

Planned Giving Strategies and Opportunities

Utah State Bar 2011 Summer Convention

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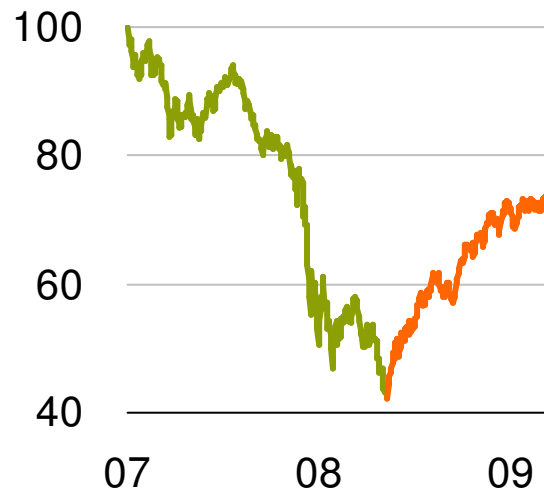


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The Current Philanthropic Landscape

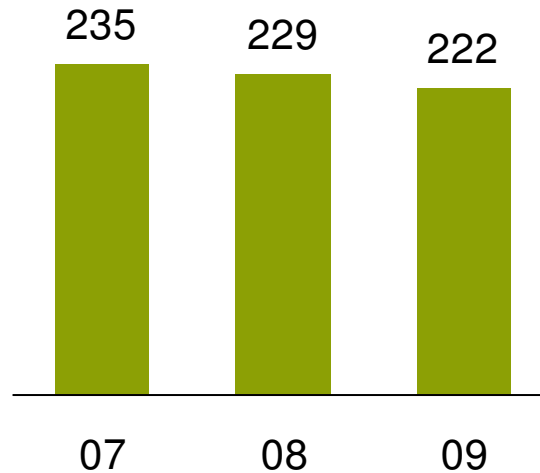
Asset Values Are Down

MSCI World: Growth of \$100*
Oct 31, 2007–Dec 31, 2009 (\$)



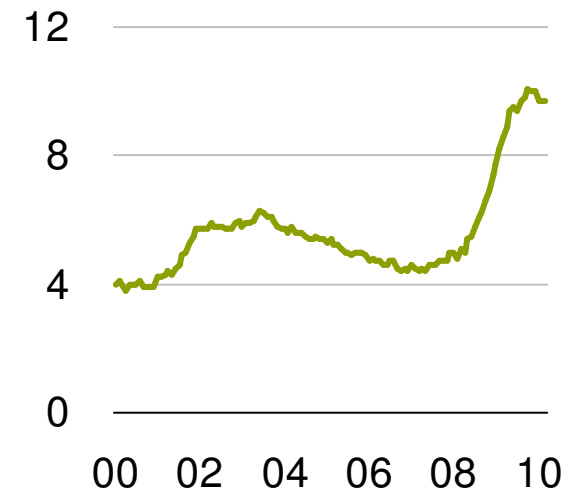
Contributions Are Down**

US\$ Billions



Beneficiaries' Need for Charity Is Up***

US Unemployment Rate Percent



What should a philanthropic organization do?
“Should I spend through the economic downturn, or should I cut back?”

Past performance does not guarantee future results.

*Source: FactSet, Morgan Stanley Capital International (MSCI) and AllianceBernstein

**Source: *Center on Wealth and Philanthropy: Forecast for 2009*, by John J. Havens and Paul G. Schervish *Advancing Philanthropy*, January/February 2010. Cited 2009 data are the average of the low-growth (\$221.06 billion) and high-growth (\$223.13 billion) projections.

***Data through March 2010, seasonally adjusted

Source: US Bureau of Labor Statistics

Reaching Charitable Goals Requires Planning

- **Can I still afford to give** and live?
- **How much can I give** and still feel safe, even in poor markets?
- What effect will charitable giving have on the **legacy I leave to my family?**
- **Which assets** should I gift? **When?**
- Should I **gift directly** or through a **structured vehicle?**
- **Which vehicle is best for me**—a private foundation, CRT, or CLAT?

Can I Still Afford to Make Gifts? Core vs. Excess Capital

Lifestyle Spending

Personal Reserve

Charity

Children

Grandchildren

Great Grandchildren

Core Capital

- Amount to ensure spending needs are met
- Calculated at 95% level of confidence

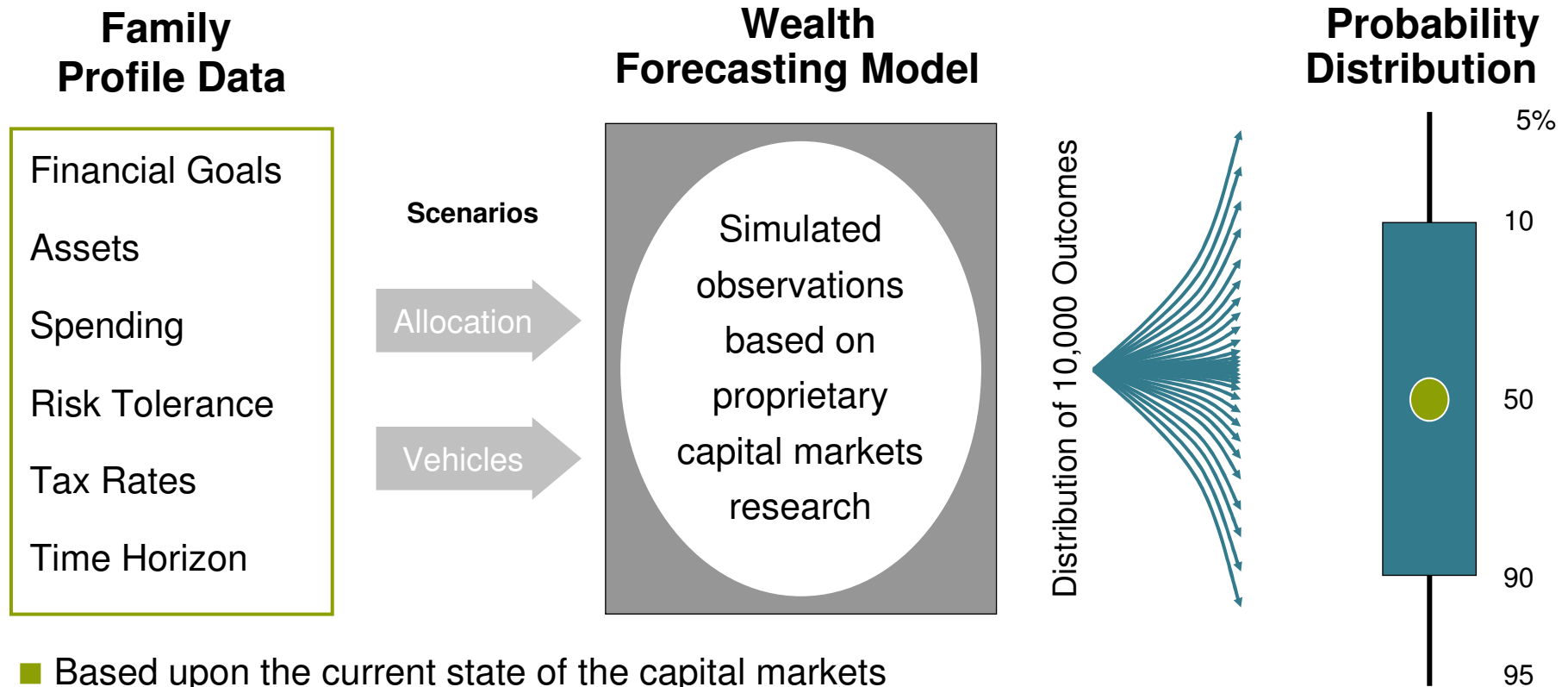
- How much do you spend?
- What is your age?
- What is your risk tolerance?

Excess Capital

- Amount that can be transferred

- How much?
- To whom?
- How quickly?
- What techniques?

Quantifying a Donor's Gifting Capacity – An Analytical Approach



- Based upon the current state of the capital markets
- Prospective returns
- Forecasts returns for 30+ asset classes and 16 different planning vehicles
- Tracks wealth of Charity, G1, G2 and G3 after income and transfer taxes

Age and Spending Determine Core Capital

Example
 60-Year-Old Couple
 Spending Needs: \$200K
 ÷ Spending Rate: 3.2%
 = Core Capital: \$6.3 Mil.

Sustainable After-Tax Spending Rate in Hostile Markets*

Age	50	55	60	65	70	75	80	85
Spending Rate	2.8%	3.0%	3.2%	3.5%	3.9%	4.4%	5.1%	6.0%

Annual Spending

Core Capital Amounts (\$ Millions)

\$100,000	\$3.6	\$3.3	\$3.1	\$2.9	\$2.6	\$2.3	\$2.0	\$1.7
\$200,000	7.1	6.7	6.3	5.7	5.1	4.5	3.9	3.3
\$300,000	10.7	10.0	9.4	8.6	7.7	6.8	5.9	5.0
\$400,000	14.3	13.3	12.5	11.4	10.3	9.1	7.8	6.7
\$500,000	17.9	16.7	15.6	14.3	12.8	11.4	9.8	8.3
\$750,000	26.8	25.0	23.5	21.4	19.2	17.0	14.7	12.5
\$1.0 Mil.	35.7	33.3	31.3	28.6	25.6	22.7	19.6	16.7

Data do not represent past performance and are not a promise of actual future results.

