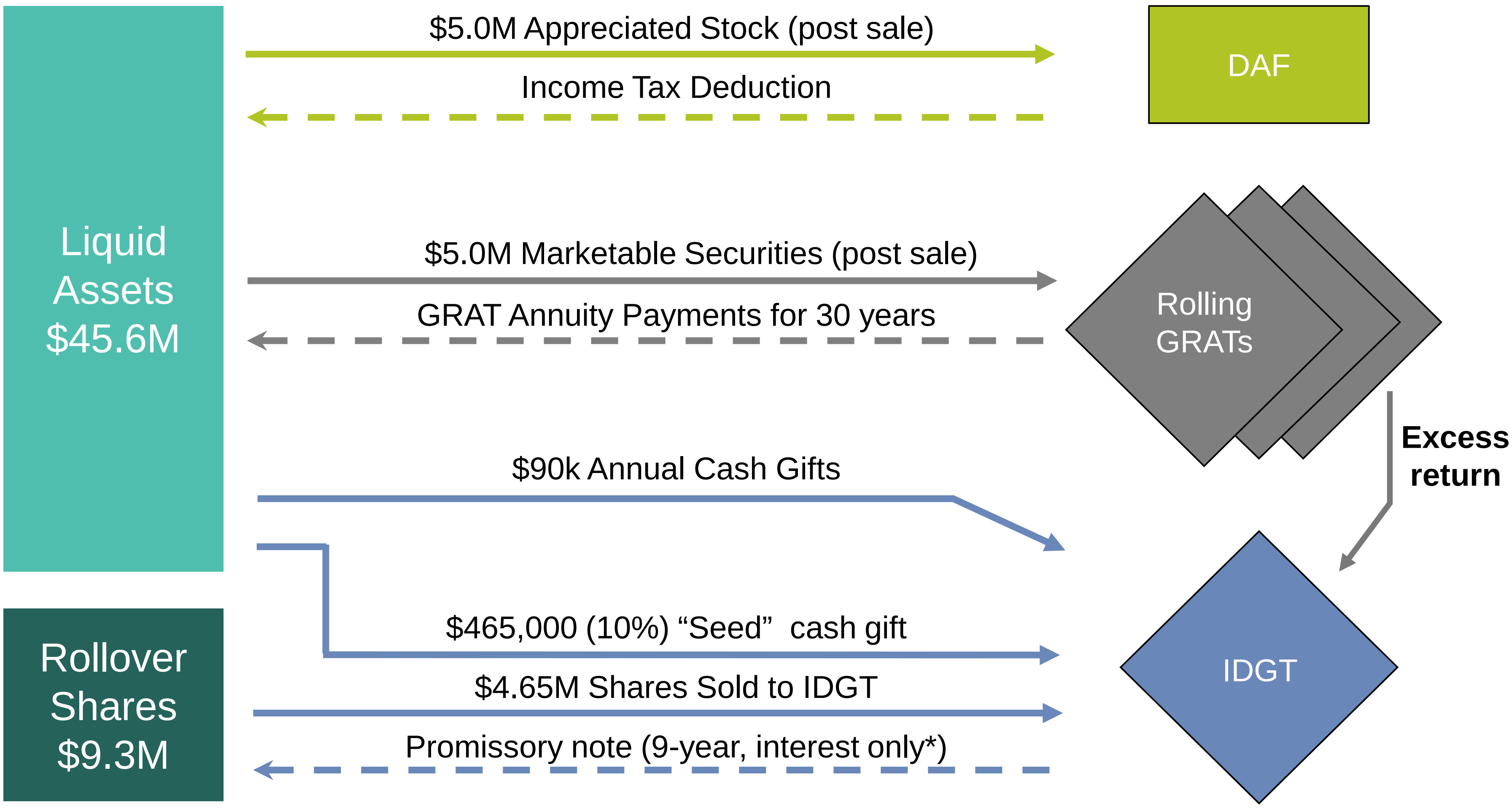
Many Strategies Implemented to Lower Taxes Today and in the Future

