Addition by Subtraction:
Build Wealth for Tomorrow by Deferring Taxes Today

Twin Cities Financial and Estate Planning Councils
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AB BERNSTEIN
Global Wealth Management

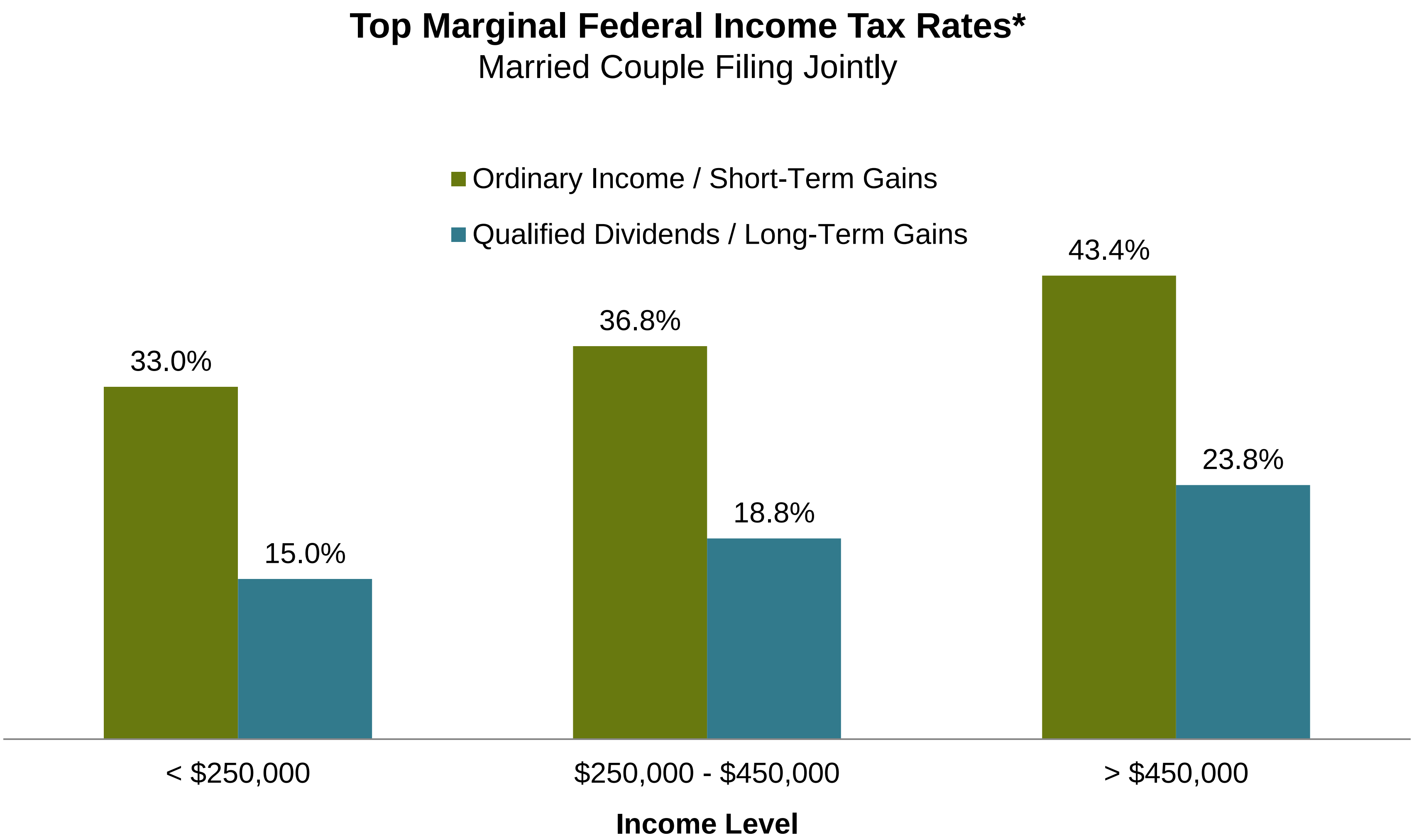
ATRA and Health Care Law Increased Federal Tax Rates

Top Marginal Federal Income Tax Rates*

	Pre-ATRA	Today	% Change (Today/Pre-ATRA)
Qualified dividends	15%	23.8%	**59%**
Long-term capital gains	15	23.8	**59**
Taxable interest	35	43.4	**24**
Earned income (including OASDI and Medicare)**	40.65	48.15	**18**

*Based on Health Care and Education Reconciliation Act of 2010; assumes joint filer with both earned income and adjusted gross income above $250,000.
**In 2013, OASDI rate returned to pre-2011 level of 6.2%, and Medicare tax rate increased to 2.35% for wages in excess of $200,000 (single filer) or $250,000 (joint filer). "Earned income" blended rates do not account for phase-out of OASDI for wages in excess of threshold amount ($117,000 in 2014, indexed for inflation thereafter). Tabulated figures exclude state and local taxes.
Source: IRS and AllianceBernstein

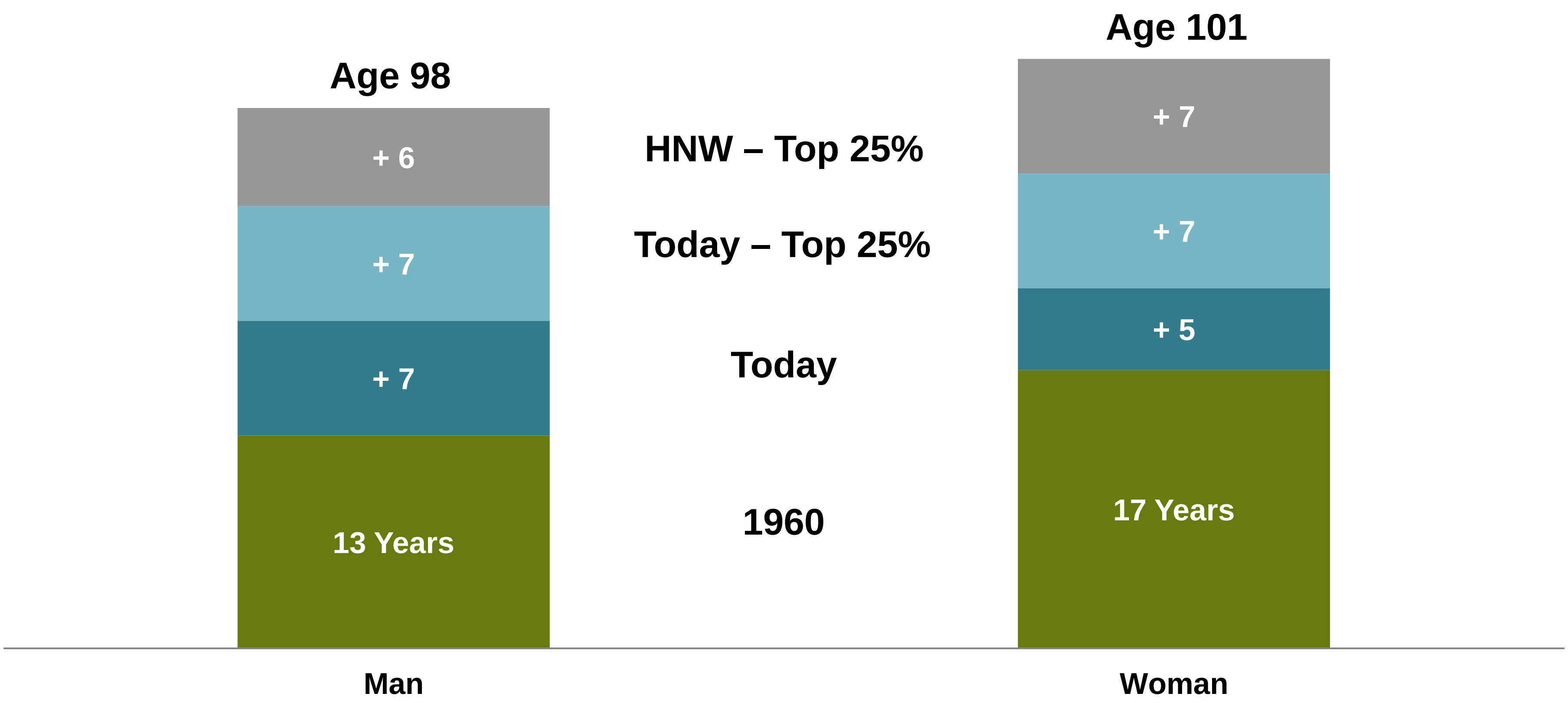
Tax Rates Are More Progressive



*Based on Health Care and Education Reconciliation Act of 2010 and American Taxpayer Relief Act of 2012. Bernstein is not a legal, tax, or estate advisor. Investors should consult these professionals as appropriate before making any decisions.
Source: IRS and AllianceBernstein

People Are Living Longer

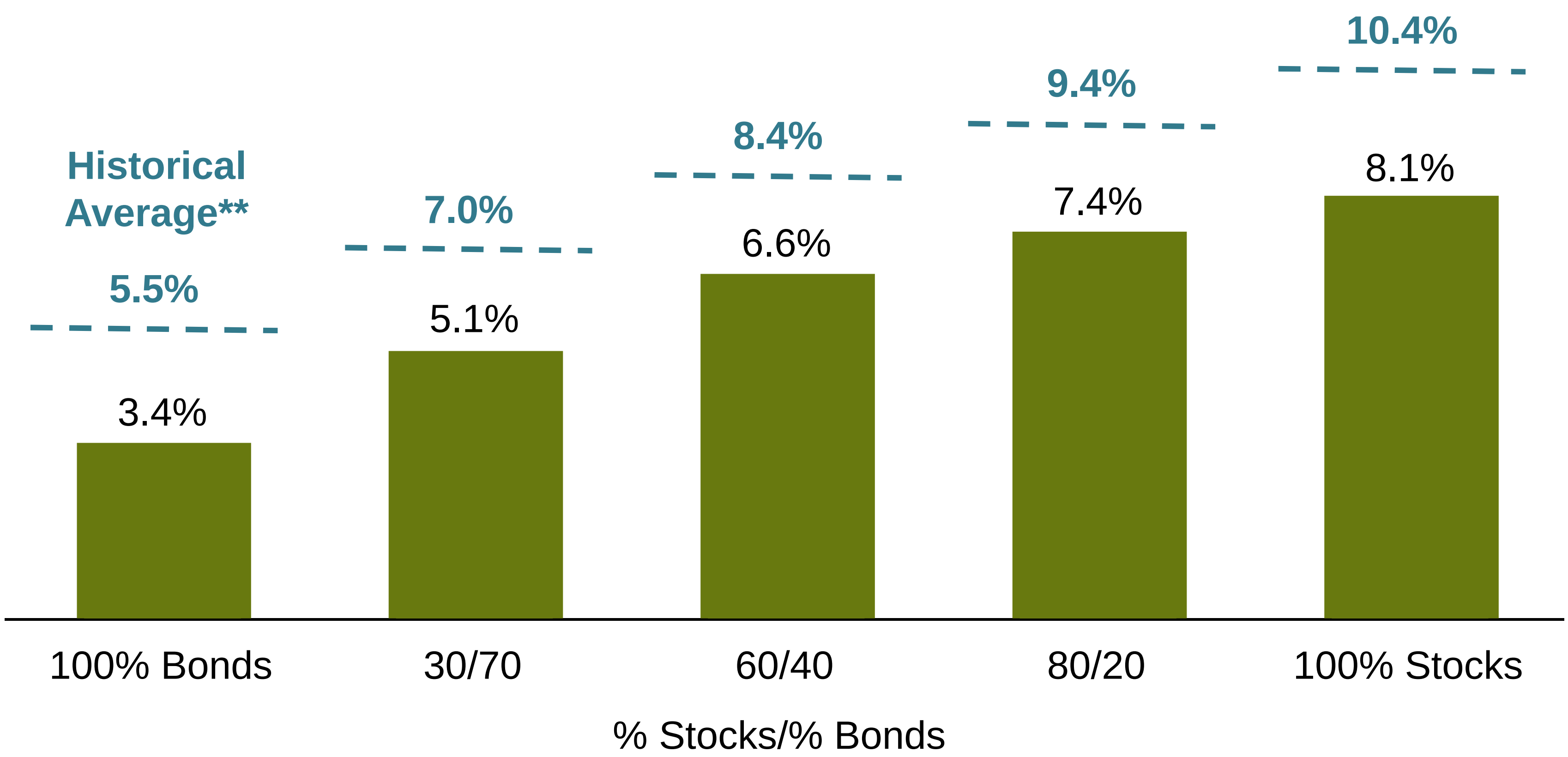
Average Life Expectancy for a 65-Year-Old*



*Sources: Social Security Administration, Society of Actuaries, and M Financial Group

Future Returns Are Likely to Be Much Lower

Median Return Projections for Next 30 Years*
vs. 30-Year Historical Average



*Projected pretax 30-year compound annual growth rate. Stocks (or “global equities”) are modeled as 21% US diversified, 21% US value, 21% US growth, 7% US small/mid-cap, 22.5% developed international and 7.5% emerging-markets stocks, and bonds are modeled as intermediate-term diversified municipal bonds. Reflects Bernstein’s estimates and the capital-market conditions as of June 30, 2013. 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 future results or a range of future results. See Notes on Wealth Forecasting System for further details.
**Historical average represents average from January 1, 1984, through September 30, 2013, with equities represented by 70% in S&P 500, 25% in MSCI EAFE and 5% in MSCI EM; bonds by the Lipper International Municipal Bond Fund Average.
Source: AllianceBernstein

Analytical Framework: Key Questions Post-ATRA

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

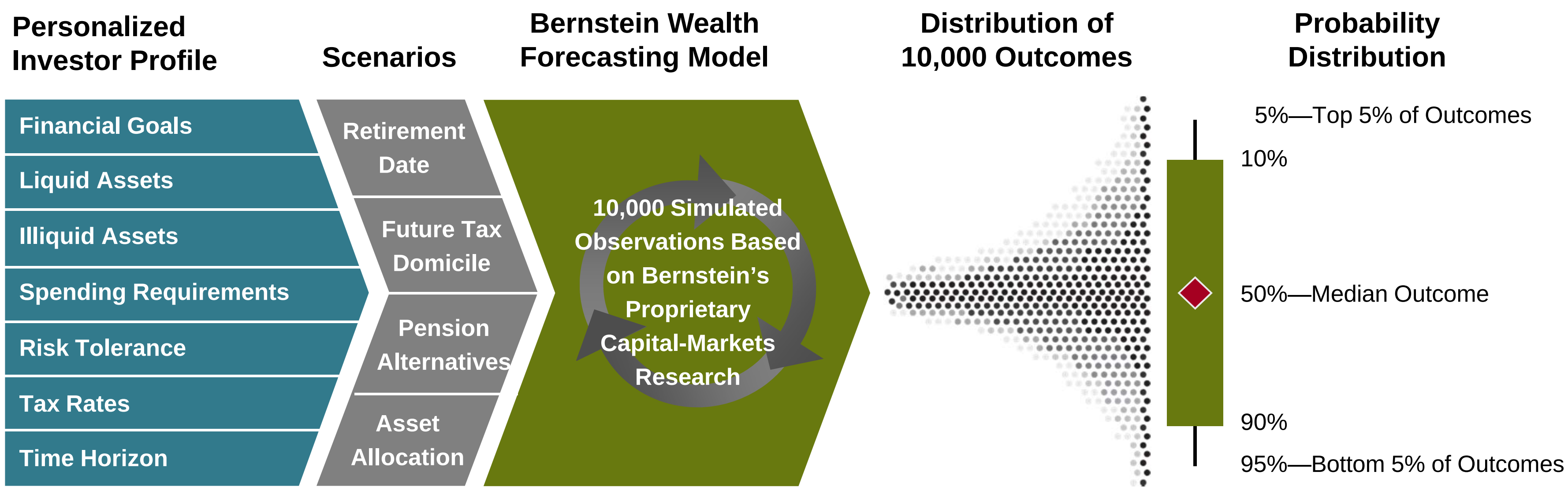
Children Grandchildren

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?