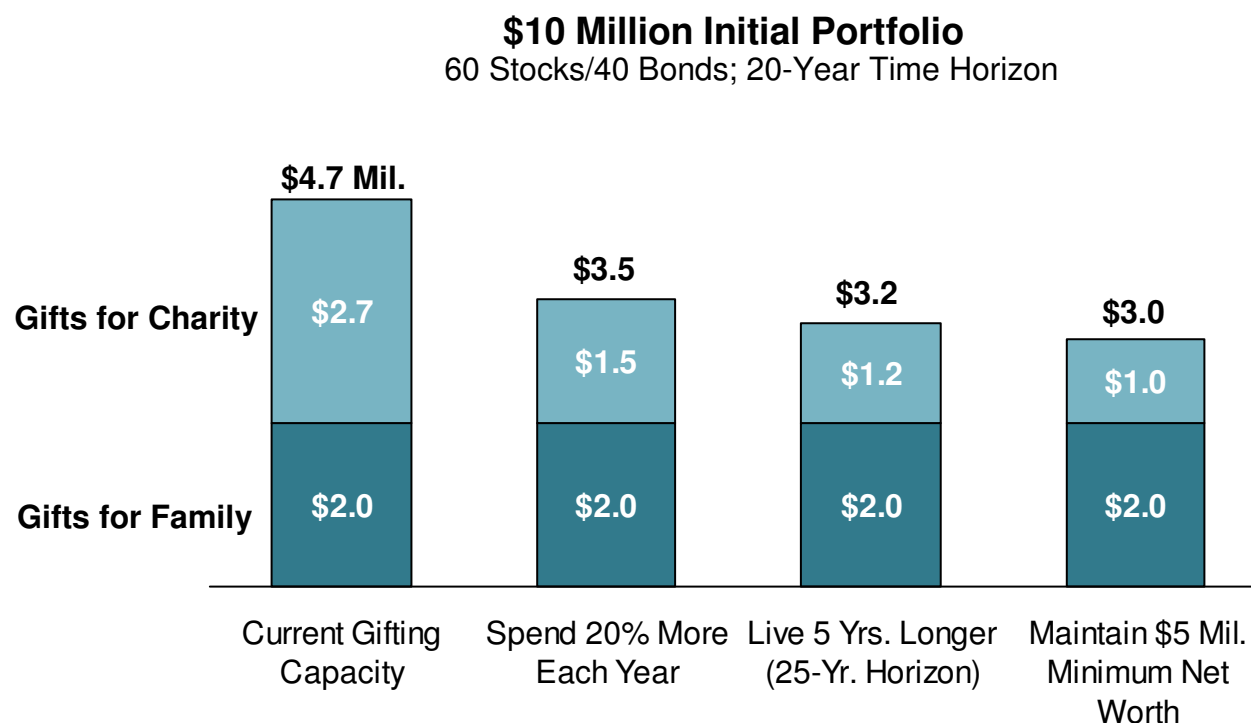
*These spending rates are for couples and assume an allocation of 60% globally diversified stocks (35% US Value and 35% US Growth, 25% developed foreign markets, 5% emerging markets) and 40% diversified intermediate-term municipal bonds. Spending is percentage of initial value of portfolio grown with inflation; sustainable spending rates assume maintaining spending with a 95% level of confidence. Based on Bernstein estimates of the range of returns for the applicable capital markets over the periods analyzed. See Notes on 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. In our mortality adjusted analyses, the lifespan 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 AllianceBernstein

Calibrating Gifting Levels: Exploring Risk Tolerance and Goals

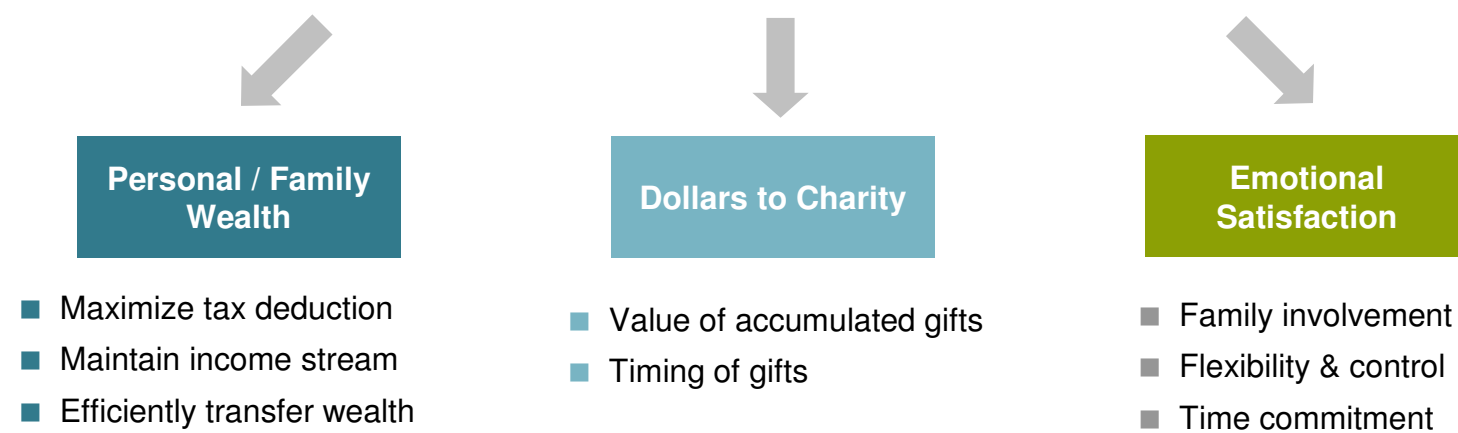
- Charitable gifting is highly sensitive to changes in the donor's circumstances and his/her family wealth-transfer goals



Gifting capacity is based on the amount the grantor can gift and still have a 95% probability of meeting his predetermined goal over the applicable time horizon. Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 20 years. Data do not represent any past performance and are not a promise of actual future results. For further details, see Notes on Wealth Forecasting System at the end of this presentation. Equity allocation is 35% U.S. Value, 35% U.S. Growth, 25% Developed Foreign, 5% Emerging Markets. Bond allocation is intermediate-duration diversified municipal bonds.

Prioritizing the Goals of Charitable Giving

The right vehicle(s) depends on how you prioritize *personal* and *philanthropic* objectives



A wide range of alternatives for giving, including:

Charity Sole Beneficiary

- Direct Gifts
- Private Foundations
- Donor-Advised Funds

Significant Donor Benefit

- Charitable Remainder Trusts
- Charitable Lead Annuity Trusts
- Charitable Gift Annuities

Private Foundations: The Ledger

Personal / Family Wealth

- Large up-front tax deduction...
- ...**but** more restrictive deduction limitations than other gifting alternatives

Dollars to Charity

- Virtually tax-free growth and diversification of assets
- Minimum payout of 5% each year...
- ...**but** can be costly to run, and
- a 1–2% excise tax on net investment income is levied

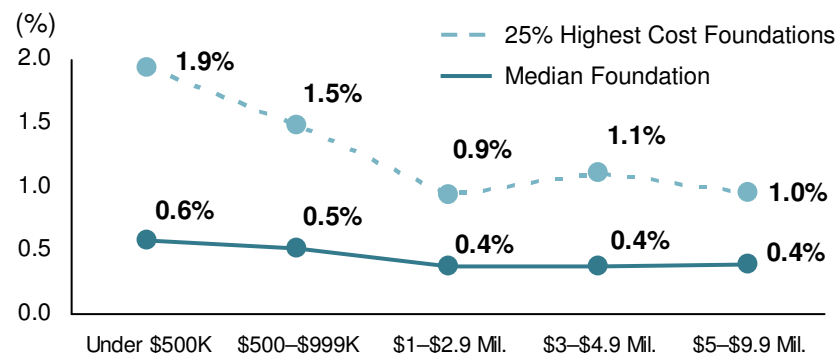
Emotional Satisfaction

- Full control over assets and grant-making
- May last for decades, potentially into perpetuity
- Establishes multi-generational philanthropic legacy...
- ...but donor must file detailed public reports and satisfy other complex administrative requirements

Private Foundations: A Potential Boon for Charity

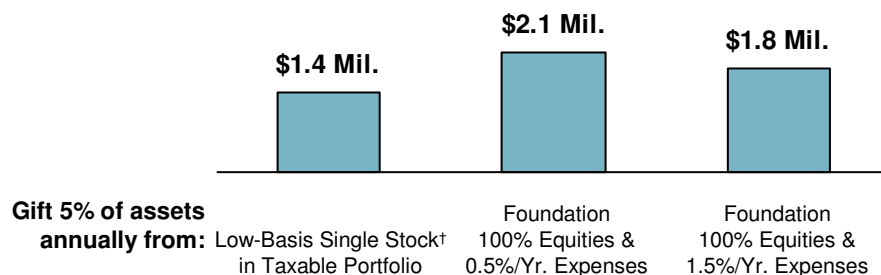
- Most foundations—even those under \$1 million—have reasonable expense ratios

Operating & Administrative Expenses as % of Foundation Assets



- The advantage of virtually tax-free growth and diversification is likely to exceed foundation costs

Total Inflation-Adjusted Dollars to Charity: Year 20, Median Case; \$1 Mil. Initial Value*



*Includes accumulated gifts made to charity and any portfolio remainder. At 10% level of confidence, value from low-basis single-stock portfolio is \$4.6 mil., \$4.0 mil. from a foundation with a 0.5% expense ratio, and \$3.4 mil. from a foundation with a 1.5% expense ratio. At 90% level of confidence, values are \$0.6 mil., 1.2 mil., and \$1.0 mil., respectively. Stocks are globally diversified: 35% U.S. Value, 35% U.S. Growth, 25% Developed International, and 5% Emerging Markets.