Joe and Jane



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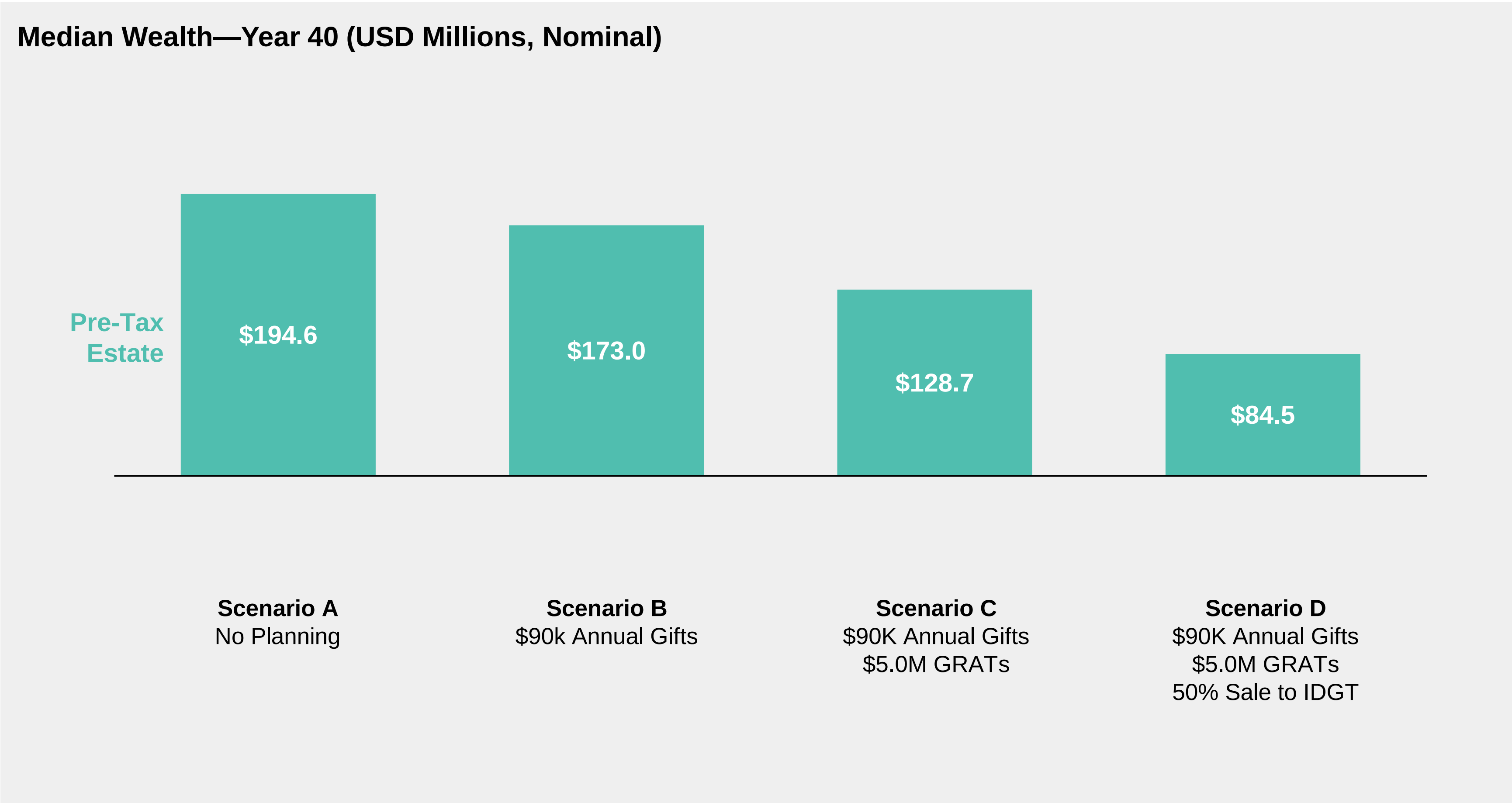
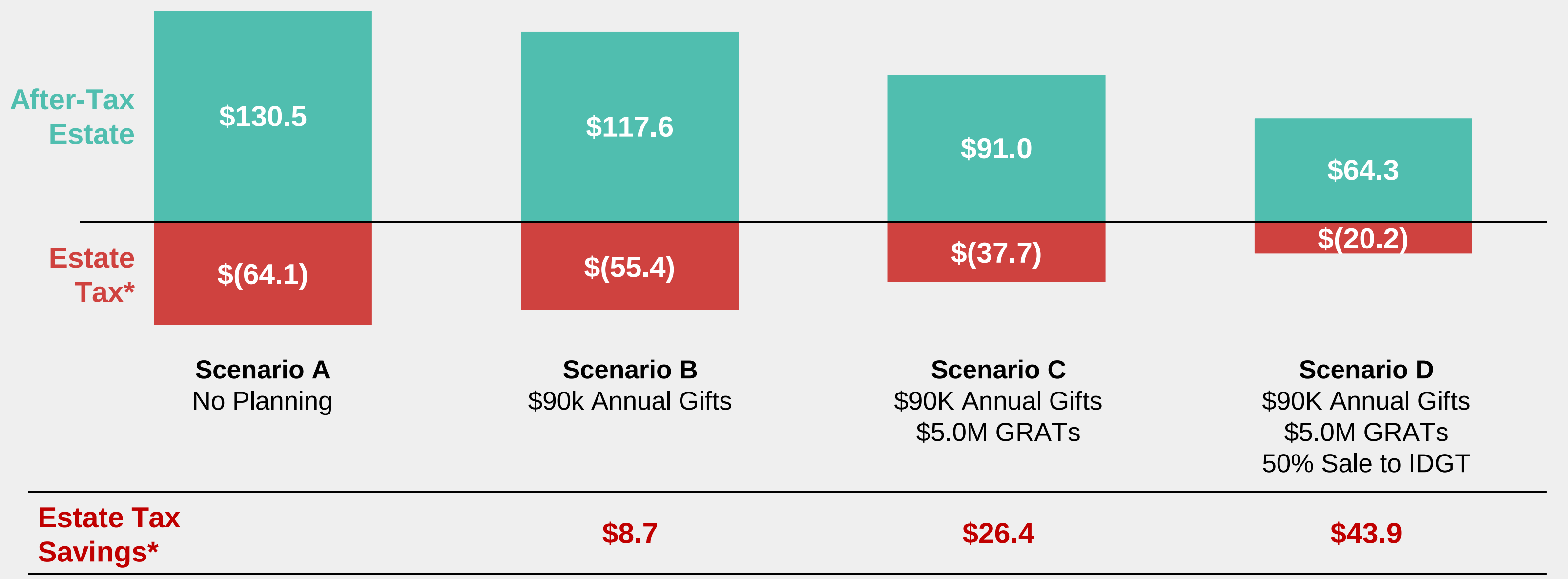
Gifts, GRATs, Sale, and a DAF Shifts Assets Out of Their Estate…