Wealth Forecasting Model



- Based on the current capital-markets environment
- Incorporates various account types and planning vehicles
- Predicts likelihood of meeting long-term goals

Bernstein's Wealth Forecasting System[SM] is based upon our proprietary analysis of historical capital-markets data over many decades. We looked 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-markets 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: AllianceBernstein

Case Study: Charitable Remainder Trusts (CRTs)

Today's Tax Rate Landscape Makes Charitable Remainder Trusts (CRTs) More Attractive

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

Source: AllianceBernstein

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	***Life Expectancy***	Shorter

Bernstein Analytics

Customized wealth forecasting analysis for each unique client situation

Source: AllianceBernstein

Case Study: Retiring Executive with Low-Basis Stock

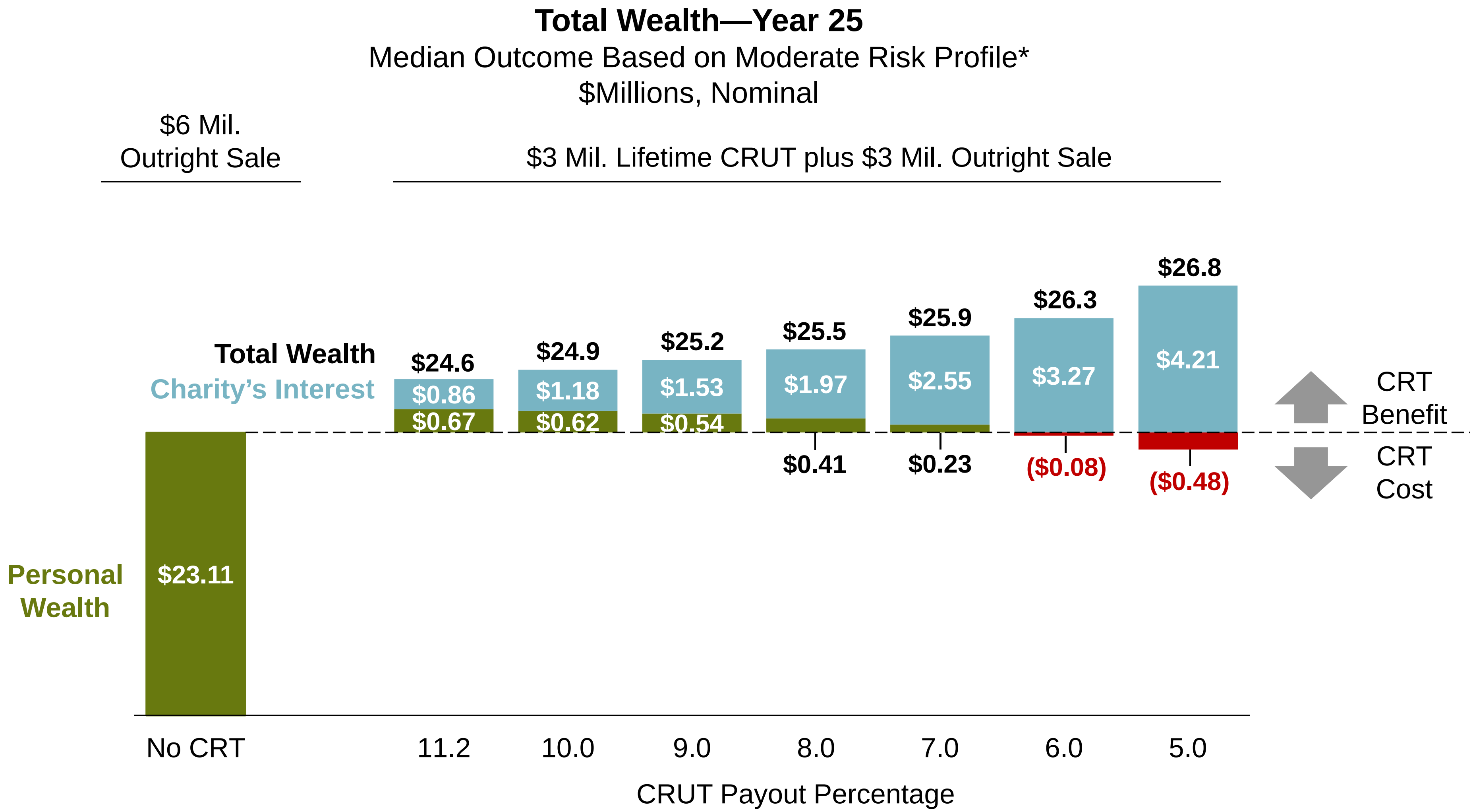
Client Profile

- Married couple, both 65 and retiring at year-end
- Illinois residents
- Combined earned income totals $750,000, but going forward they will rely on their investment portfolio and Social Security to fund retirement needs
- Financial assets total $11 million:
  - $6 million in zero-basis company stock*
  - $3 million in taxable investment accounts
  - $2 million in IRAs and qualified retirement plans
- Would like to be able to spend $240,000 per year in retirement, adjusted for inflation

How does utilizing a CRT to diversify a portion of the low-basis stock compare to an outright sale?

*Cost basis is assumed to be $0 for all illustrations that follow.

Comparing the Options: Outright Sale vs. Charitable Remainder Unitrust (CRUT)



*"Moderate Risk Profile" defined as 60% globally diversified stocks/40% intermediate-duration bonds in personal, retirement and CRT accounts. Diversified municipal bonds are used in the personal portfolio and the CRT while taxable bonds are used in retirement accounts. Global stocks are defined as 21% US value, 21% US growth, 21% US diversified, 7% US SMID, 22.5% developed international and 7.5% emerging markets. See Note "8. Tax Rates" in Appendix for further details on federal and state income tax assumptions.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data does not represent past performance and is not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.

Case Study: When a CRT Becomes More Valuable

What If the Client Profile Changes to:

- Minnesota residents
    - State income tax rate increases to 9.85%
- Retire at the end of 2019
- Fund charitable remainder trust with all $6 million low-basis stock*

How does utilizing a CRT to diversify all low-basis stock in a "high" income tax state compare to an outright sale?

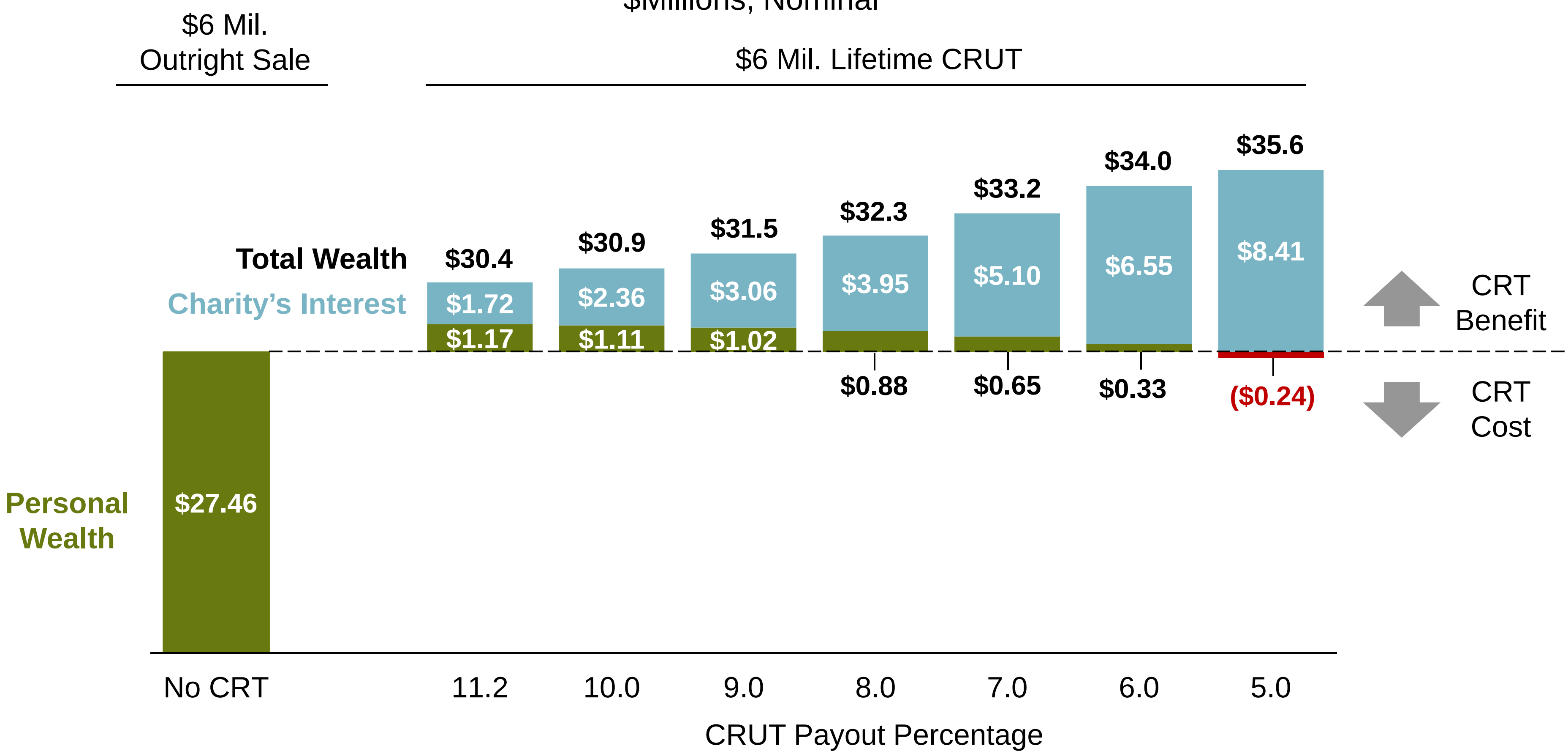
*Cost basis is assumed to be $0 for all illustrations that follow.

Comparing the Options: Outright Sale vs. CRUT

Total Wealth—Year 25

Median Outcome Based on Moderate Risk Profile*

$Millions, Nominal



*"Moderate Risk Profile" defined as 60% globally diversified stocks/40% intermediate-duration bonds in personal, retirement and CRT accounts. Diversified municipal bonds are used in the personal portfolio and the CRT while taxable bonds are used in retirement accounts. Global stocks are defined as 21% US value, 21% US growth, 21% US diversified, 7% US SMID, 22.5% developed international and 7.5% emerging markets. See Note "8. Tax Rates" in Appendix for further details on federal and state income tax assumptions.

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Observations

CRT Case Studies:

- The possibility of tax deferral may make a CRT worth considering for any client, not just the charitably minded
- For clients with highly appreciated assets and a long time horizon, increased tax rates increase the odds that CRTs will result in more personal wealth to a donor than an outright sale
- Clients in high income tax rate states (like CA, MN, and NY), with highly appreciated assets and a long time horizon, stand to benefit the most from a CRT
- The best time to fund a CRT might be well before retirement during peak earning years—or before moving to a low-tax-rate jurisdiction (like FL or TX)

Case Study: Private Placement Variable Annuities (PPVAs)

What Is PPVA?

- "*P*rivate *p*lacement" means that the contract is offered pursuant to one or more exemptions from registration under federal and state securities laws
- "*V*ariable" means that the contractholder
  - Can invest contract value in various funds made available by the insurance carrier; and
  - Assumes the risk of loss if those funds underperform
- "*A*nnuity" means periodic payments resulting from the systematic liquidation of a principal sum

Source: AllianceBernstein

Typical Product Features

- The insurance carrier may provide investment options (including hedge funds) that may not be available in more traditional annuity products
- Contract loads are lower than in traditional products
  - Mortality and expense (M&E) charge
  - Insurance advisor's commission (front-end vs. trail)
- Purchaser has a limited ability to negotiate contract terms with the insurance carrier
- No surrender charges

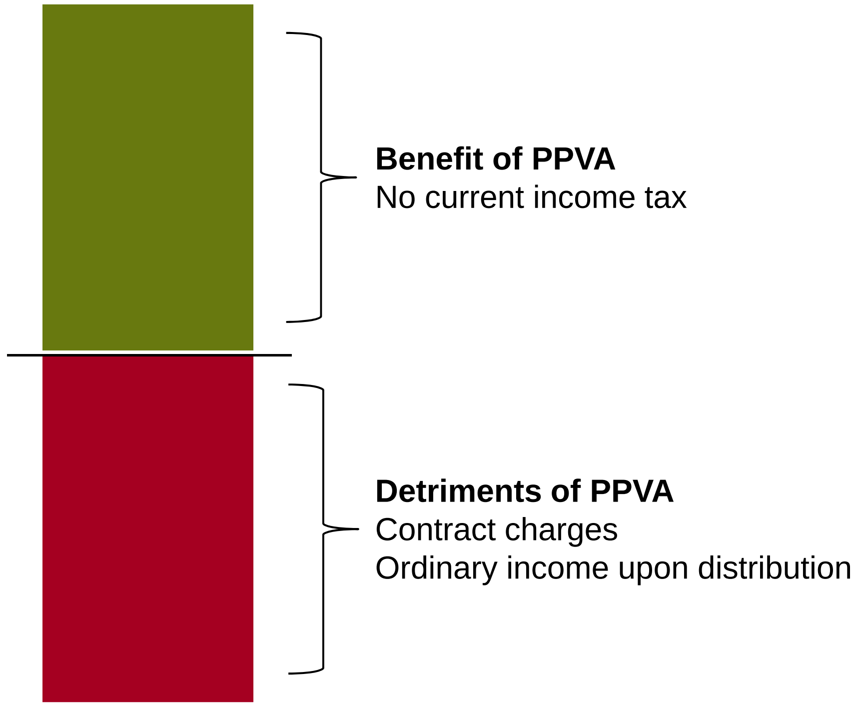
Source: AllianceBernstein

Value Proposition of PPVA

- Takes advantage of the income tax deferral opportunity accorded to annuity contracts
- Works best when
  - The underlying investment portfolios are tax-inefficient (e.g., high turnover rate, nonqualified dividends, taxable interest);
  - Contractholder is in the highest marginal federal bracket ***and*** is domiciled in a state that has a high income tax rate;
  - Contractholder's time horizon is substantial; and
  - PPVA costs are low

Source: AllianceBernstein

Tax Deferral: Measuring Net Impact of PPVA vs. Taxable Portfolio



Key Question: Is tax deferral less contract charges worth more than current taxation at lower rates?