†Single-stock is a stock with average volatility and dividend yield. Throughout this analysis, foundation forecasts factor in an excise tax of 1–2% of net investment income.

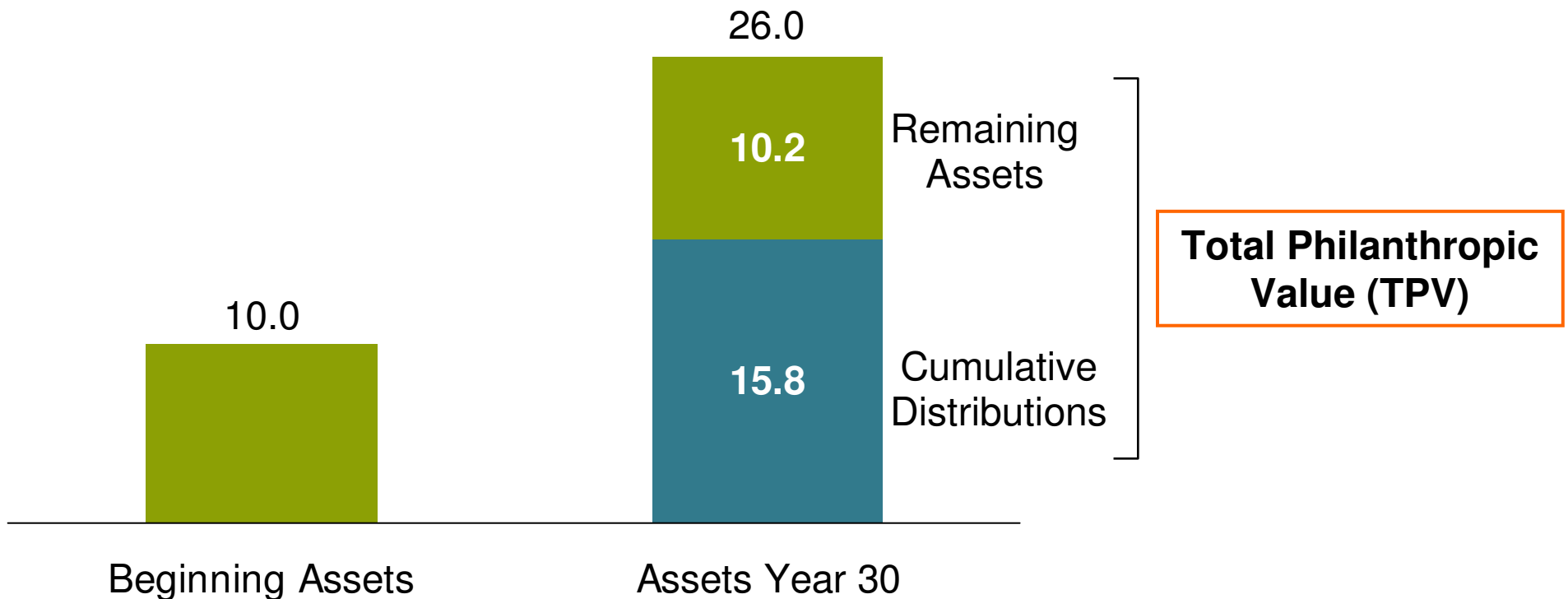
Based on Bernstein's estimates of the range of returns for the capital markets over the next 20 years. Data do not represent any past performance and are not a promise of actual future results.

See Notes on Wealth Forecasting System at the end of this presentation for further details.

Source: Association of Small Foundations—2004 Survey

Total Philanthropic Value (TPV) Defined

70% Stocks/30% Bonds, Distributing 5% Annually
Median Forecast Results, Adjusted for Inflation (US\$ Millions)



Initial assets of \$10 million.

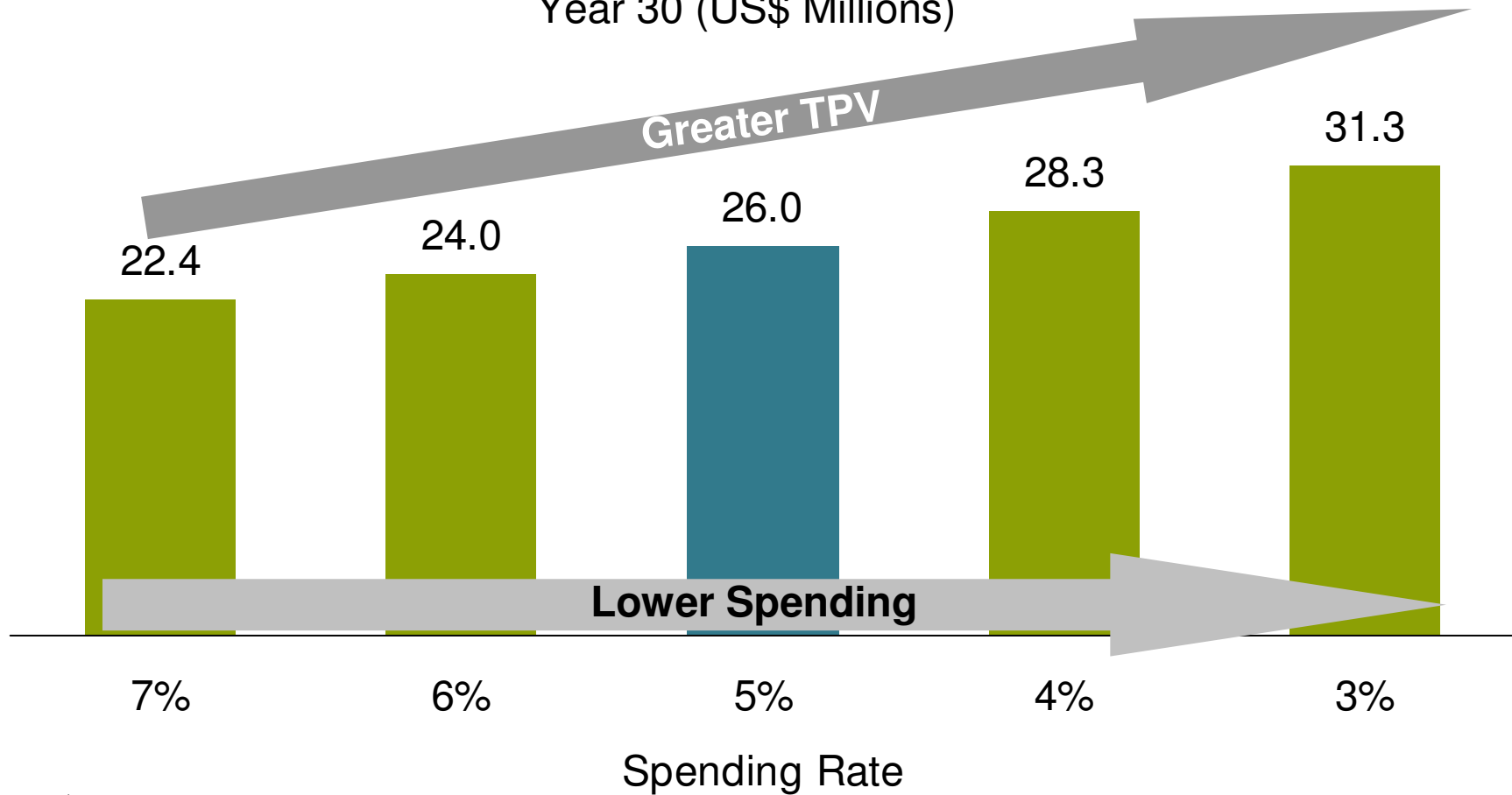
Asset allocation is 65% Global Stocks/25% Intermediate Taxable Fixed Income/10% REITs. Global Stocks are 35% US Value/35% US Growth/25% Developed International/5% Emerging Markets. See Notes on Wealth Forecasting System in the Appendix of this presentation.