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)



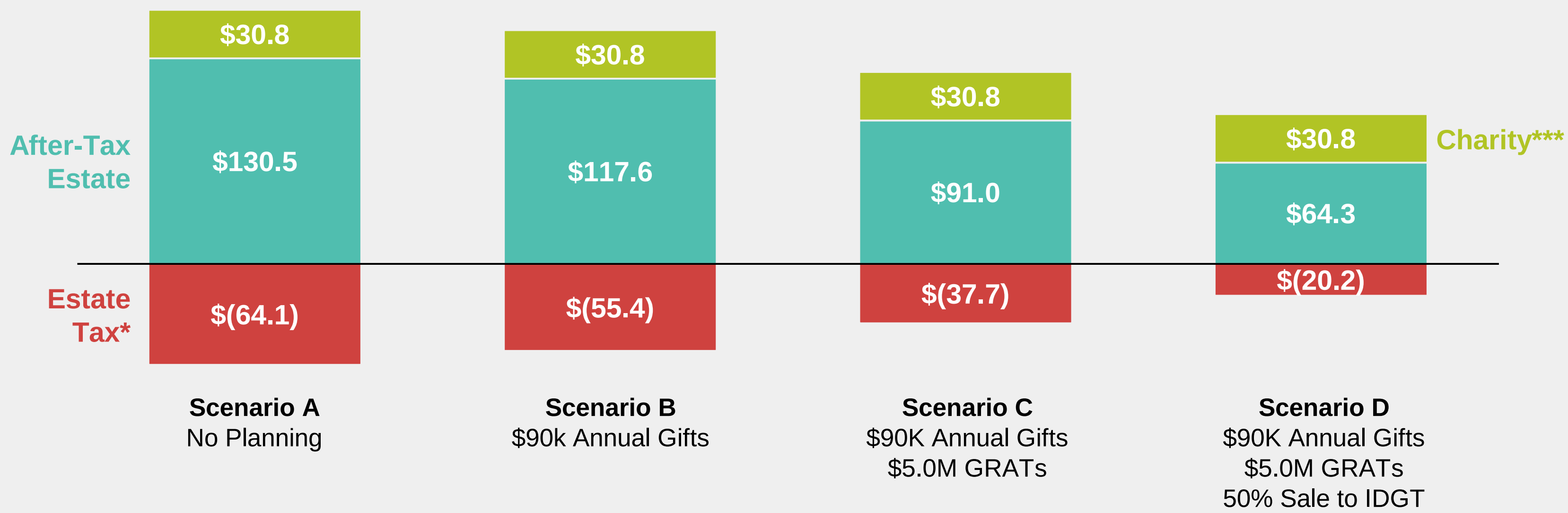
*Estate taxes were calculated assuming a federal rate of 40% and that the current exemption of $11.4 million per person sunsets in 2026 to $5.7 million per person, adjusted for inflation.