Source: AllianceBernstein

Case Study: PPVA

Client Profile

- $10 million single premium allocated to PPVA
- Contractholder is a “natural person” in the highest marginal federal income tax bracket, and has a 30-year investment horizon
- M&E charge = 50 bppa (includes advisor’s commission)*
- Two tax domiciles examined
    - New York City (effective rates = 51.0% on ordinary income, 33.9% on long-term capital gains and qualified dividends)
    - Texas (effective rate = 43.4% on ordinary income, 23.8% on long-term capital gains and qualified dividends)

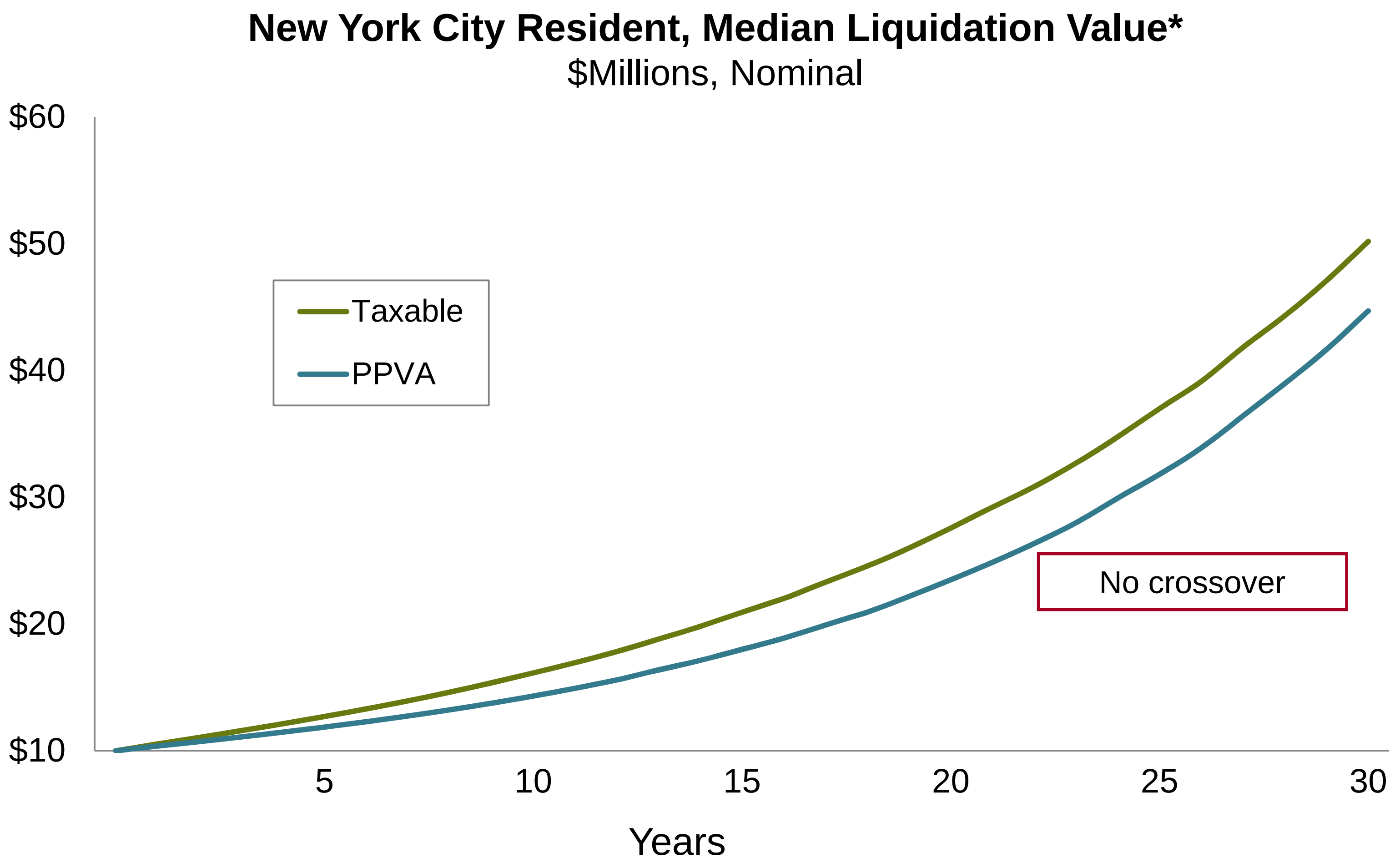
*For purposes of this analysis, we assumed that investment management fees would be identical, whether the investments were made in a taxable account or through a PPVA. Arguably, investment management fees under a PPVA may be paid using “pre-tax dollars,” which would reduce the effective cost to the underlying investor; those savings are not reflected in this analysis.
Bernstein does not provide legal, tax, or accounting advice, and does not sell or market insurance or annuity products. Investors should consult with professionals in those areas before making any decision.
Source: AllianceBernstein

PPVA Case Study: Portfolios Examined

- We examined the following hypothetical investment portfolios*
  - Diversified hedge funds (tax-efficient)
  - Diversified hedge funds (tax-inefficient)
  - Diversified US equities
  - Diversified US equities (high turnover)
  - Globally diversified real estate investment trusts (REITs)
  - Global intermediate-term fixed income

*See Appendix for portfolio turnover and other assumptions. For purposes of this analysis, we assume that each portfolio is made available for purchase only by variable policyholders and contractholders, and that each portfolio is adequately diversified within the meaning of Section 817(h) of the Internal Revenue Code. Bernstein does not provide legal, tax, or accounting advice, and does not sell or market insurance or annuity products. Investors should consult with professionals in those areas before making any decision.
Source: AllianceBernstein

Diversified US Equities: "Normal" US Equity Portfolio Turnover and Qualified Dividends Mute the Benefits of PPVA

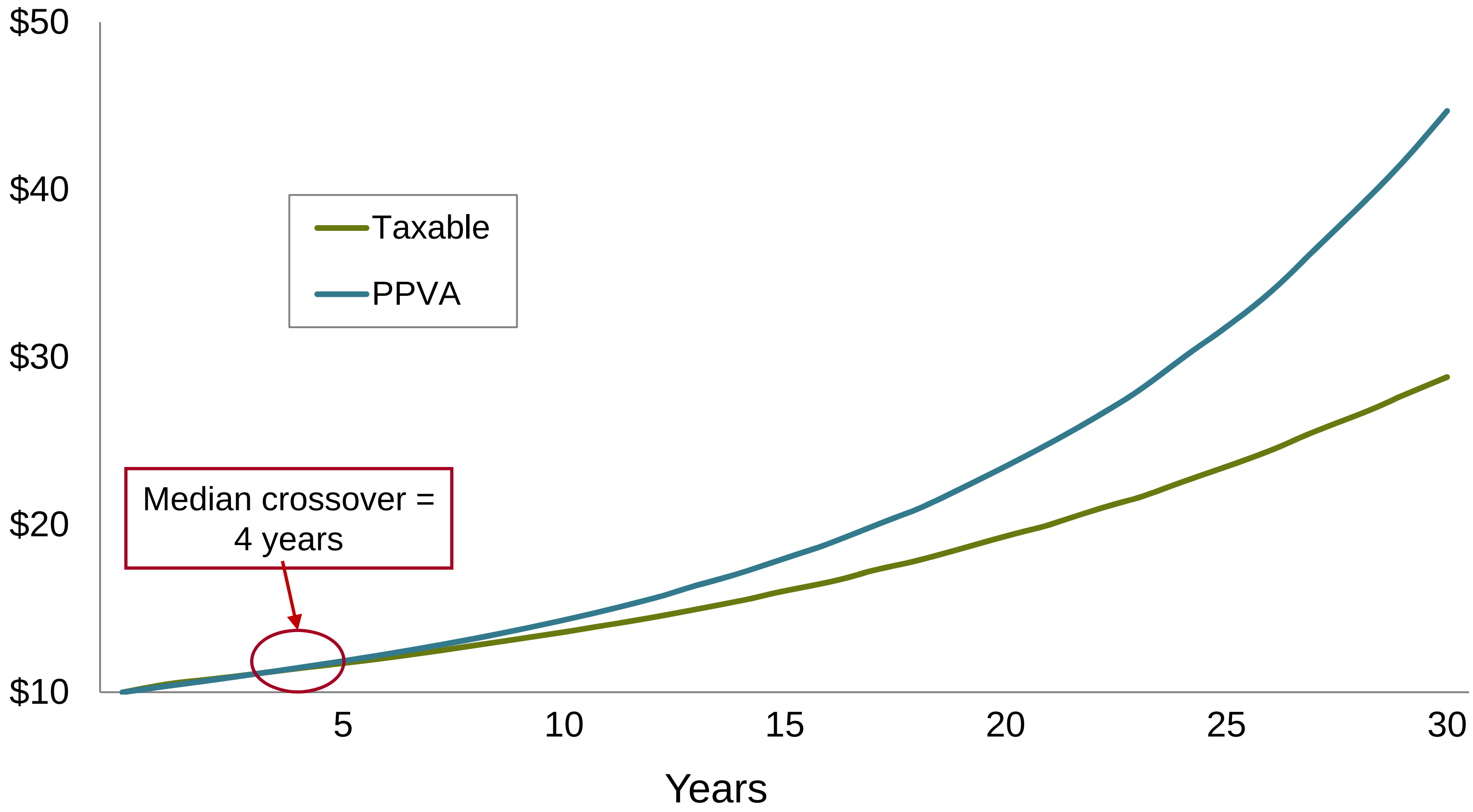


Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal, New York State, and New York City tax rates. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Diversified US Equities (High Turnover): But Long-Only Portfolios that Generate Short-Term Capital Gains Can Benefit from PPVA

New York City Resident, Median Liquidation Value*

$Millions, Nominal



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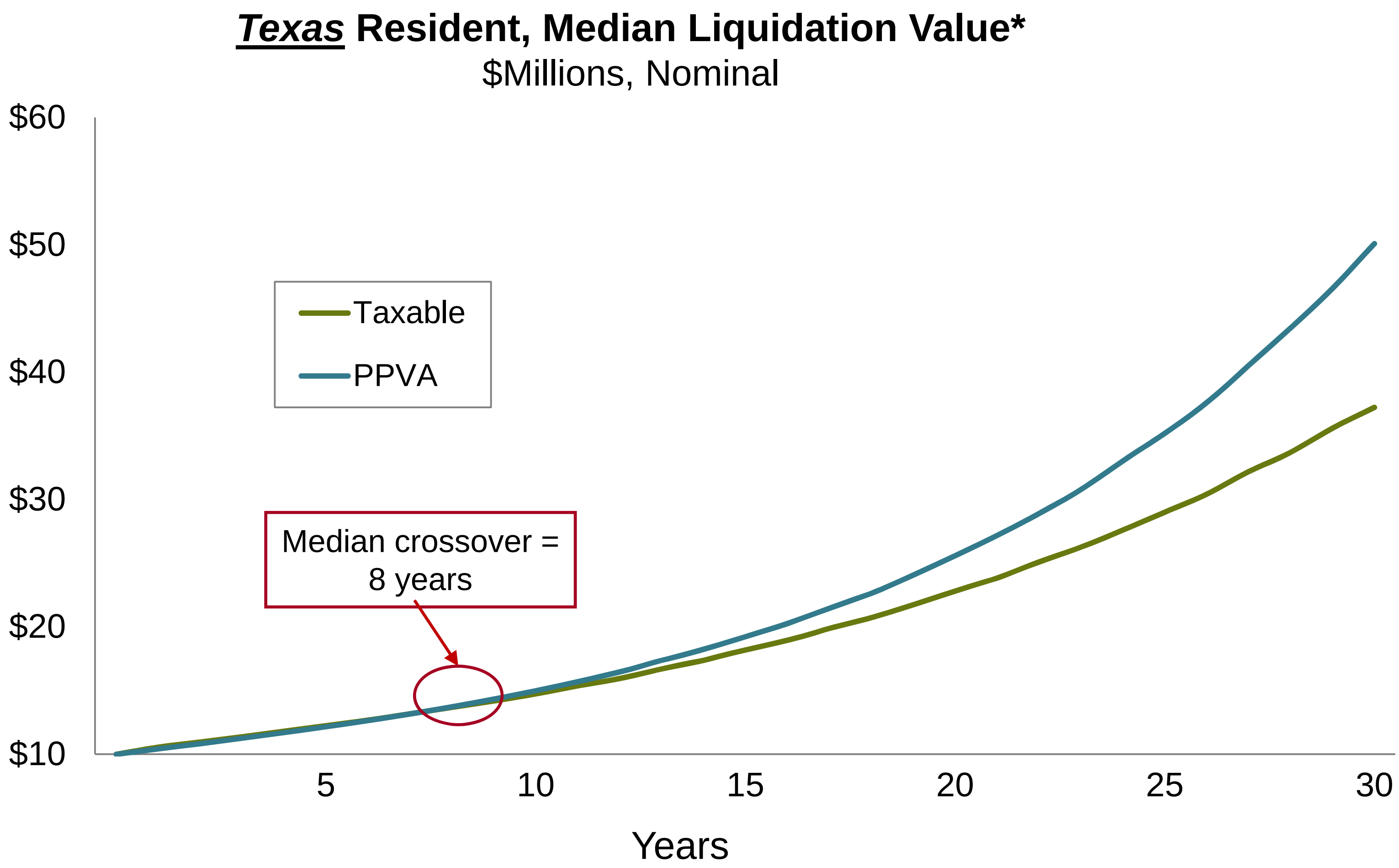
Source: AllianceBernstein

Diversified US Equities (High Turnover): PPVA Can Even Benefit an Investor in a State that Has No State Income Tax



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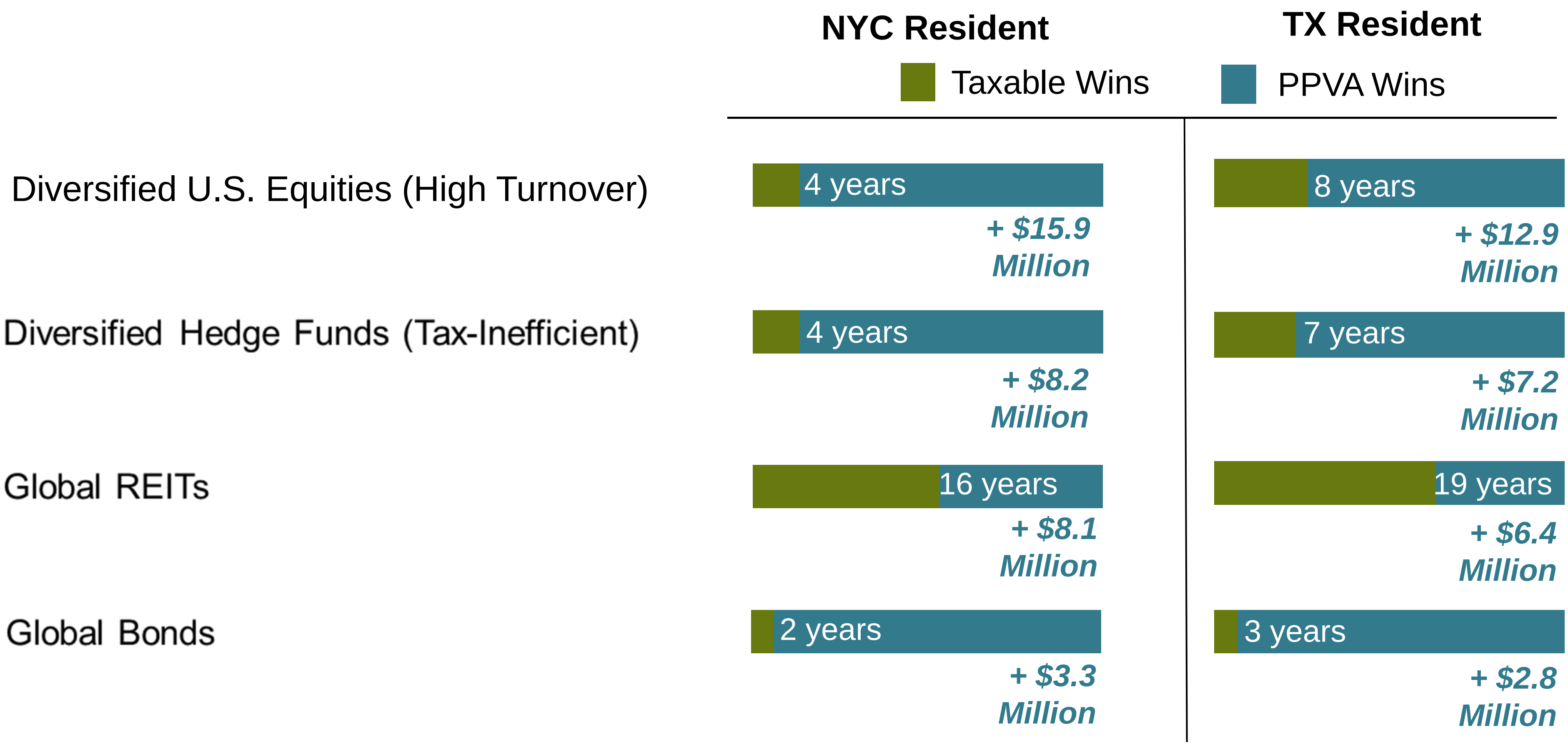
Source: AllianceBernstein

High Turnover and Tax-Inefficient Asset Classes Benefit From a PPVA

Difference in Median Liquidation Value—Year 30*

$Millions, Nominal



Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.

*Asset values represent estimated median liquidation value net of taxes assuming either blended top federal, New York State, and New York City tax rates, or in the case of the TX resident, top federal tax rates only. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.