TPV Paradox: Lower Spending Means More Charitable Impact

TPV vs. Spending Rate

70% Stocks/30% Bonds

Year 30 (US\$ Millions)

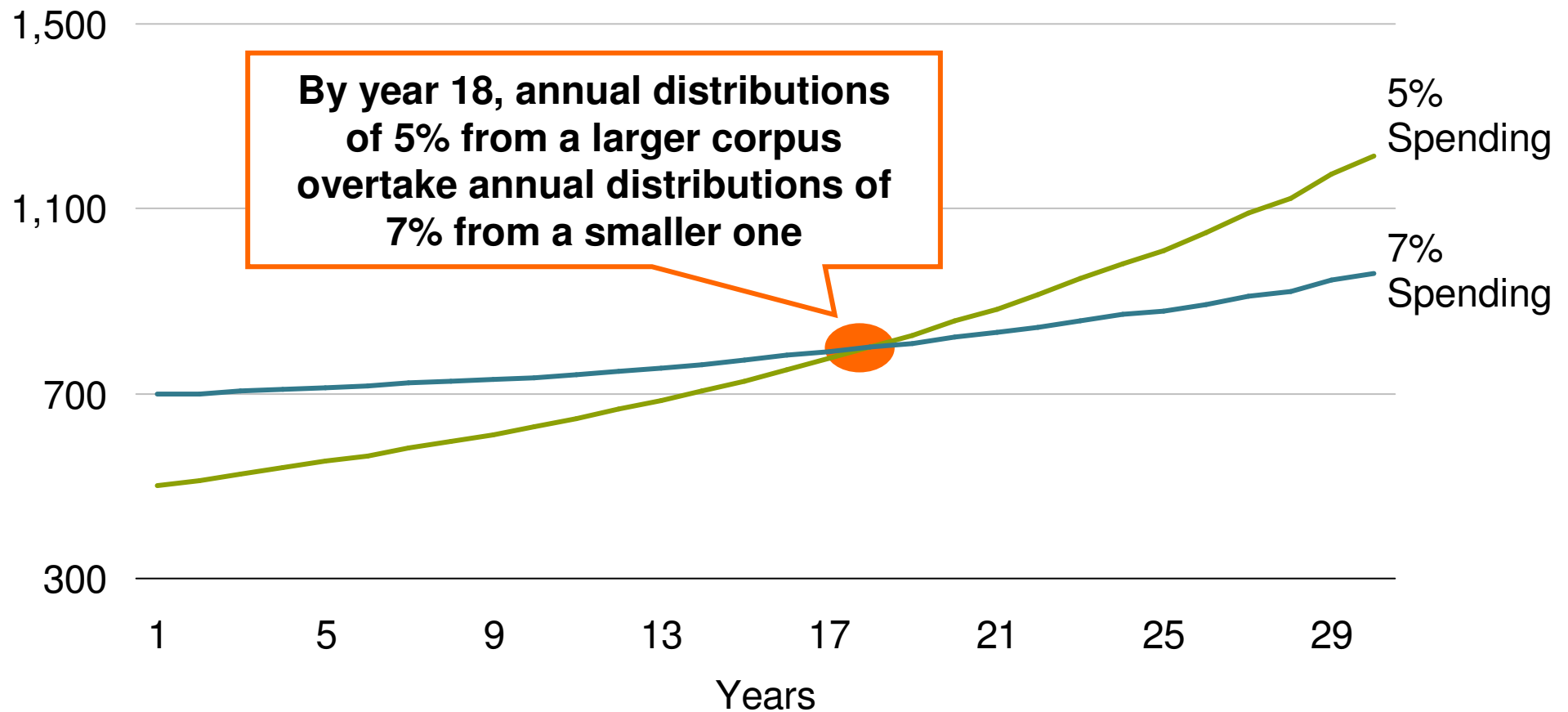


Initial assets of \$10 million.

Asset allocation is 65% Global Stocks/25% Intermediate Taxable Fixed Income/10% REITs. Global Stocks are 35% US Value/35% US Growth/25% Developed International/5% Emerging Markets. See Notes on Wealth Forecasting System in the Appendix of this presentation.

...And, in Time, Greater *Annual* Spending

Annual Distributions US\$ Thousands

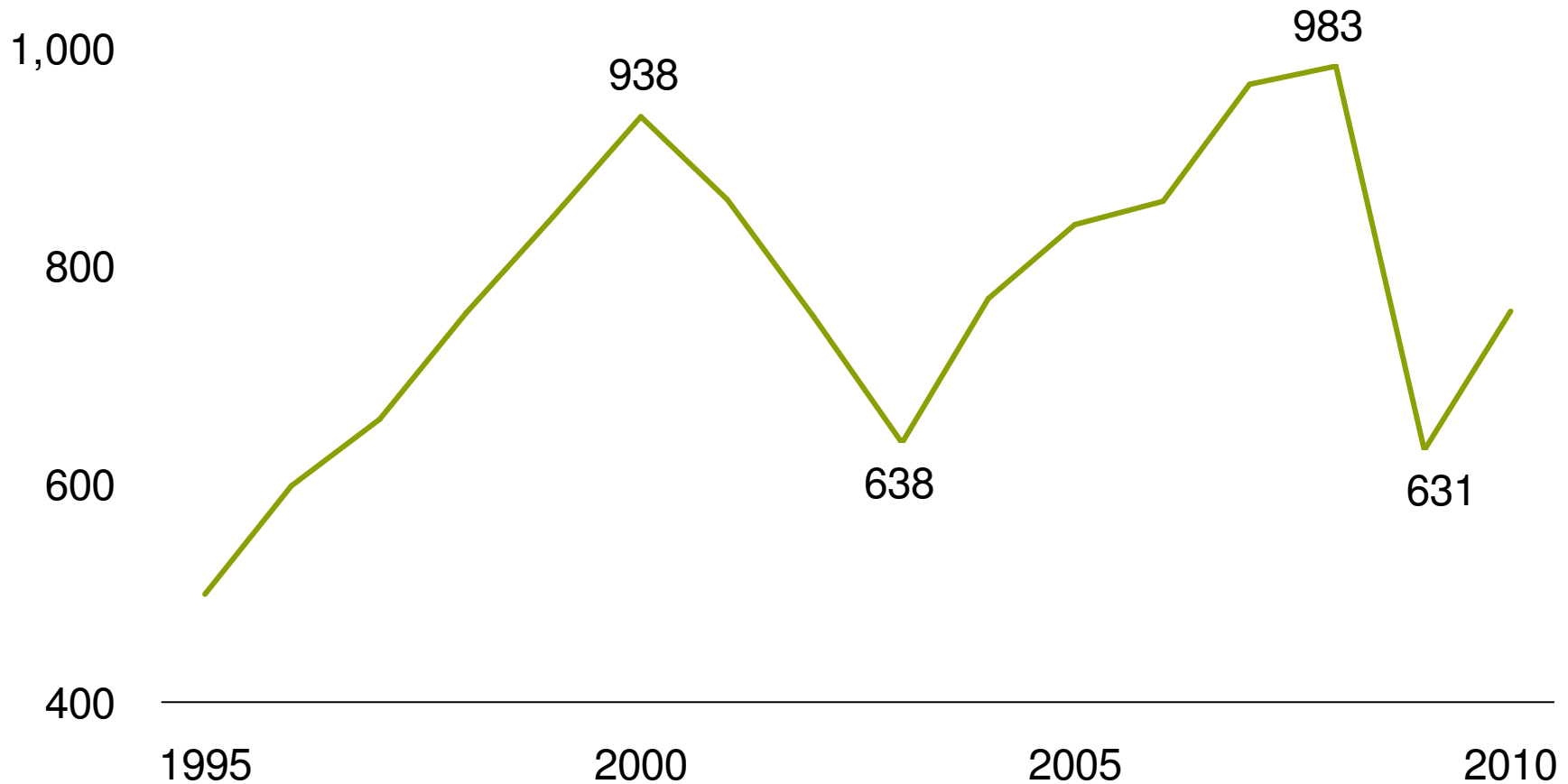


Initial assets of \$10 million.

Asset allocation is 65% Global Stocks/25% Intermediate Taxable Fixed Income/10% REITs. Global Stocks are 35% US Value/35% US Growth/25% Developed International/5% Emerging Markets. See Notes on Wealth Forecasting System in the Appendix of this presentation.