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.

BERNSTEIN

…And Creates More Wealth for Charity…

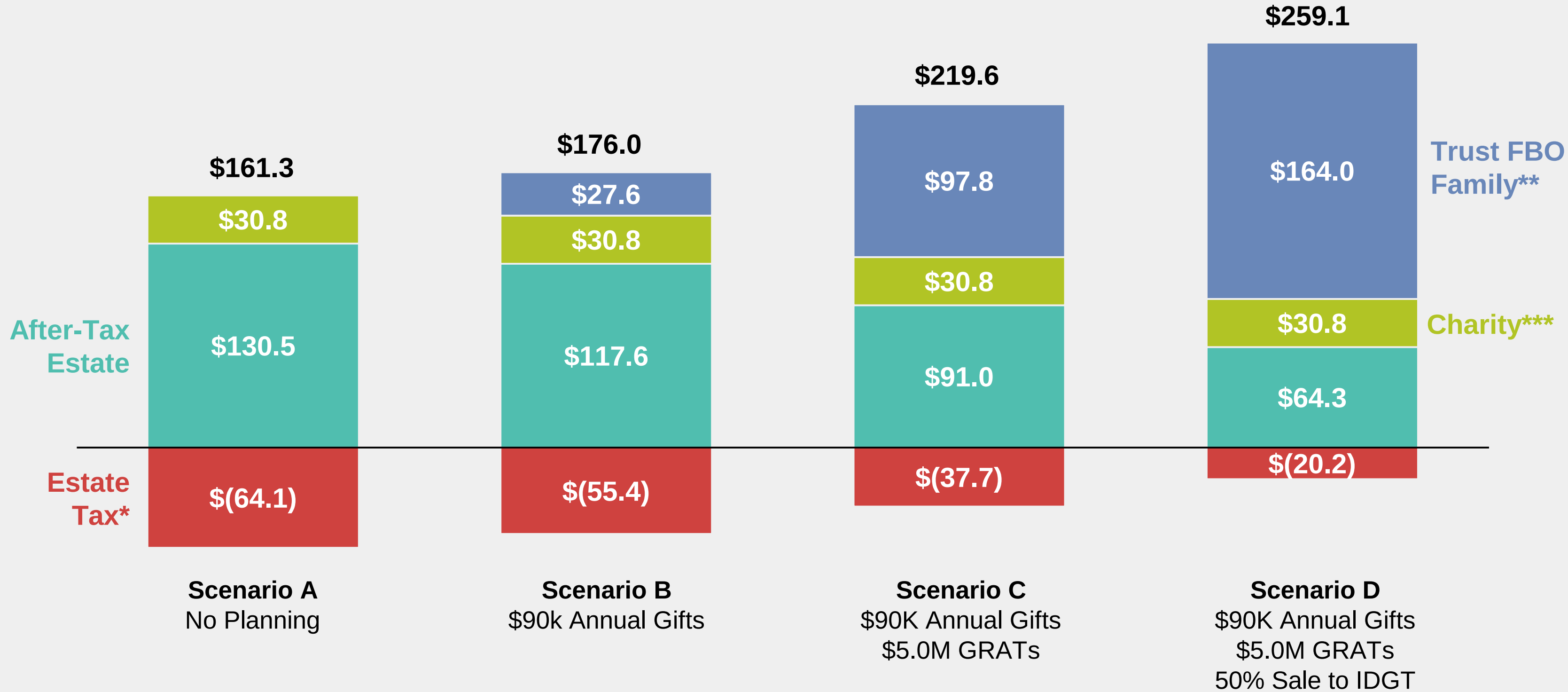
Median Wealth—Year 40 (USD Millions, Nominal)



*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

Median Wealth—Year 40 (USD Millions, Nominal)



Increase in Total Wealth** **		$14.7	$58.3	$97.8

*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?