Source: AllianceBernstein

Observations

PPVA Case Study:

- Portfolios that generate virtually all of their return from taxable interest arguably benefit the most from PPVA
- Qualified dividends and long-term capital gains mute the benefits of PPVA; higher-than-normal portfolio turnover can help
- REIT investors need a long investment horizon to take advantage of PPVA
- Tax inefficiency seems to be a much more important factor than tax domicile when assessing time horizon

Source: AllianceBernstein

Case Study: Single-Life Pension Hedged with Life Insurance

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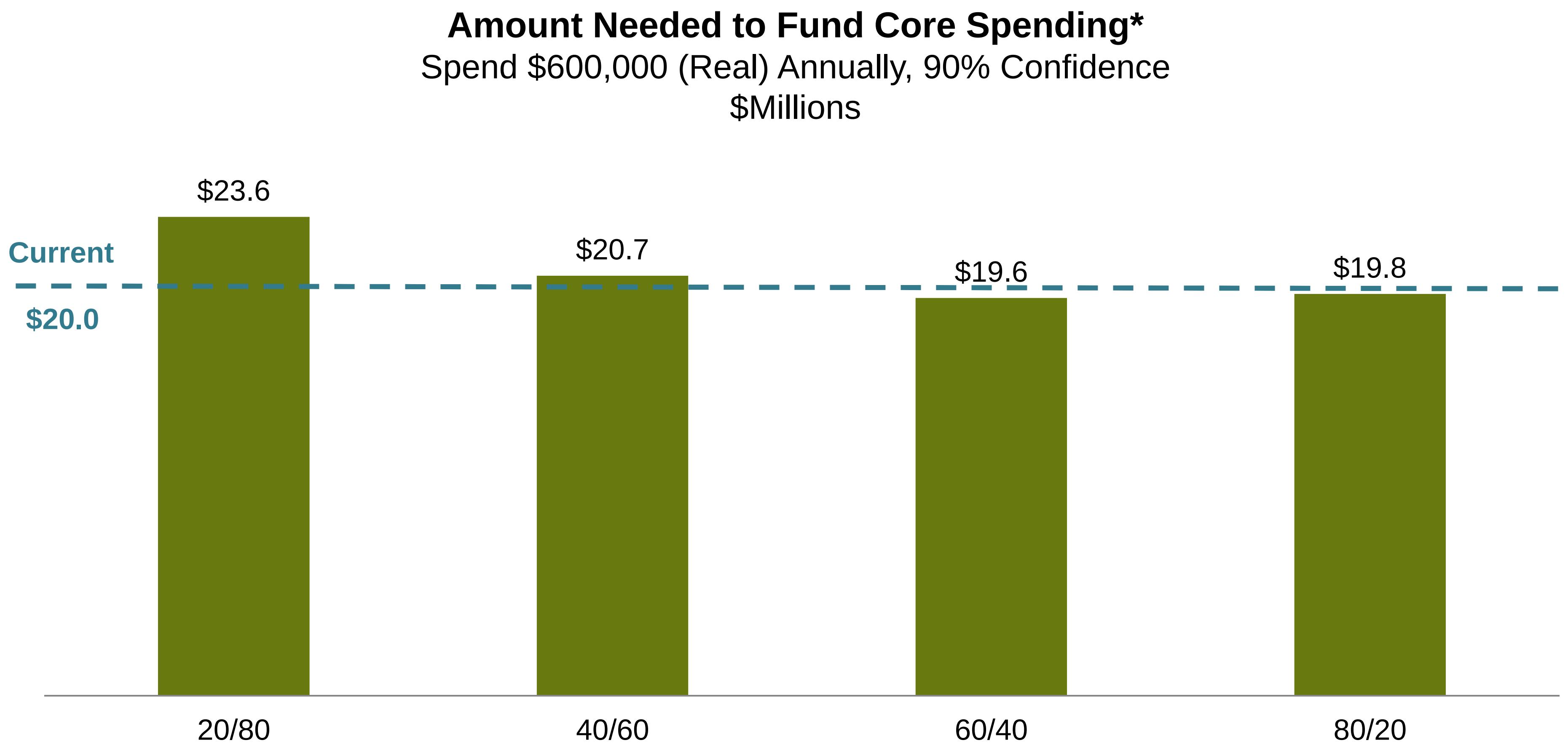
Client Profile

- Married couple, early 60s, and residents of Illinois
- Liquid assets of $20 million, of which $3.5 million is in tax-deferred retirement accounts
- They wish to spend $600,000 annually, adjusted each year with inflation
- The husband's firm has offered him the following pension benefit options:
  - $708,590 pre-tax each year for the husband's life, with a ten-year period certain
  - $629,524 pre-tax each year for the joint lives of the client and his wife
- Both options increase each year with inflation

Which option is the right choice?

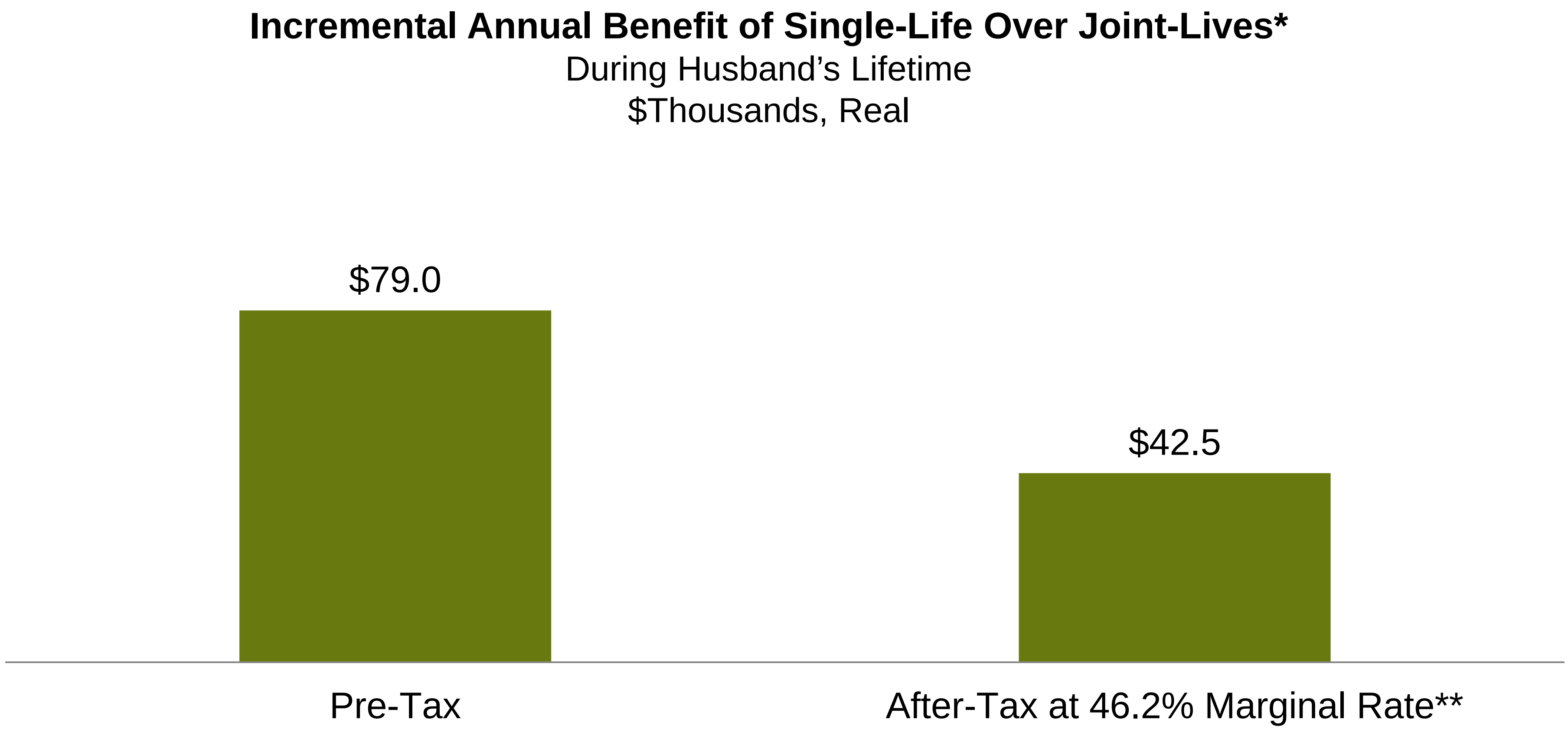
If Portfolio Is Stock-Tilted, Core Has Been Achieved



Based on Bernstein's estimates of the range of returns for the applicable capital markets. Data does 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.

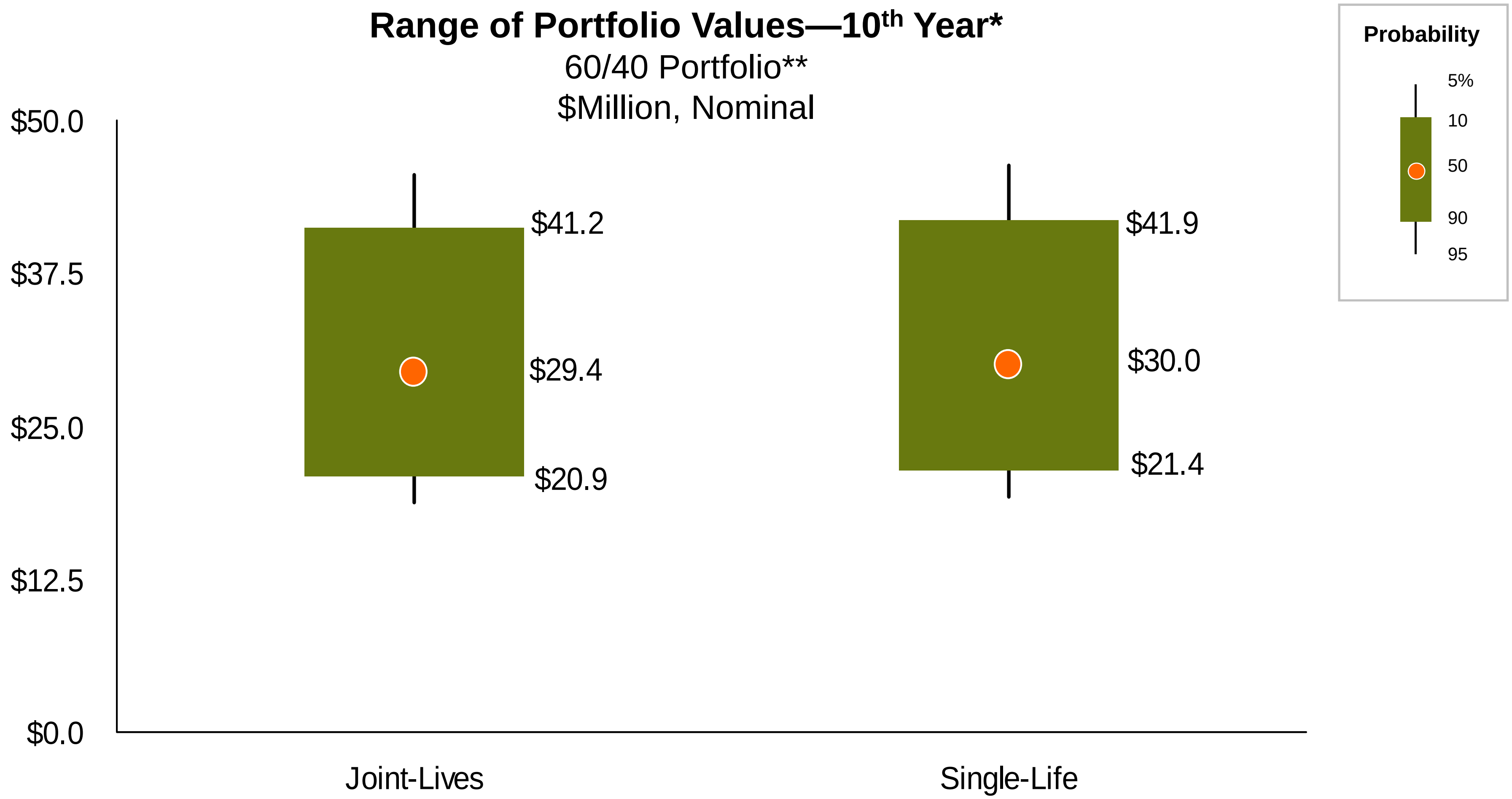
*Core capital calculated at 90% level of confidence. Variations in actual income, spending, applicable tax rates, lifespan, and market returns may substantially impact the likelihood that a core capital estimate will be sufficient to provide for future expenses. "20/80" means 18% global stocks, 80% bonds, and 2% REITs. "40/60" means 34% global stocks, 56% bonds, 4% REITs, and 7% hedge funds. "60/40" means 48% global stocks, 34% bonds, 4% REITs, and 14% hedge funds. "80/20" means 60% global stocks, 16% bonds, 4% REITs, and 21% hedge funds. "Global stocks" means 21% US diversified stocks, 21% US value stocks, 21% US growth stocks, 7% US small and mid cap stocks, 22.5% developed international stocks, and 7.5% emerging markets stocks. "Bonds" mean intermediate-term municipal bonds in taxable accounts and intermediate-term taxable bonds in tax-deferred accounts. "REITs" mean a global real estate investment trust. "Hedge funds" mean a diversified hedge fund portfolio.

How Much Incremental Income is Available?



*During Husband's lifetime, single-life option will pay $708,590 (pre-tax) per year, adjusted each year for inflation; joint-life option will pay $629,524 (pre-tax) per year, adjusted each year for inflation.
**Assumes highest marginal federal income tax rate of 43.4%, and 5% Illinois ordinary income tax rate; taking into account deduction for state income tax paid, blended federal and Illinois rate is 46.2%,

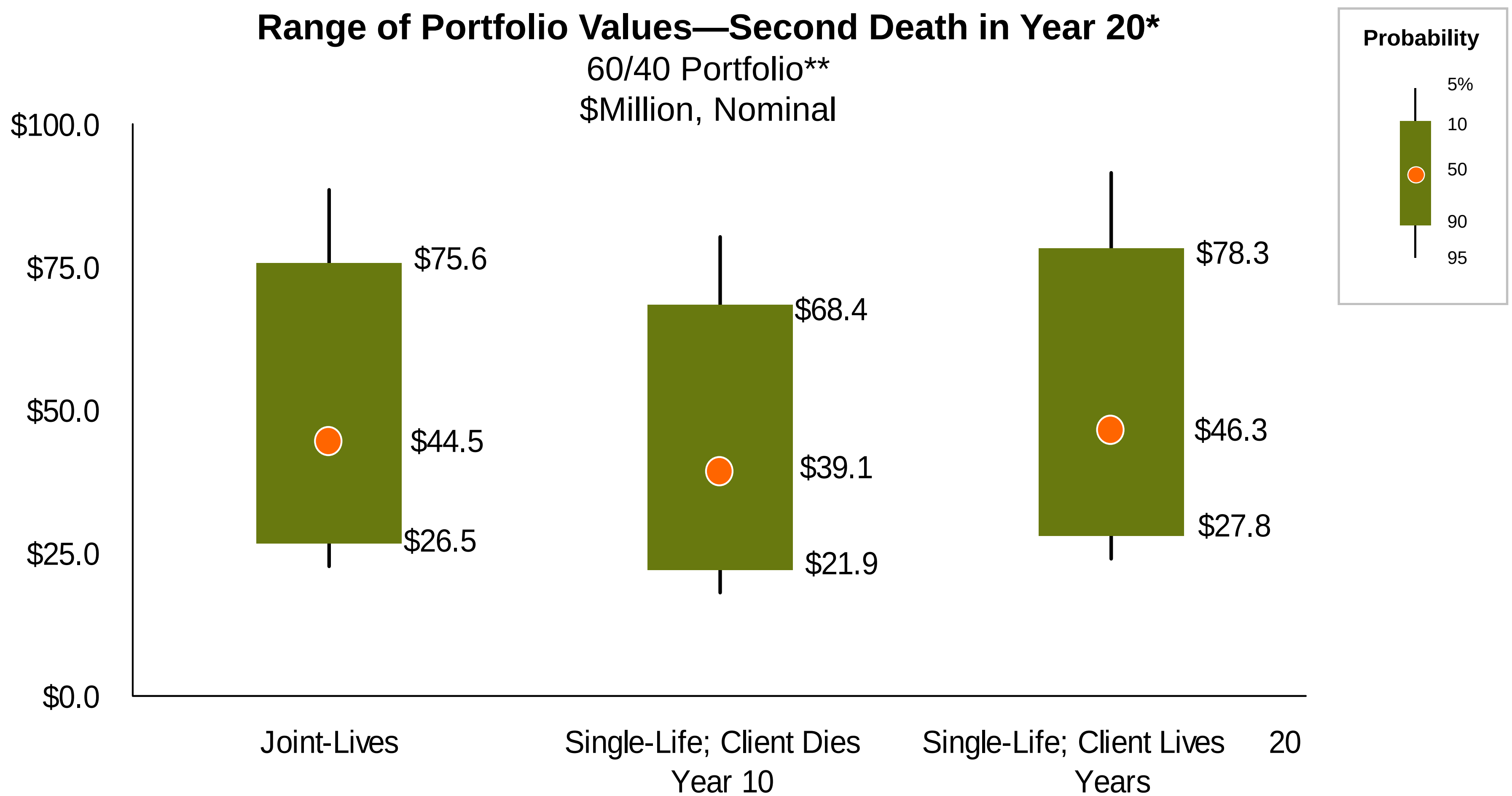
The Single-Life Option Provides a Modest Benefit Over the Next 10 Years…



*Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 10 years. Data does not represent past performance and is not a promise of actual or 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 Assumptions and Notes on Wealth Forecasting System in Appendix for further details.