But Market Volatility Can Impact Distributions

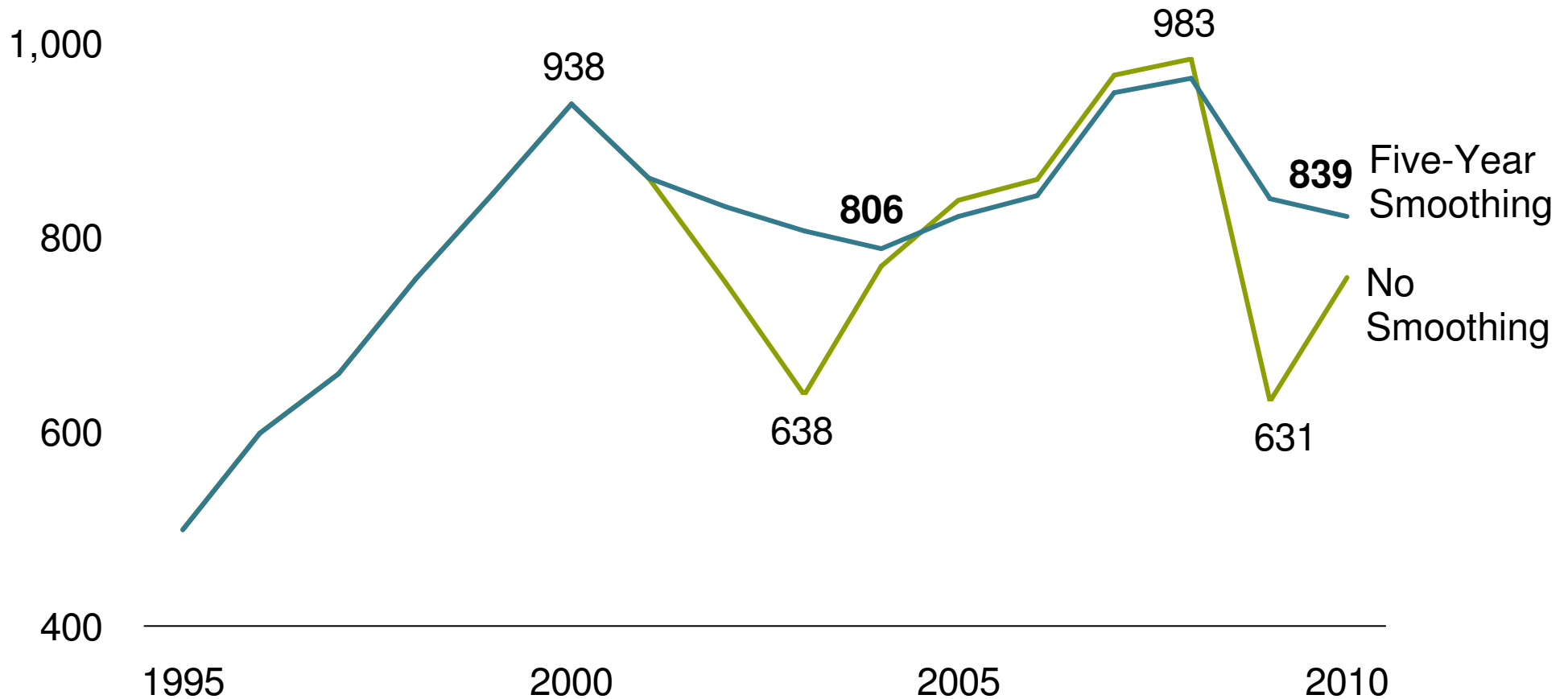
5% Spending, \$10 Million Foundation 70% Stocks/30% Bonds (US\$ Thousands)



Past performance does not guarantee future results.
Initial assets of \$10 million.
See Note on Asset Allocation in Historical Studies in Appendix.

Smoothing Reduces Annual Declines in Distributions

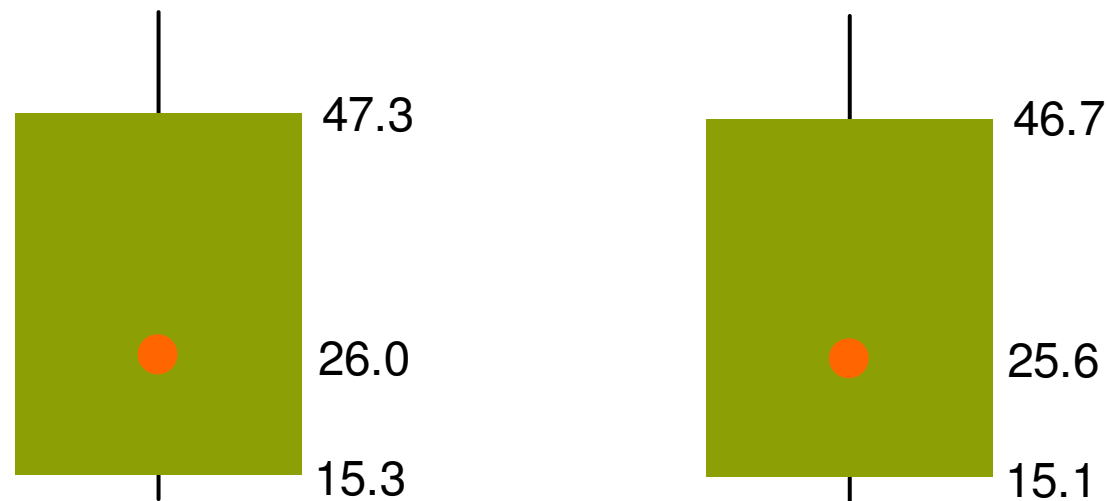
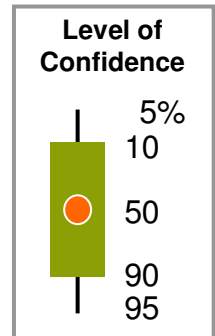
5% Spending, Smoothed, \$10 Million Foundation
70% Stocks/30% Bonds (US\$ Thousands)



Past performance does not guarantee future results.
Initial assets of \$10 million.
See Note on Asset Allocation in Historical Studies in Appendix.

Smoothing Has Minimal Effect on Total Philanthropic Value

5% Spending, 5% Minimum Distribution
70% Stocks/30% Bonds
Year 30 (US\$ Millions)



No Smoothing

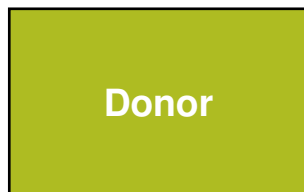
Five-Year Smoothing

Initial assets of \$10 million.

Asset allocation is 65% Global Stocks/25% Intermediate Taxable Fixed Income/10% REITs. Global Stocks are 35% US Value/35% US Growth/25% Developed International/5% Emerging Markets. See Notes on Wealth Forecasting System in the Appendix of this presentation.

Charitable Remainder Trusts (CRTs)

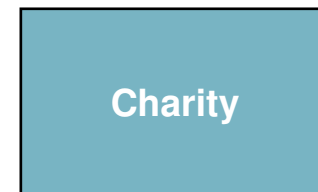
Contribution of
appreciated assets



Immediate charitable
income-tax deduction*



Remainder when
trust expires



Annual cash payouts:
percentage of CRT value or
fixed dollar amount*



Recipient pays taxes on
payouts

*Throughout this presentation, we assume a unitrust rather than a fixed-dollar annuity trust.

Charitable Remainder Trusts (CRTs): The Ledger

Personal / Family Wealth

- Create income stream for donor or family
- Diversify low-basis assets in tax-deferred environment
- Up-front income-tax deduction...
- ...**but** deduction limited based on expected value to charity

Dollars to Charity

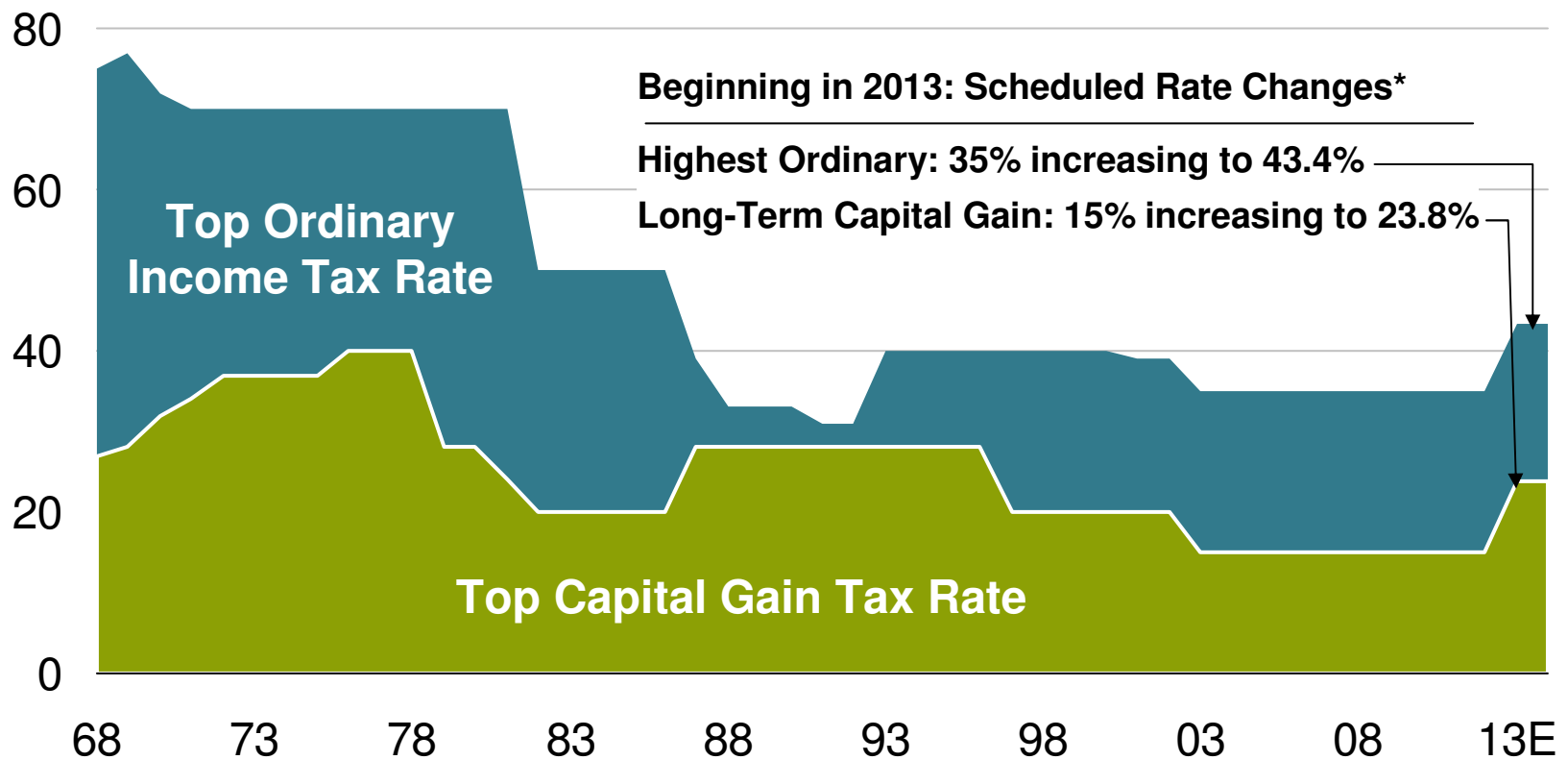
- Assets grow in tax-advantaged environment...
- ...**but** charity does not receive gift until trust expiration, and
- size of gift highly dependent on payout and allocation decisions