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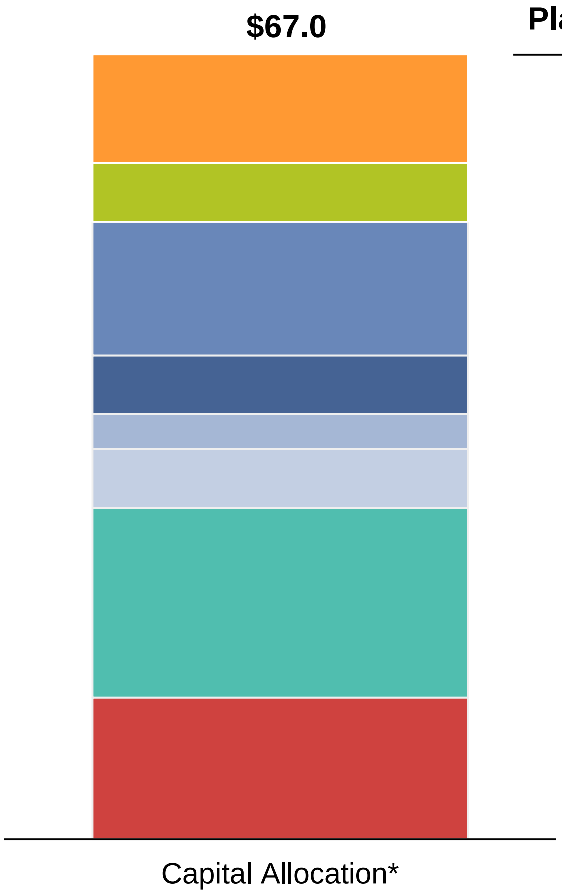
Joe and Jane’s Roadmap to Achieve Their Goals

($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.

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Joe and Jane’s Roadmap to Achieve Their Goals

($Millions)

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

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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

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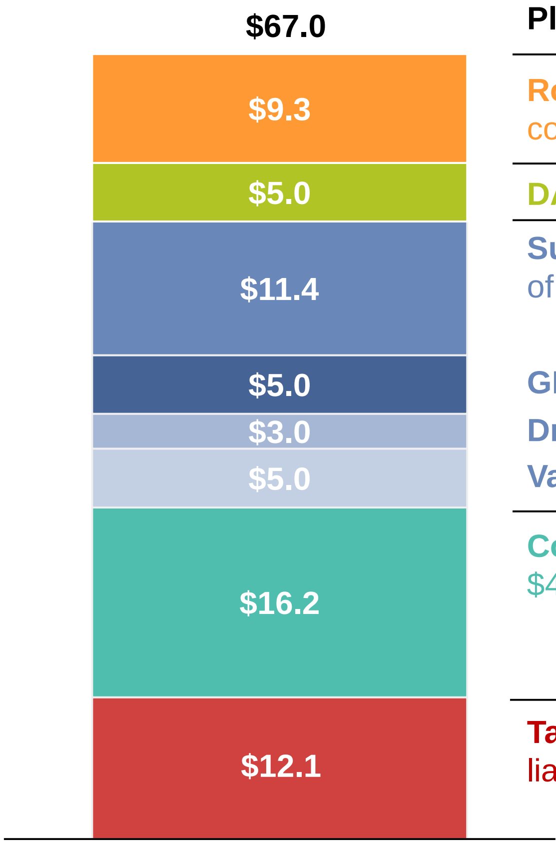
Joe and Jane's Roadmap to Achieve Their Goals

($Millions)



Capital Allocation*

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

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APPENDIX

Questions to Consider When Implanting a Plan

Are you investing all at once or over time?

Have you educated your family and discussed your values?

How much will be allocated to active or passive services?

How do non traditional asset classes fit into the allocation?

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

Are there ways to reduce fees?

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

Will you need consolidated reporting?

What type of solutions are provided to reduce volatility?

How will your assets be protected?

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.