**"60/40" means 48% global stocks, 34% bonds, 4% REITs, and 14% hedge funds. "Global stocks" means 21% US diversified stocks, 21% US value stocks, 21% US growth stocks, 7% US small and mid cap stocks, 22.5% developed international stocks, and 7.5% emerging markets stocks. "Bonds" mean intermediate-term municipal bonds in taxable accounts and intermediate-term taxable bonds in tax-deferred accounts. "REITs" mean a global real estate investment trust. "Hedge funds" mean a diversified hedge fund portfolio.

…But That Benefit Could Be Eroded if the Annuitant Dies Shortly Thereafter…



*Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 20 years. Data does not represent past performance and is not a promise of actual or 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 Assumptions and Notes on Wealth Forecasting System in Appendix for further details.

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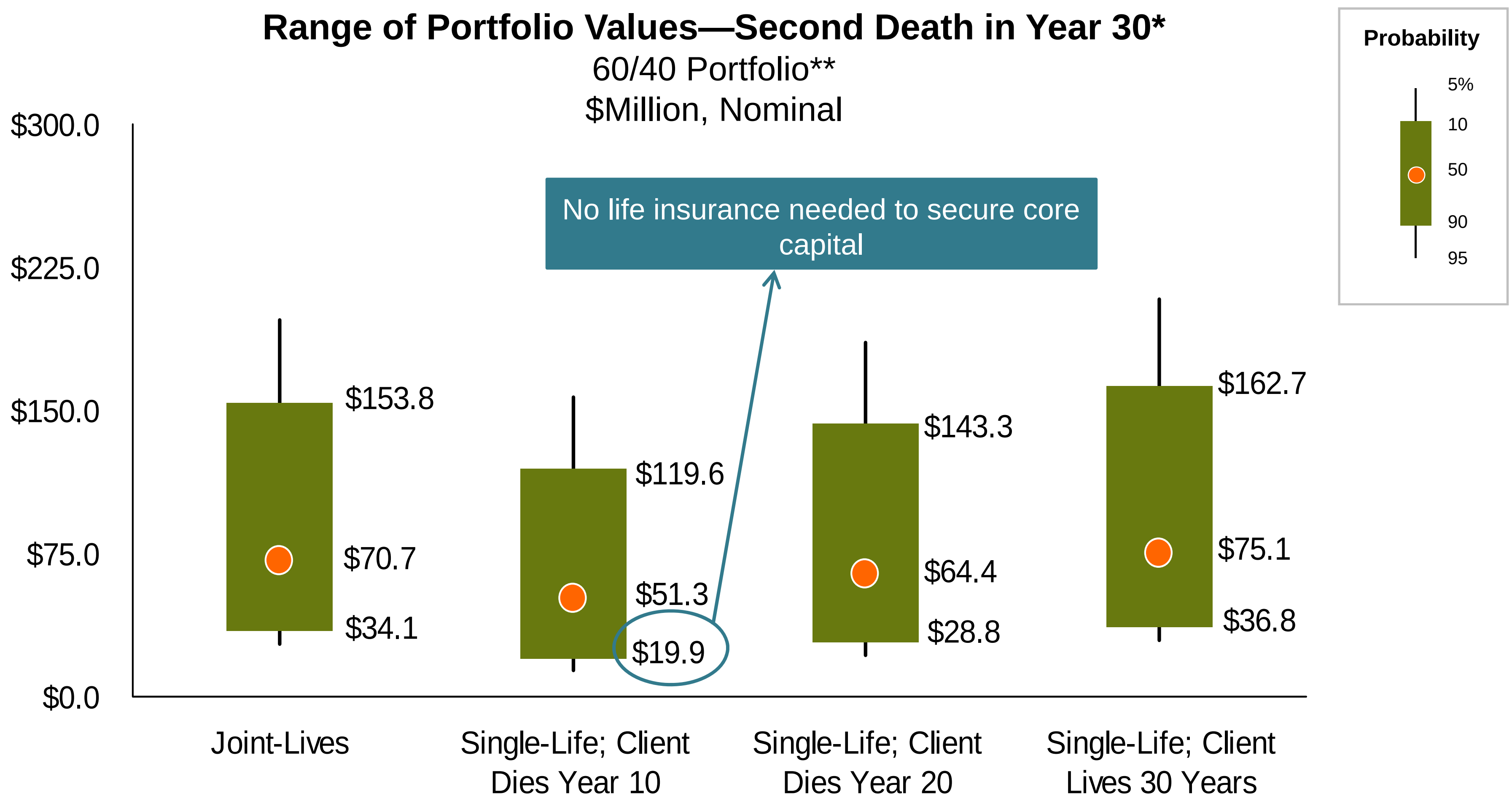
…Especially if the Surviving Spouse Lives to HNW Life Expectancy



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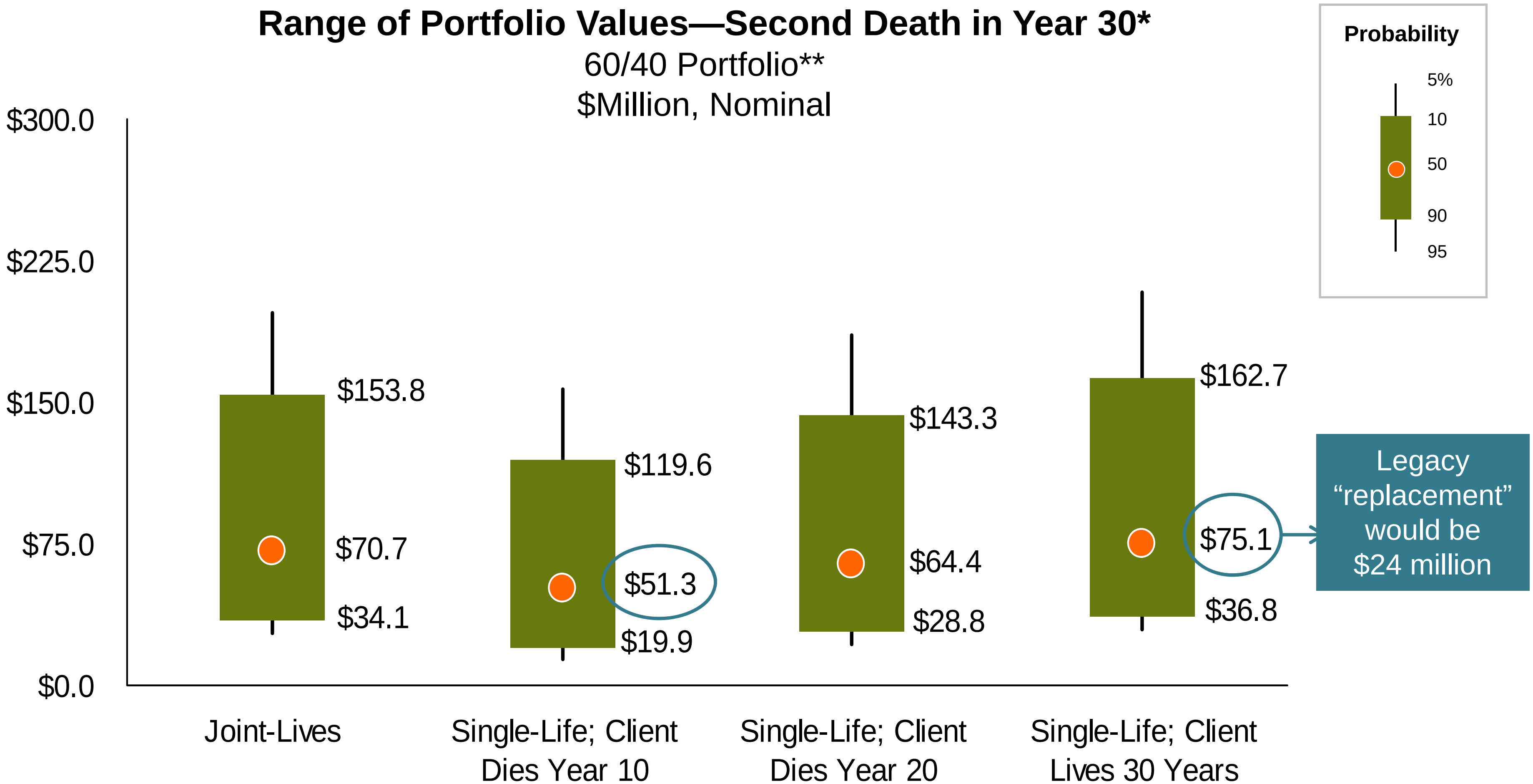
The Single-Life Option Is More Likely to Hurt the Next Generation…

Range of Portfolio Values—Second Death in Year 30*

60/40 Portfolio**

$Million, Nominal



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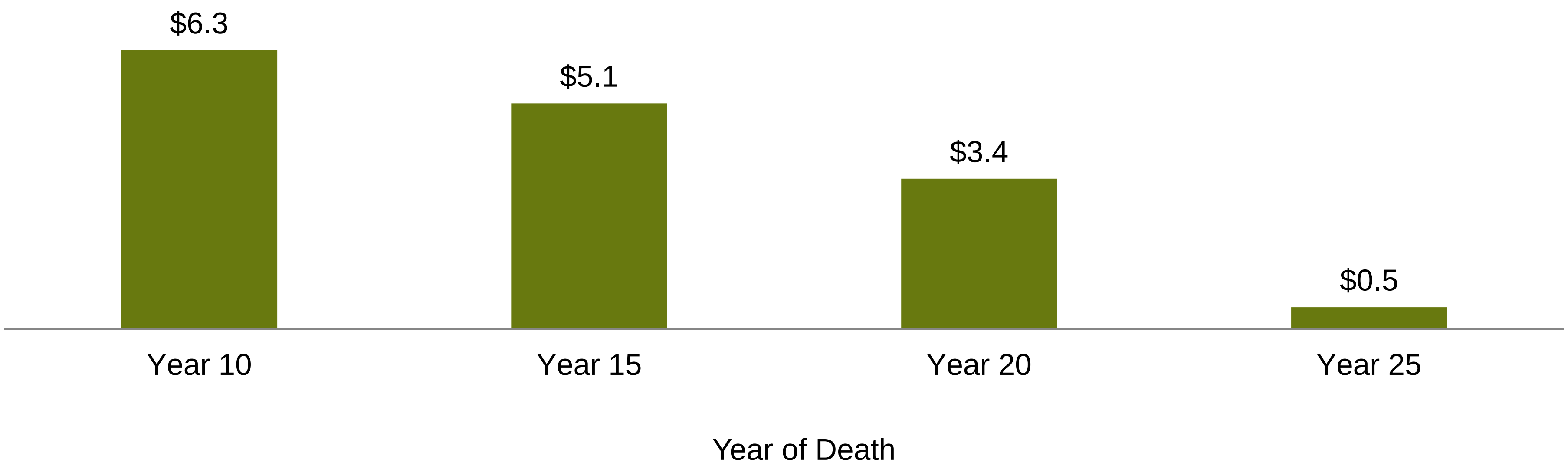
Hedging Mortality Risk With Life Insurance

Death Benefit Needed to Secure Legacy vs. Joint-Lives Option*

60/40 Portfolio, 30-Year Time Horizon, Typical Markets**

$Millions, Nominal



*Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 30 years. Assumes client dies in either year 10, 15, 20, or 25 and wife receives death benefit of either $6.3 million, $5.1 million, $3.4 million, or $0.5 million, respectively. Data does not represent past performance and is not a promise of actual or range of future results. See Assumptions and Notes on Wealth Forecasting System in Appendix for further details.

**Typical Markets means the 50th percentile outcome for 10,000 trials in Bernstein's Wealth Forecasting System.

Observations

Pension Case Studies:

- Life insurance can be an effective hedge against the inherent mortality risk of a single-life pension benefit
- Rules of thumb for sizing death benefit do not account for changes in risk over time
- Life insurance could help secure legacy in event of early death, poor markets, or both
- Alignment with client goals and rigorous analysis are important

Case Study: Defer Now with “Option to Move”

Case Study: Defer Now with “Option to Move”

Client Profile

- Physician, age 55, planning to retire in 10 years
- Married filing jointly as Minnesota residents, but considering a move to Florida in retirement
- Earned income of $500,000, adjusted for inflation, contributing $57,500 to 401(k) and profit sharing plan
- Financial assets total $3.2 million:
  - $1.2 million in personal non-qualified accounts
  - $2.0 million in IRAs and qualified retirement plans
- Spending $178,000 per year, adjusted for inflation

How can the couple increase their retirement savings? How beneficial is that increased savings likely to be?