Emotional Satisfaction

- Combines personal benefit with charitable benefit in one vehicle
- Can be used in conjunction with a private foundation

Temporary Income Tax Law

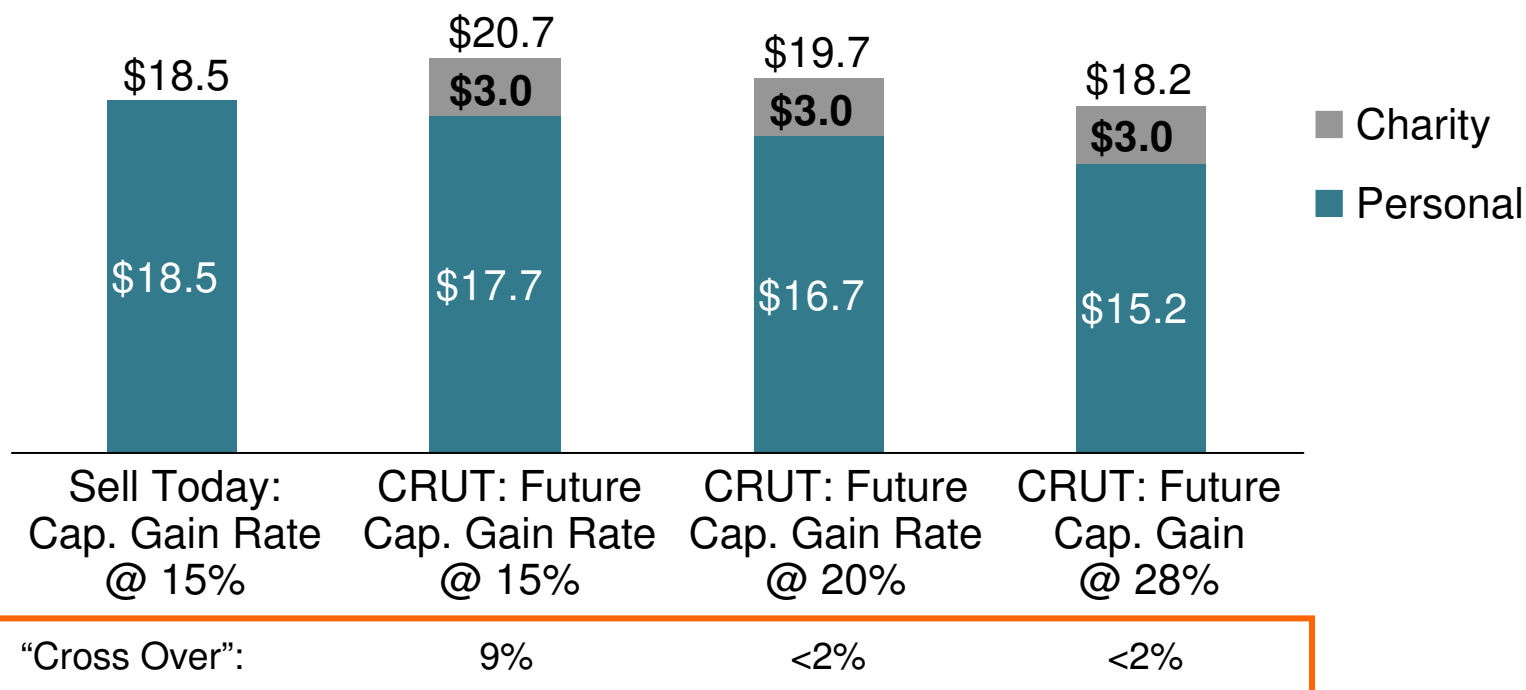
Top Marginal Federal Ordinary and Capital Gain Tax Rates Percent



*Based on Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010.
Source: IRS and AllianceBernstein

CRT Does Not Make Sense Today for Maximizing Personal Wealth

Median After-Tax Wealth* \$ Millions (Inflation-Adjusted), Year 20

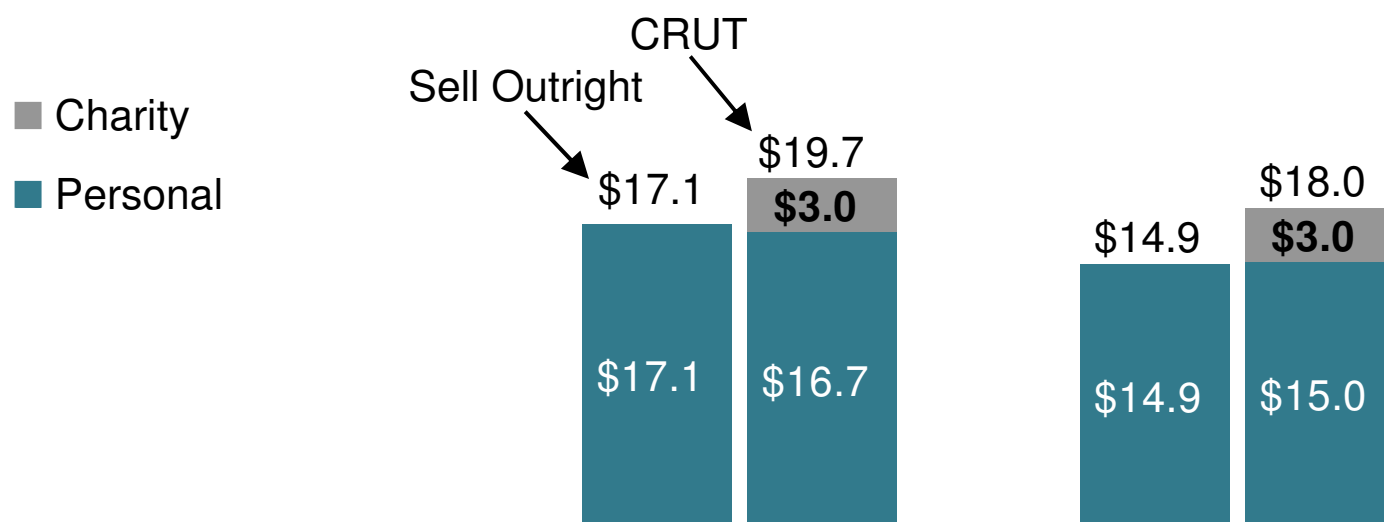


Assumes a 65-year-old couple, \$10 million single stock, \$0 basis

*Personal and CRT assets invested in 60% globally diversified equity/40% intermediate duration municipal bonds. \$1 million income tax deduction available in CRT alternative (10% of initial CRT value-11.66% unitrust). Maximum payout calculated using December 2008 7520 rate of 3.4%. Where applicable, tax rate increases are assumed to begin in 2010. "Cross Over" defined as point at which accumulated personal wealth from CRT exceeds personal wealth created from an outright stock sale. See Notes for Wealth Forecasting System at the end of this presentation.

After Rates Have Gone Up, a CRT Makes Sense

Median After-Tax Wealth* \$ Millions (Inflation-Adjusted), Year 20

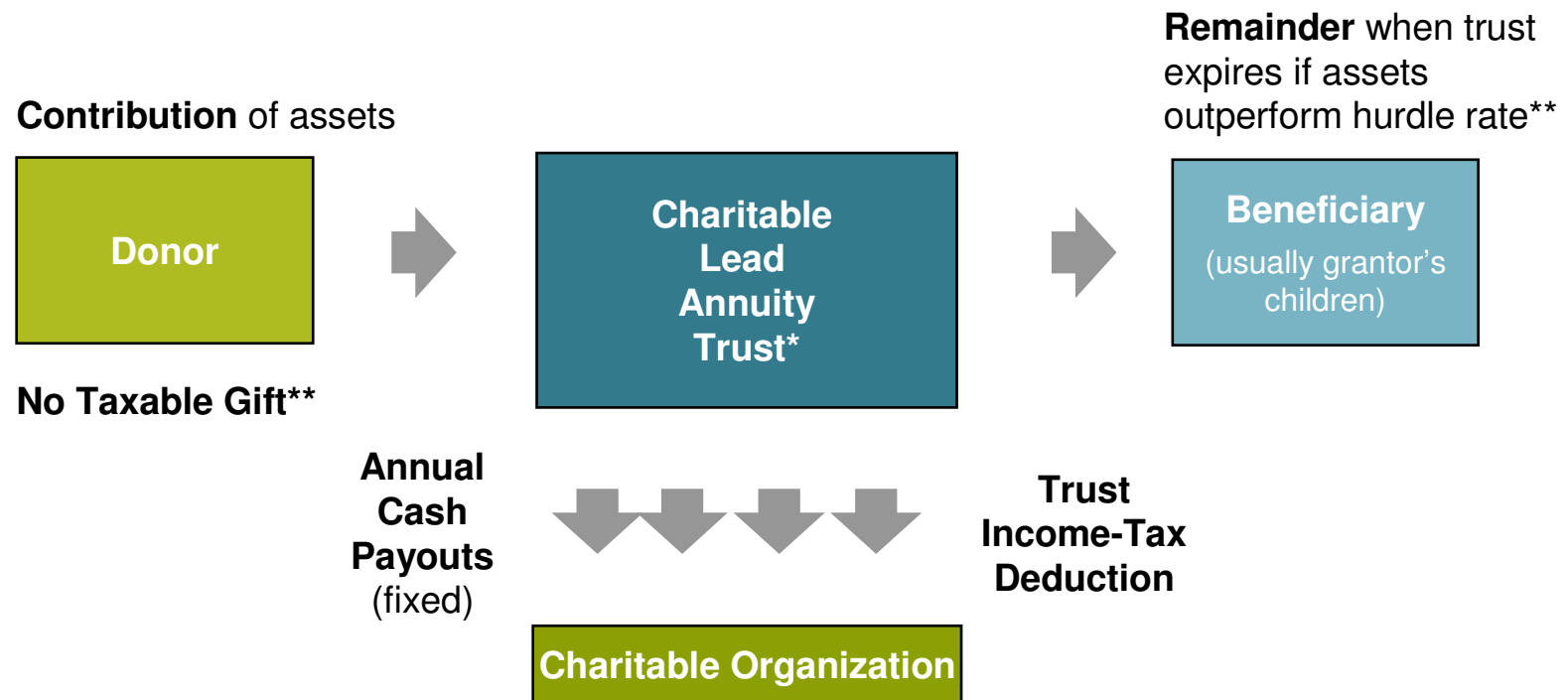


Capital Gains Rate**	20%	28%
Probability of "Cross Over":	23%	56%

Assumes a 65-year-old couple, \$10 million single stock, \$0 basis

*Personal and CRT assets invested in 60% globally diversified equity/40% intermediate duration municipal bonds. \$1 million income tax deduction available in CRT alternative (10% of initial CRT value—11.66% unitrust). Maximum payout calculated using December 2008 7520 rate of 3.4%. Where applicable, tax rate increases are assumed to begin in 2010. "Cross Over" defined as point at which accumulated personal wealth from CRT exceeds personal wealth created from an outright stock sale. See Appendix for Wealth Forecasting System notes and assumptions.

Charitable Lead Annuity Trusts (CLATs)



*Assumes a non-grantor trust.

**Assumes a zeroed-out CLAT. If a trust is zeroed-out, the present value of its annuity stream, discounted by the IRS Section 7520 rate when the trust was established, equals the grantor's original contribution. The entire remainder, if any, of a zeroed-out trust can be transferred to the beneficiaries free of gift or 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 decision.

CLATs: The Ledger

Personal / Family Wealth

- Potential to pass wealth to children free of gift/estate tax...
- ...**but** success requires outperforming hurdle tied to interest rates, and
- tax deduction goes to trust, not to donor

Dollars to Charity

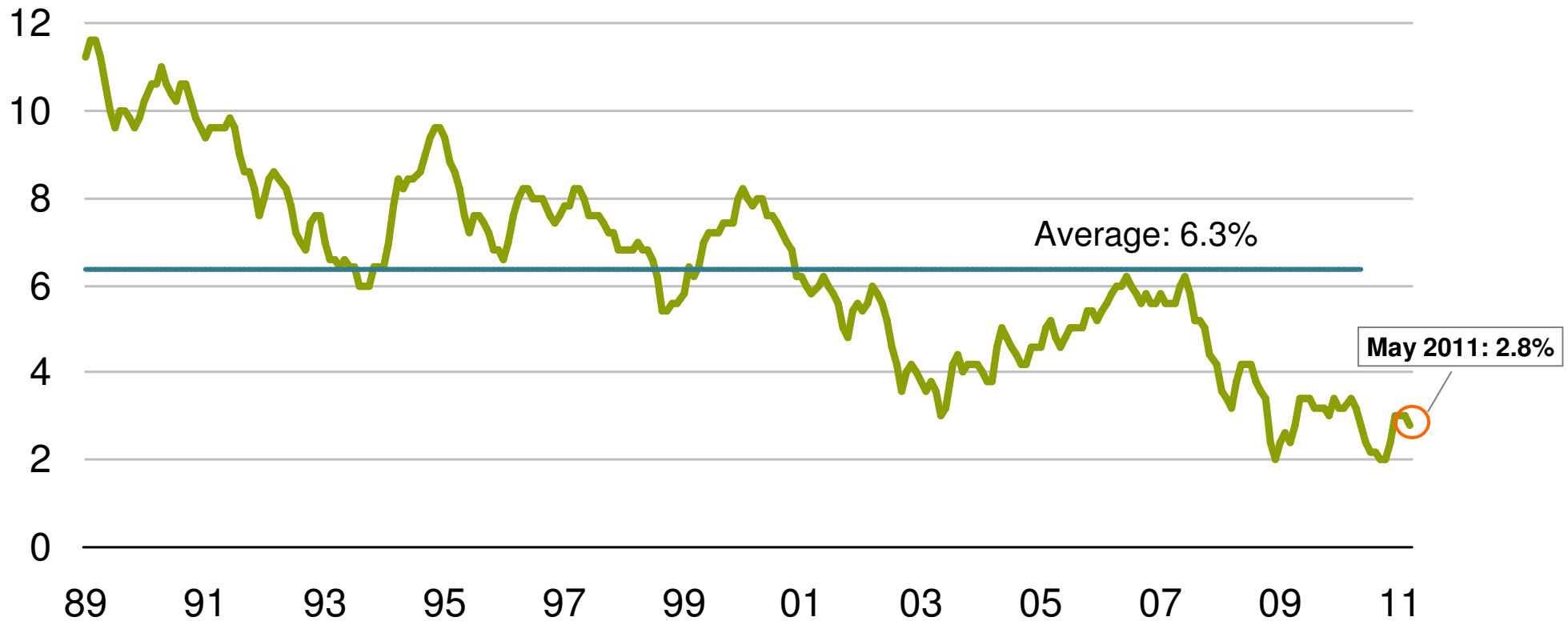
- Annuity payment provides stable charitable commitment...
- ...**but** charity's financial upside is limited

Emotional Satisfaction

- Combines potential family benefit with charitable commitment in one vehicle
- ...**but** generational wealth transfer may take time and is not assured

The Section 7520 Rate Still Near Historic Lows

Section 7520 Rate (%)**



*Section 1274(d) of the Internal Revenue Code of 1986, as amended (Code)

**Code Section 7520. As of January 2011.

Source: Internal Revenue Service (IRS) and AllianceBernstein

CLATs Are Particularly Attractive

Median Wealth Transferred*

\$10 Million, Non-Grantor CLATs
(1.8% 7520 Rate, Real, \$ Millions)



Probability of CLAT Success**

100% Global Equities

87%

92%

95%

*Median inflation-adjusted non-grantor CLAT remainder assuming \$10 million zeroed-out CLAT funded at 1.8% 7520 rate, invested 100% global equity.