Current Plan Is Taxing at the Expense of Savings

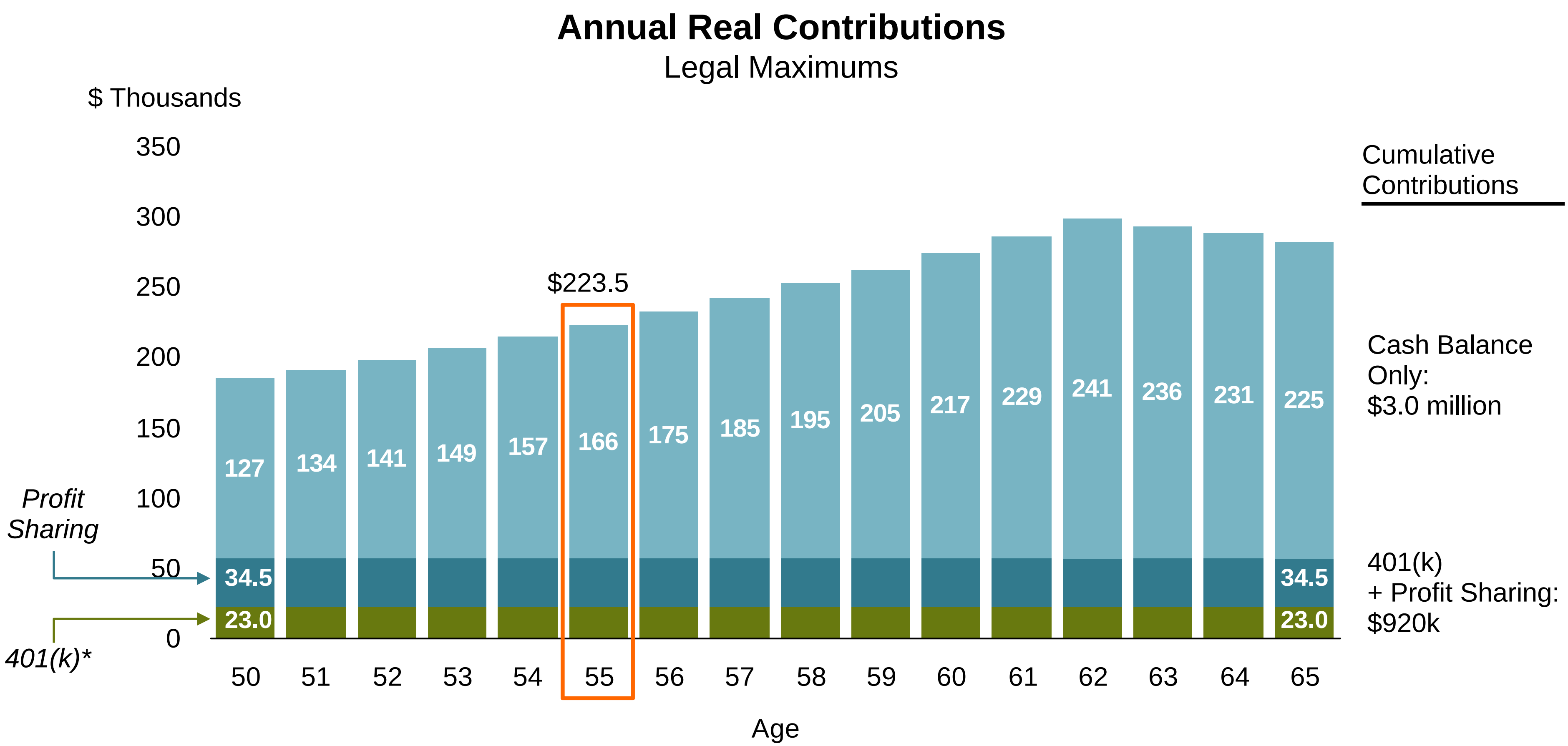
	Current Plan
Salary	$500,000
Savings (pre-tax)	57,500
Income Taxes*	165,000
Net Income (after-tax)	277,500
Living Expenses	178,000
Savings (after-tax)	99,500
Total Savings	**$157,000**

- ***Blended state & federal marginal tax rate of 39.2%****
- ***Blended state & federal effective tax rate of 33.0%***
- ***Net savings rate of only 31.4%***

How much can tax deferral be increased?

*Based on Health Care and Education Reconciliation Act of 2010 and American Taxpayer Relief Act of 2012. Bernstein is not a legal, tax, or estate advisor. Investors should consult these professionals as appropriate before making any decisions.
Source: IRS and AllianceBernstein

Deferral Possibility for Professionals: Cash Balance Plans



Annual contributions are mandatory and determined for each participant upon entering the plan

*Includes "catch-up" contributions for participants ages 50 and older.
Source: AllianceBernstein

Adding Cash Balance Plan Significantly Increases Savings Rate

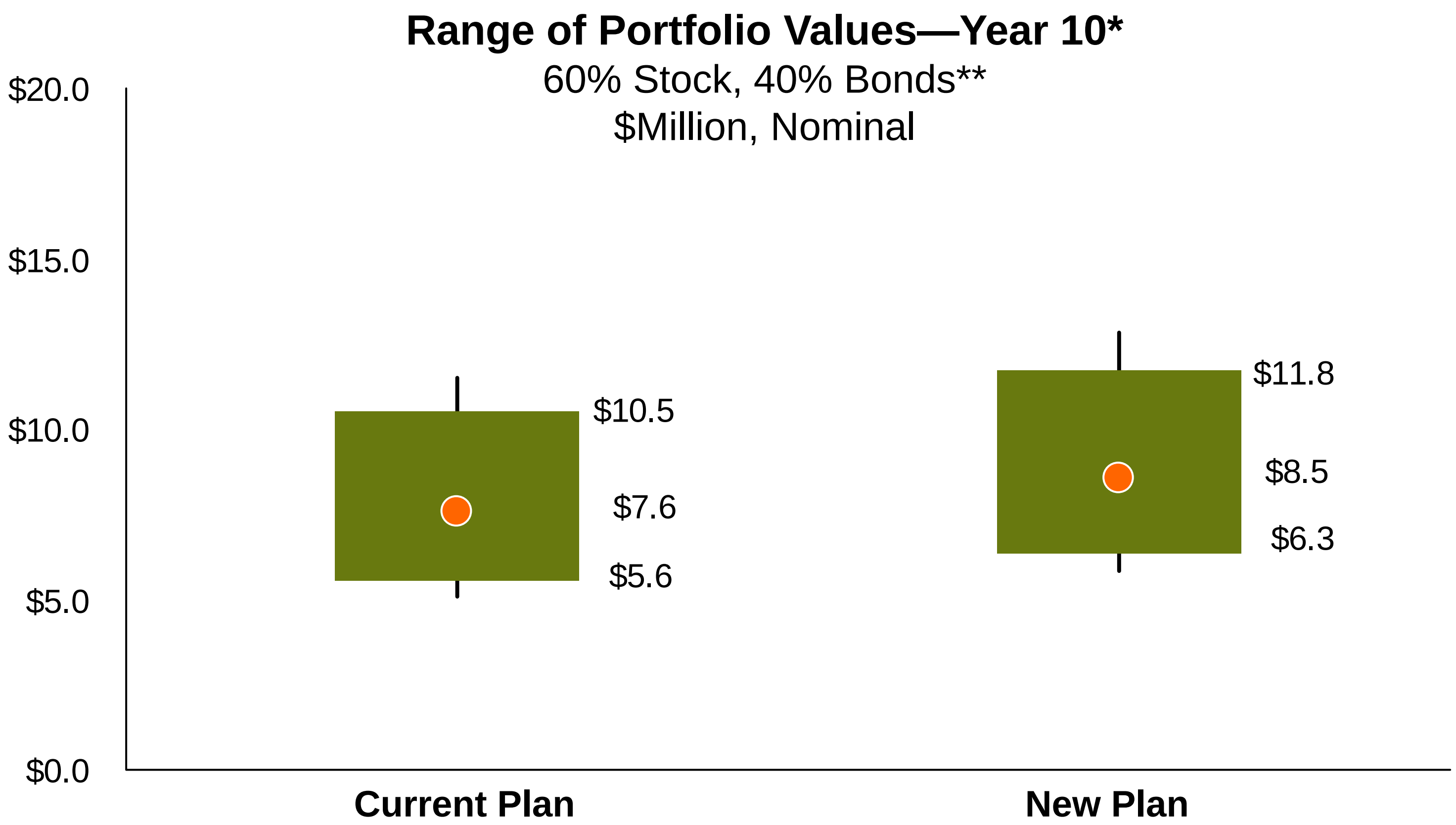
	Current Plan	New Plan w/CBP
Salary	$500,000	$500,000
Savings (pre-tax)	57,500	223,500
Income Taxes*	165,000	98,000
Net Income (after-tax)	277,500	178,500
Living Expenses	178,000	178,000
Savings (after-tax)	99,500	500
Total Savings	**$157,000**	**$224,000**

- ***Blended state & federal marginal tax rate reduced to 37.3%****
- ***Blended state & federal effective tax rate reduced to 19.6%***
- ***Net savings rate of 44.8%***

How much more secure will the new plan make the couple's retirement?

*Based on Health Care and Education Reconciliation Act of 2010 and American Taxpayer Relief Act of 2012. Bernstein is not a legal, tax, or estate advisor. Investors should consult these professionals as appropriate before making any decisions.
Source: IRS and AllianceBernstein

New Plan Meaningfully Increases Capital Available for Retirement



Median Unrealized Income Tax Liability	**$1.9 Mil.**	**$2.8 Mil.**

*Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 10 years. Data does not represent past performance and is not a promise of actual or range of future results. Asset values represent the estimated market value; if the assets were liquidated, additional capital gains, ordinary income or losses would be realized that are not reflected here. See Assumptions and Notes on Wealth Forecasting System in Appendix for further details.

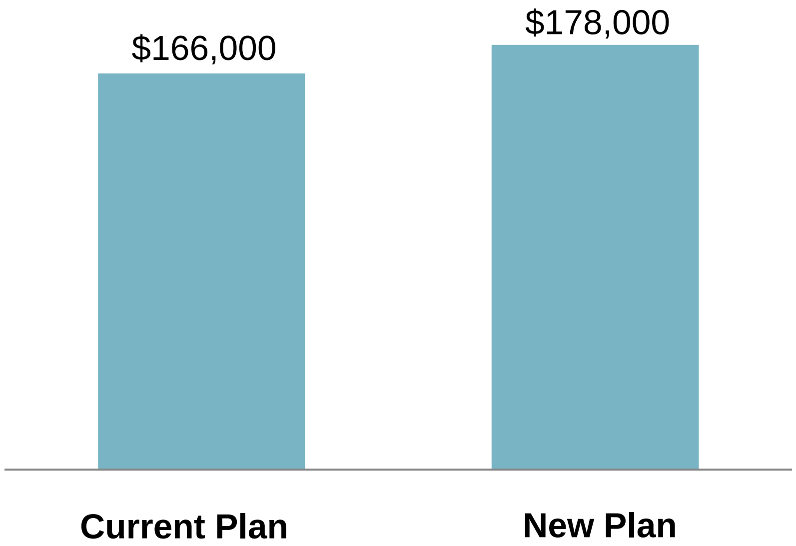
**"60/40" means 60% global stocks and 40% bonds. "Global stocks" means 21% US diversified stocks, 21% US value stocks, 21% US growth stocks, 7% US small and mid cap stocks, 22.5% developed international stocks, and 7.5% emerging markets stocks. "Bonds" mean intermediate-term municipal bonds in taxable accounts and intermediate-term taxable bonds in tax-deferred accounts.

New Plan Benefits Significantly From Retiring in Lower Tax Rate State

Sustainable Spending Rate In Retirement*
$ (Real)**

Retire in Minnesota

Retire in Florida

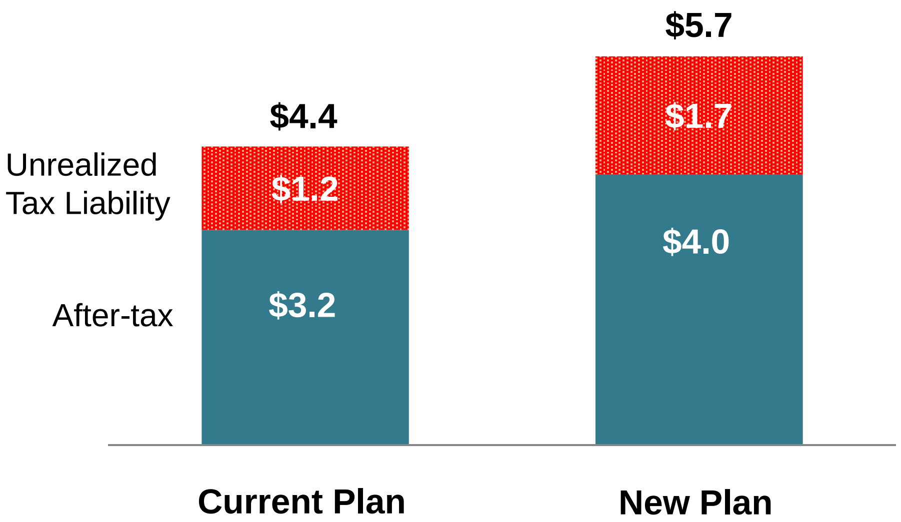


*Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 40 years. Data does not represent past performance and is not a promise of actual or range of future results. Asset values represent the estimated market value; if the assets were liquidated, additional capital gains, ordinary income or losses would be realized that are not reflected here. See Assumptions and Notes on Wealth Forecasting System in Appendix for further details.
**Assumes total after-tax living expenses of $178,000 per year, indexed for inflation in years 1-10 and spending as displayed above in years 11-40. All spending figures are in today's dollars and adjusted for inflation. Sustainable spending rate is calculated at a 90% level of confidence.
Assumes an investment allocation of 60% global stocks and 40% bonds. "Global stocks" means 21% US diversified stocks, 21% US value stocks, 21% US growth stocks, 7% US small and mid cap stocks, 22.5% developed international stocks, and 7.5% emerging markets stocks. "Bonds" mean intermediate-term municipal bonds in taxable accounts and intermediate-term taxable bonds in tax-deferred accounts.

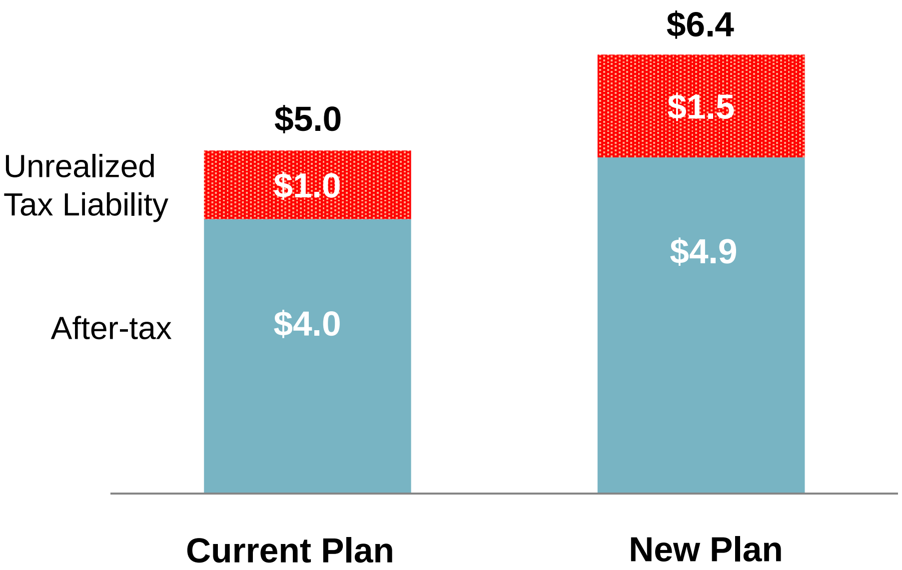
New Plan Benefits From Retiring in Lower Tax Rate State

Portfolio Value, Typical Markets—Year 40*
Spending $178,000 Per Year (Real)
$Millions (Real)

Retire in Minnesota



Retire in Florida



*Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 40 years. Data does not represent past performance and is not a promise of actual or range of future results. "Typical Markets" means 50th percentile results of 10,000 trials in our Wealth Forecasting System. See Assumptions and Notes on Wealth Forecasting System in Appendix for further details. Assumes an investment allocation of 60% global stocks and 40% bonds. "Global stocks" means 21% US diversified stocks, 21% US value stocks, 21% US growth stocks, 7% US small and mid cap stocks, 22.5% developed international stocks, and 7.5% emerging markets stocks. "Bonds" mean intermediate-term municipal bonds in taxable accounts and intermediate-term taxable bonds in tax-deferred accounts.

Observations

Tax Deferral with Option to Move Case Study:

- In order to secure their retirement, clients may need to increase their savings rate late in their careers to make up for insufficient savings during earlier years
- Increasing tax-deferral through a cash balance or similar plan can significantly increase a client's savings rate
- State income tax differentials can have a dramatic effect on retirement security
- In many cases, the path of least resistance leads to no action; quantifying the outcomes using a goal-based framework can help clients make better decisions

Appendix

PPVA Case Study: Portfolio Assumptions

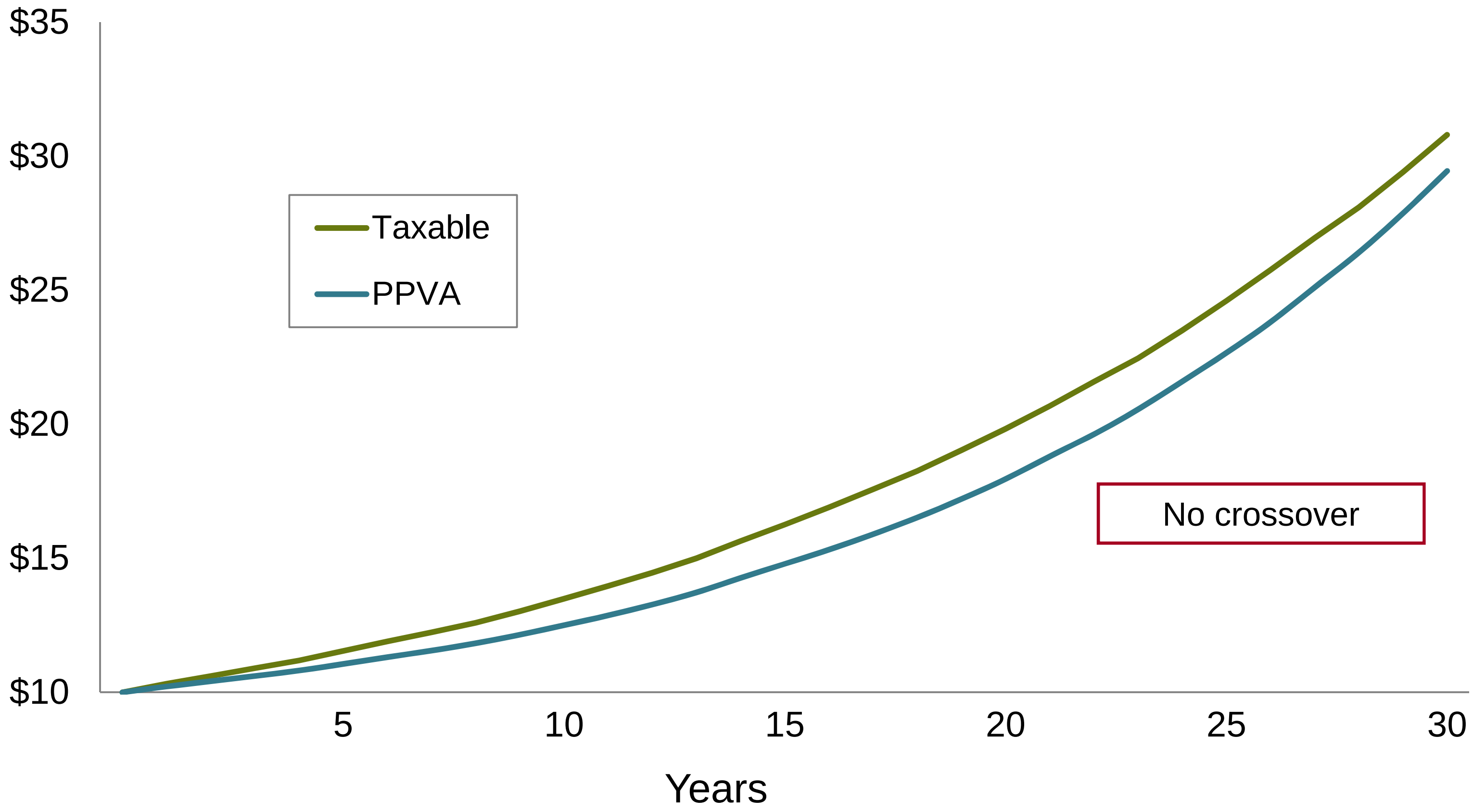
Modeling Assumptions / CME Output	Diversified Hedge Funds (Tax Efficient)	Diversified Hedge Funds (Tax Inefficient)	Global Bonds	Diversified US Equities	Diversified US Equities (High Turnover)	Global REITs
% ST Gains	10%	50%	0%	0%	50%	0%
% Qualified Dividend Income	70%	0%	0%	100%	100%	0%
% Turnover	33%	100%	30%	15%	100%	30%
Mean Income (30-Year)	3.4%	6.1%	5.0%	2.9%	8.2%	4.8%
Median Growth Rate (30-Year)	6.0%	6.0%	3.4%	7.7%	7.7%	7.4%

Based on 10,000 simulated trials each consisting of 30-year periods. Contact Bernstein for additional information.
Reflects Bernstein's estimates and the capital market conditions of March 31, 2013.
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.

Diversified Hedge Funds (Tax-Efficient): PPVA Provides No Benefit When the Underlying Funds Are Managed Tax Efficiently

New York City Resident, Median Liquidation Value*

$Millions, Nominal

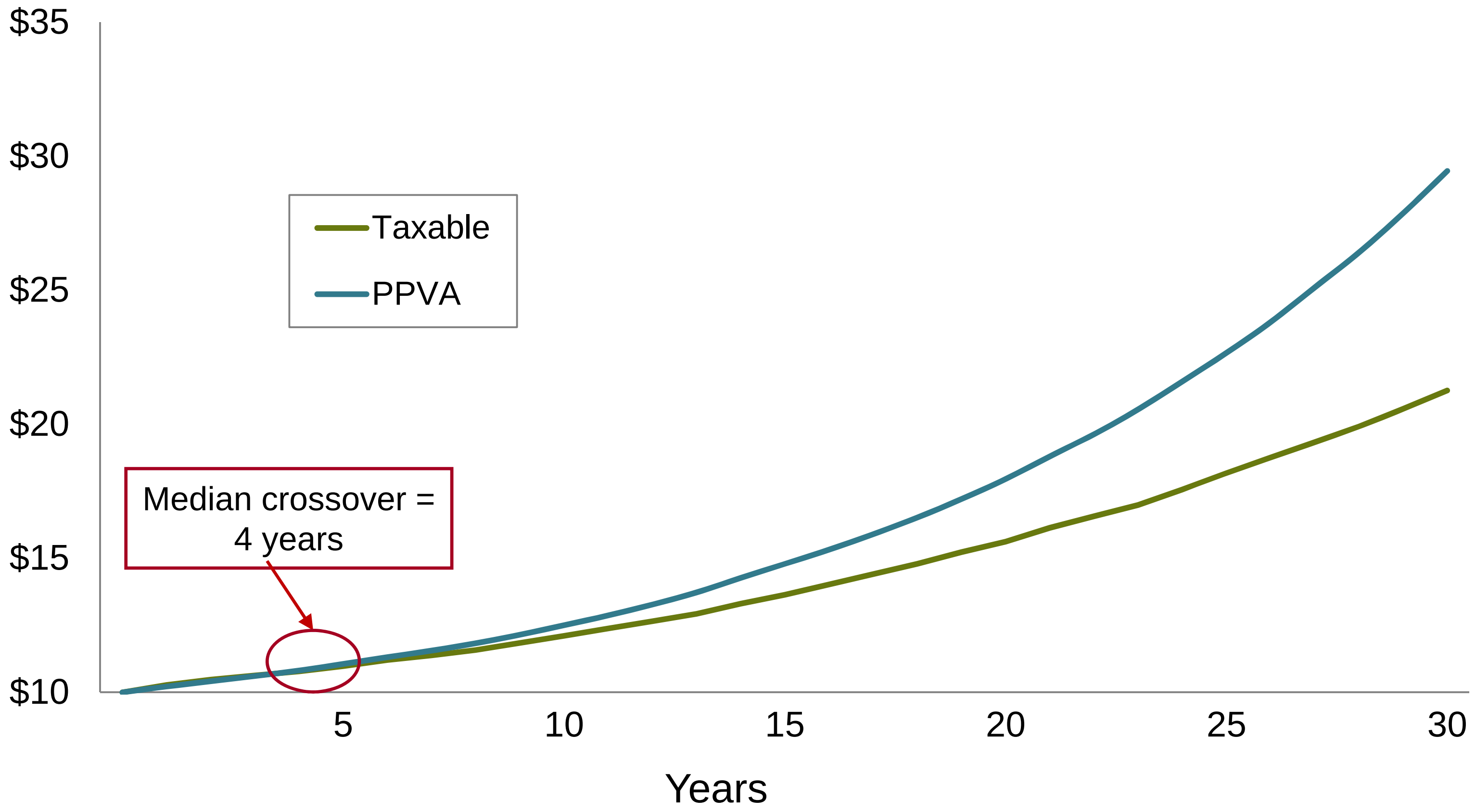


Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal New York State, and New York City tax rates. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Diversified Hedge Funds (Tax-Inefficient): But PPVA Can Provide a Substantial Benefit When the Underlying Investments Are Not Tax-Managed

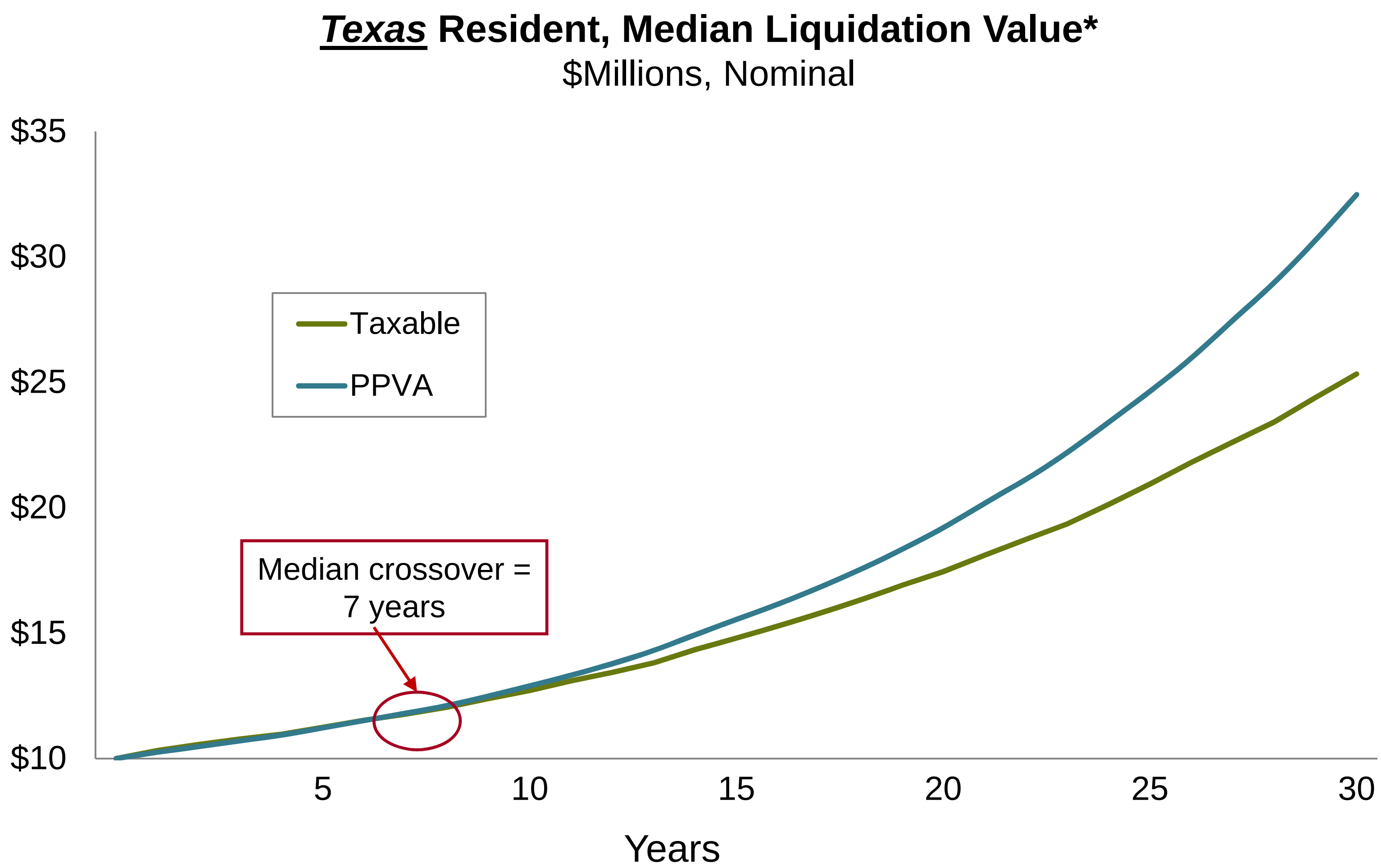
New York City Resident, Median Liquidation Value*

$Millions, Nominal



Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal New York State, and New York City tax rates. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Diversified Hedge Funds (Tax-Inefficient): PPVA Can Even Benefit an Hedge Fund Investor in a State that Has No State Income Tax

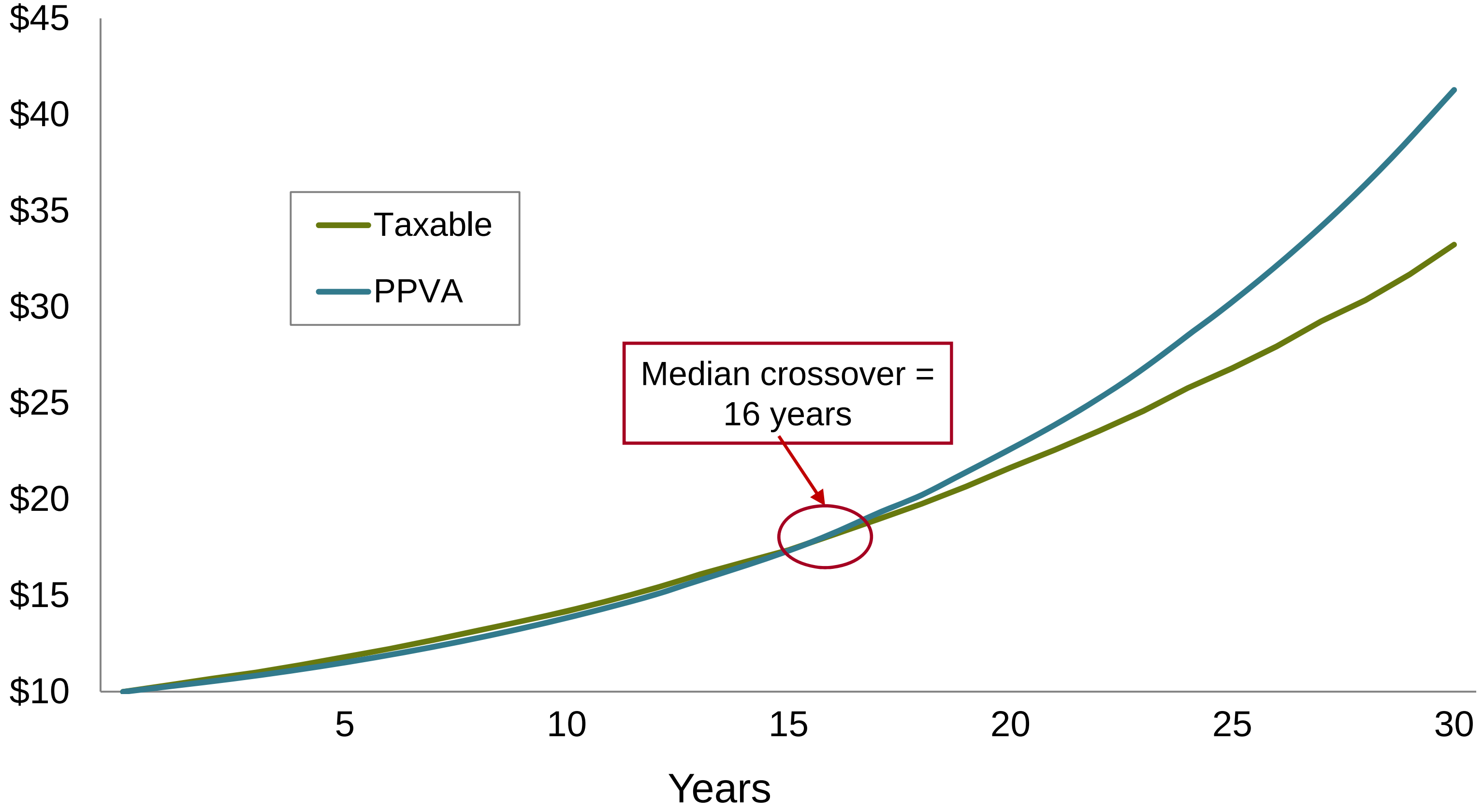


Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal income tax rates. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Globally Diversified REITs: Dividends Are Taxed at Higher (Non-“Qualified”) Rates, But the PPVA Benefit Builds Gradually

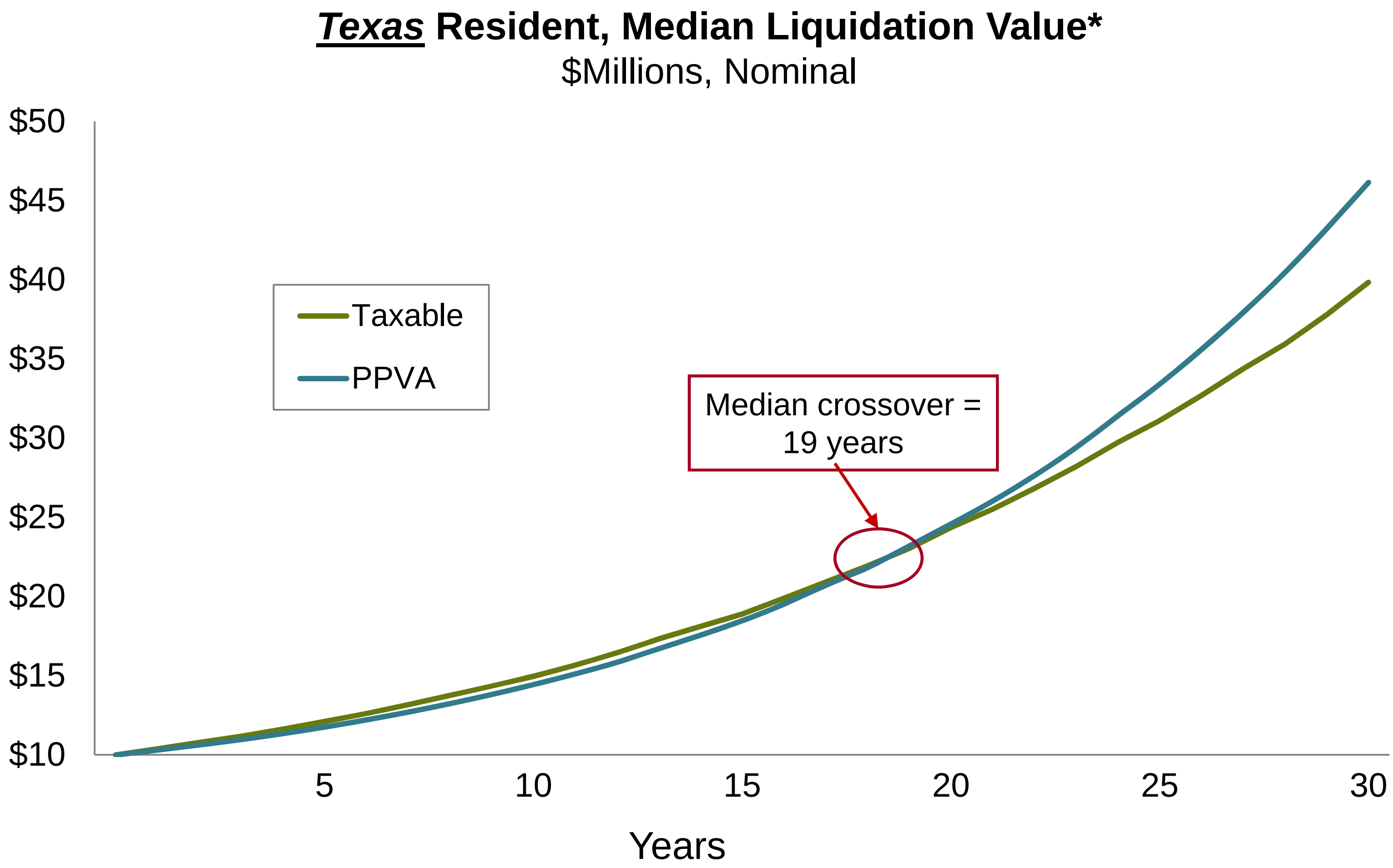
New York City Resident, Median Liquidation Value*

$Millions, Nominal



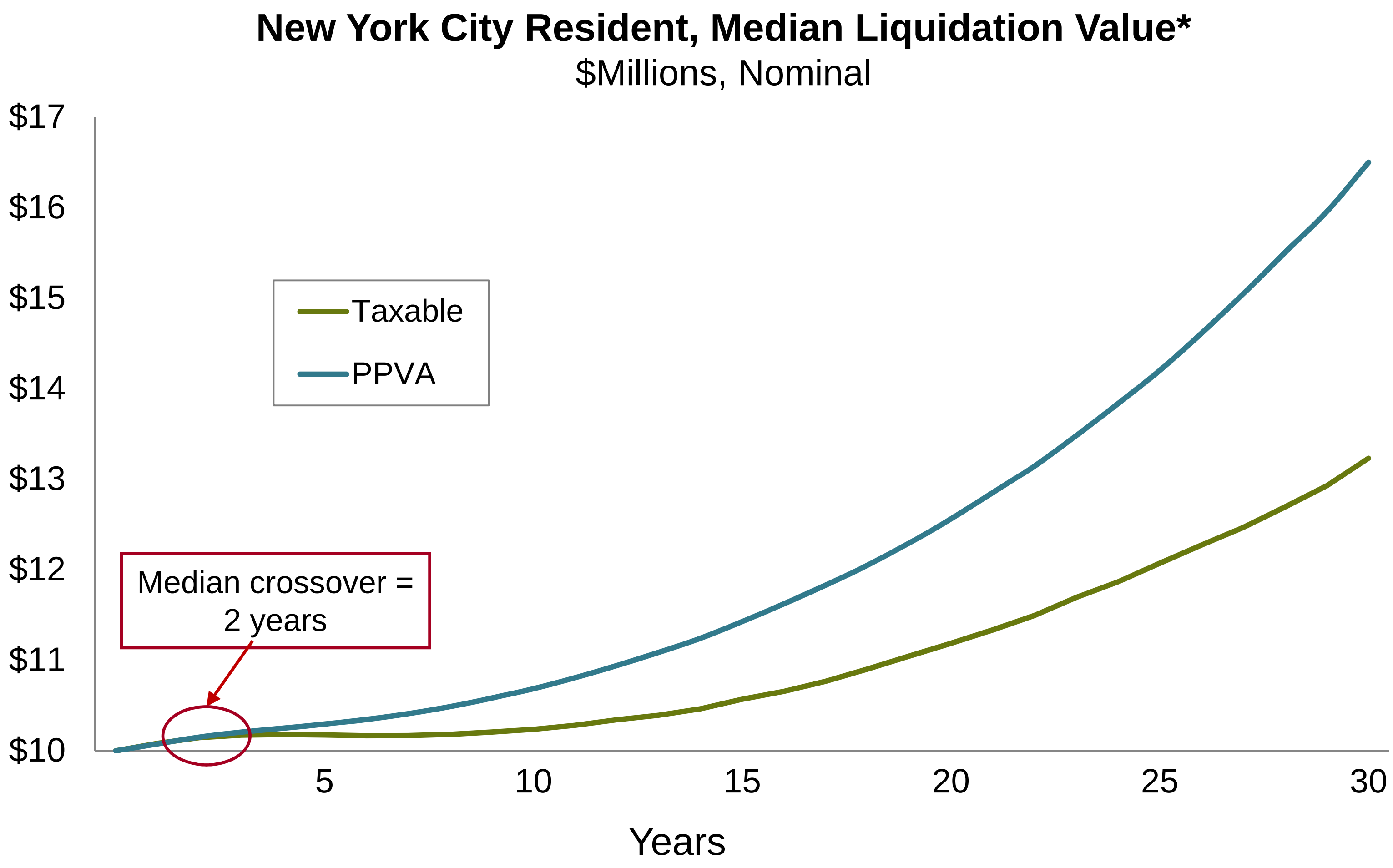
Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal New York State, and New York City tax rates. ”Median” means 50th percentile outcome of Bernstein’s Wealth Forecasting SystemTM. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Globally Diversified REITs: Investors in States that Have No State Income Tax Must Have an Even Longer Investment Horizon to Benefit from PPVA



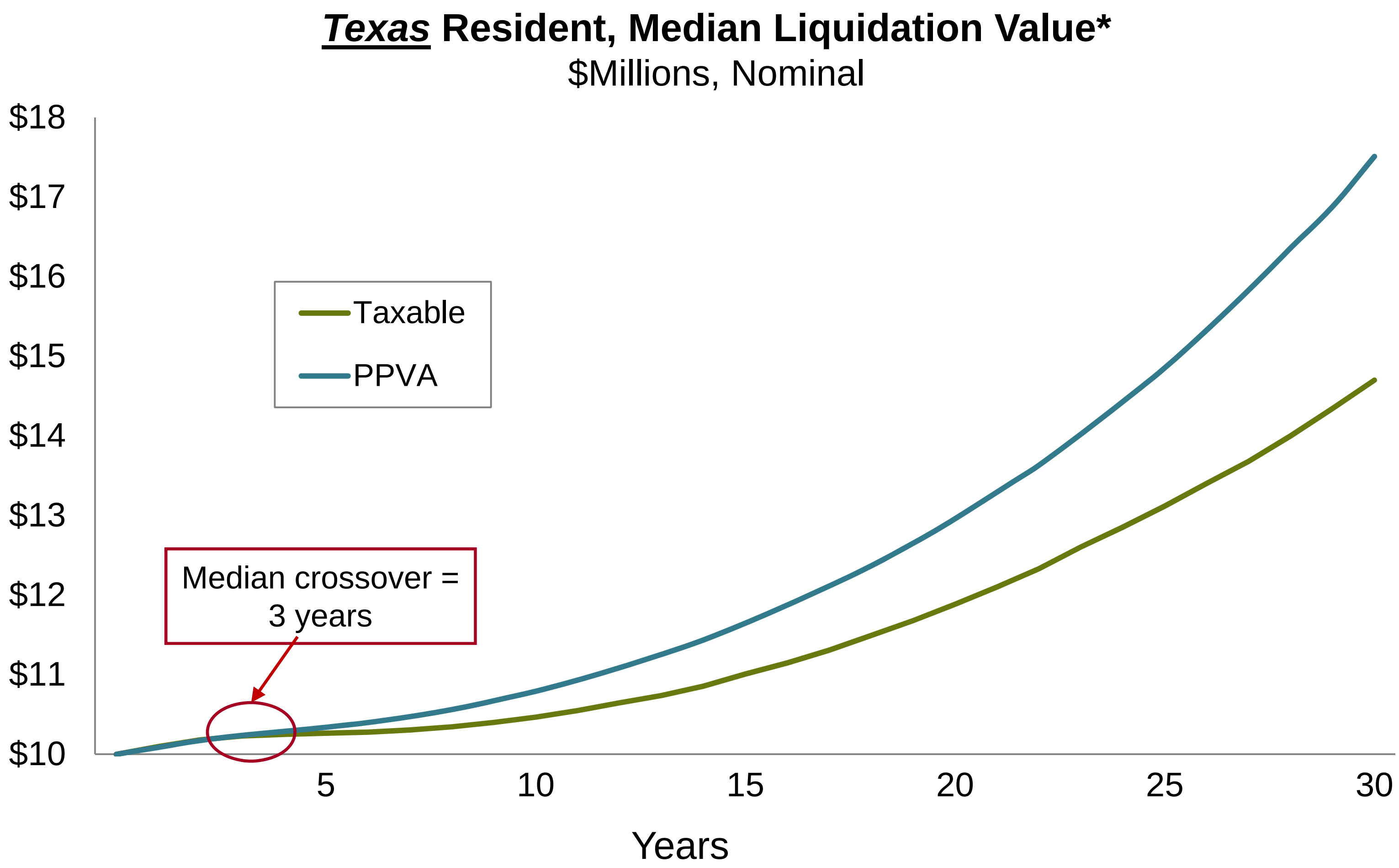
Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal income tax rates. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Global Bonds: Taxable Bond Investors Can Benefit Almost Immediately from Allocation to PPVA, But Income May Not Be Readily Accessible



Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal New York State, and New York City tax rates. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Global Bonds: Even Investors in a State that Has No State Income Tax Can Benefit from PPVA, But Lack of Ready Access to Income May Be an Issue



Based on Bernstein's estimates of range of returns for applicable capital markets over the applicable period. Data does not represent past performance and is not a promise of actual future results.
*Asset values represent estimated liquidation value net of taxes assuming top federal income tax rates. "Median" means 50th percentile outcome of Bernstein's Wealth Forecasting System™. See Appendix, Notes on Wealth Forecasting, for details.
Source: AllianceBernstein

Notes on Wealth Forecasting

1. Purpose and Description of Wealth Forecasting Analysis

Bernstein's Wealth Forecasting Analysis[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 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.

4. Modeled Asset Classes

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

Asset Class	Modeled As…
Diversified hedge funds	Diversified Hedge Fund Asset Class
Diversified US equities	S&P 500 Index
Globally diversified REITs	NAREIT
Global intermediate-term fixed income	7-year 50% Sovereign and 50% Investment Grade Corporate Debt of Developed Countries

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 March 31, 2013 through March 31, 2014, and not necessarily the calendar year of 2013. A description of these technical assumptions is available on request.

Notes on Wealth Forecasting

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 Analysis 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 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. Charitable Remainder Trust

The Charitable Remainder Trust (CRT) is modeled as a tax-planning or estate-planning vehicle, which makes an annual payout to the recipient(s) specified by the grantor, and at the end of its term (which may be the recipient's lifetime), transfers any remaining assets, as a tax-free gift, to a charitable organization. Depending on the payout's structure, the CRT can be modeled as either a Charitable Remainder Unitrust (CRUT) or a Charitable Remainder Annuity Trust (CRAT). The CRUT's payout is equal to a fixed percentage of the portfolio's beginning-year value, whereas the CRAT's payout consists of a fixed dollar amount. In the inception year of the CRT, its grantor receives an income tax deduction typically equal tot he present value of the charitable donation, subject to the applicable Adjusted Gross Income (AGI) limits on charitable deductions and phase out of itemized deductions, as well as the rules regarding reduction to basis of gifts to private foundations. Unused charitable deductions are carried forward up to five years. Although the CRT does not pay taxes on its income or capital gains, its payouts are included in the recipient's Adjusted Gross Income (AGI) using the following four accounting tiers: Tier 1-Ordinary Income (Taxable Interest/Dividends);Tier 2-Realized Long-term Capital Gains; Tier 3-Other Income (Tax-exempt Interest); and Tier 4-Principal. CRTs are required to pay out all current and previously retained Tier 1 income first, all current and previously retained Tier 2 income next, all current and previously retained Tier 3 next, and Tier 4 income last.

11. Capital Markets Projections (PPVA case study)

	Median 30-Year Growth Rate	Mean Annual Return	Mean Annual Income	One-Year Volatility	30-Year Annual Equivalent Volatility
Diversified hedge funds (tax-efficient)	6.0%	6.6%	3.4%	10.8%	15.4%
Diversified hedge funds (tax-inefficient)	6.0	6.6	6.1	10.8	15.4
Diversified US equities	7.7	9.3	2.9	16.3	18.8
Diversified US equities (high turnover)	7.7	9.3	8.2	16.3	18.8
Globally diversified REITs	7.4	9.0	4.8	16.7	17.4
Global intermediate-term fixed income	3.4	3.6	5.0	3.5	8.6

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 30-year periods; contact Bernstein for additional information.
Reflects Bernstein’s estimates and the capital market conditions as of March 31, 2013.

Notes on Wealth Forecasting

12. Capital Markets Projections (Pension Case Study)	Median 30-Year Growth Rate	Mean Annual Return	Mean Annual Income	One-Year Volatility	30-Year Annual Equivalent Volatility
Int.-Term Diversified Municipal Bonds	3.3	3.6	3.5	3.3	7.1
Int. Term Taxables	4.0	4.3	5.6	3.9	8.0
US Diversified	7.6	9.2	2.9	16.3	18.8
US Value	7.9	9.4	3.4	15.8	18.6
US Growth	7.4	9.3	2.3	18.2	20.1
Developed International	8.2	10.2	3.3	18.0	19.5
Emerging Markets	6.5	10.3	4.0	25.8	27.0
US SMID	7.8	9.8	2.5	18.6	21.3
Inflation	3.0	3.3	N/A	0.9	9.6

Based on 10,000 simulated trials each consisting of 30-year periods.

Reflects Bernstein’s estimates and the capital market conditions of September 30, 2013.

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.

Bernstein

Global Wealth Management