**Probability of remainder interest >\$0.

Source: AllianceBernstein

Rev. Proc. 2007-45, 2007-29 IRB 89

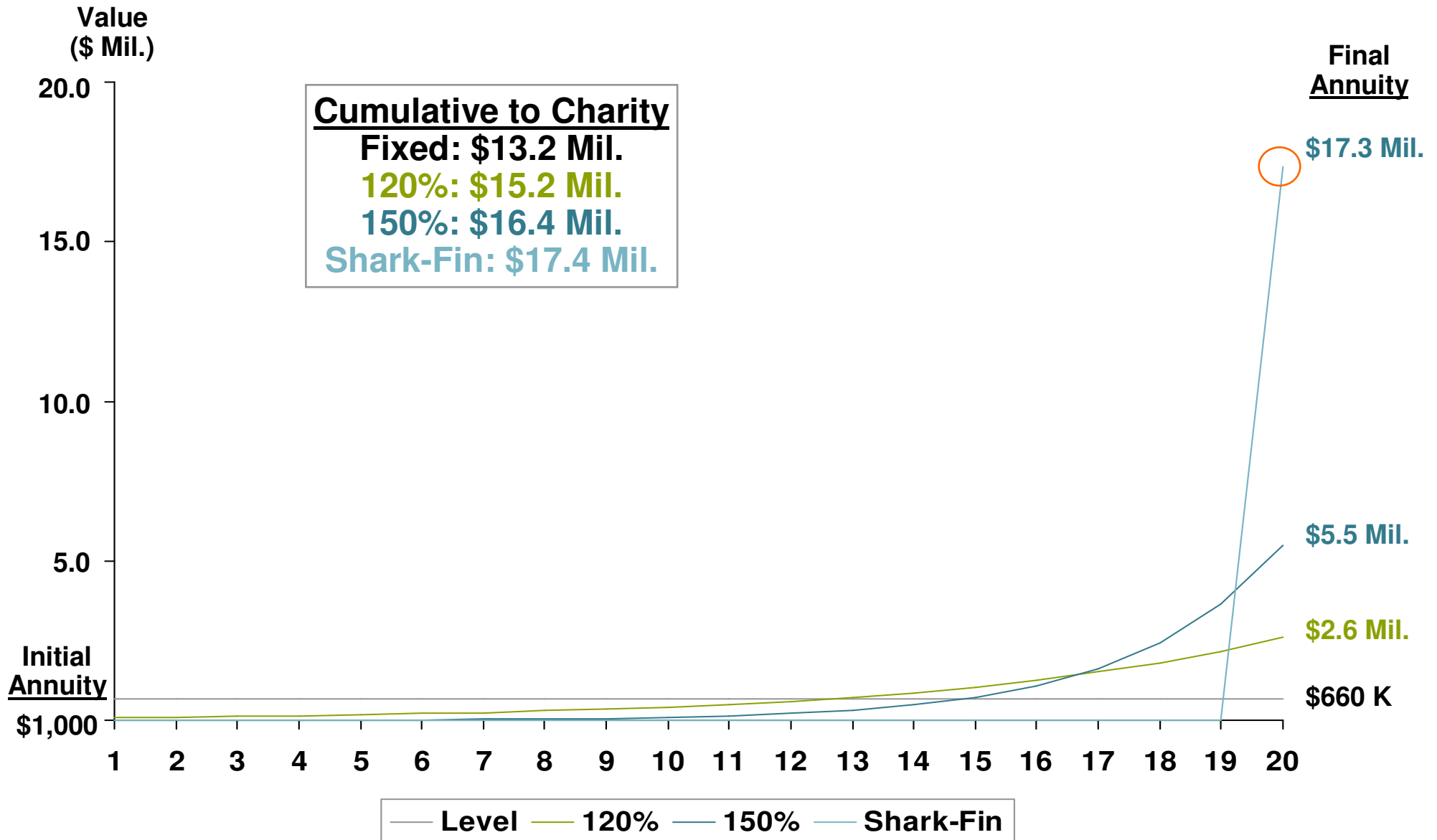
■ Guaranteed Annuity

- Determinable amount
- Paid periodically
- Not less than annually

■ Payment Requirements

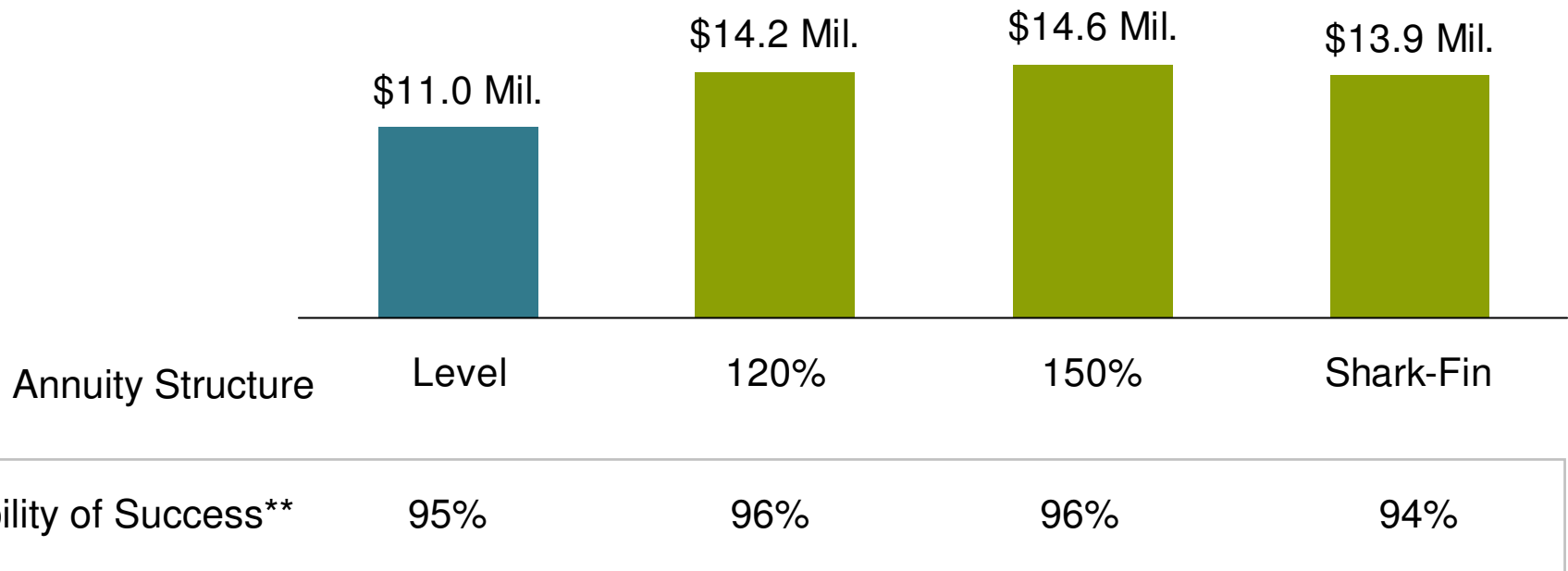
- Not subject to any minimum or maximum payout
- May provide for an annuity amount that is:
 - Fixed dollar
 - But increases during the annuity period
 - Provided that the value of the annuity is ascertainable at the time the trust is funded

Possible Guaranteed Annuities (Extreme Shark-Fin for 20 Years)



Back-Loading Increases Wealth Transfer...Up to a Point

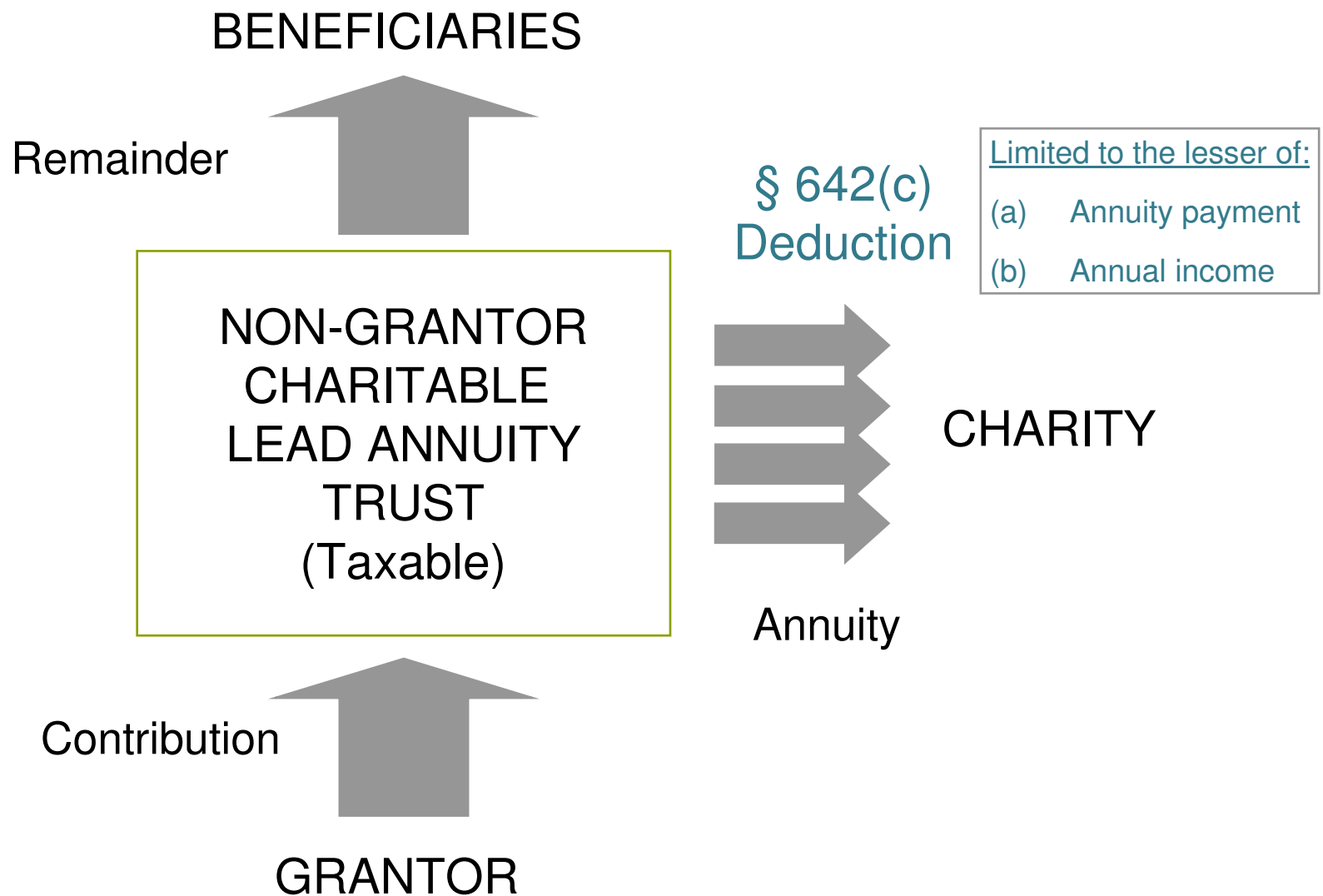
Median Wealth Transferred*
 \$10 Million, 20-Year Term CLAT
 (After Inflation, \$ Millions)



*Median inflation-adjusted non-grantor CLAT remainder assuming \$10 million zeroed-out 20-year CLAT funded at 1.8% 7520 rate, invested 100% global equity.

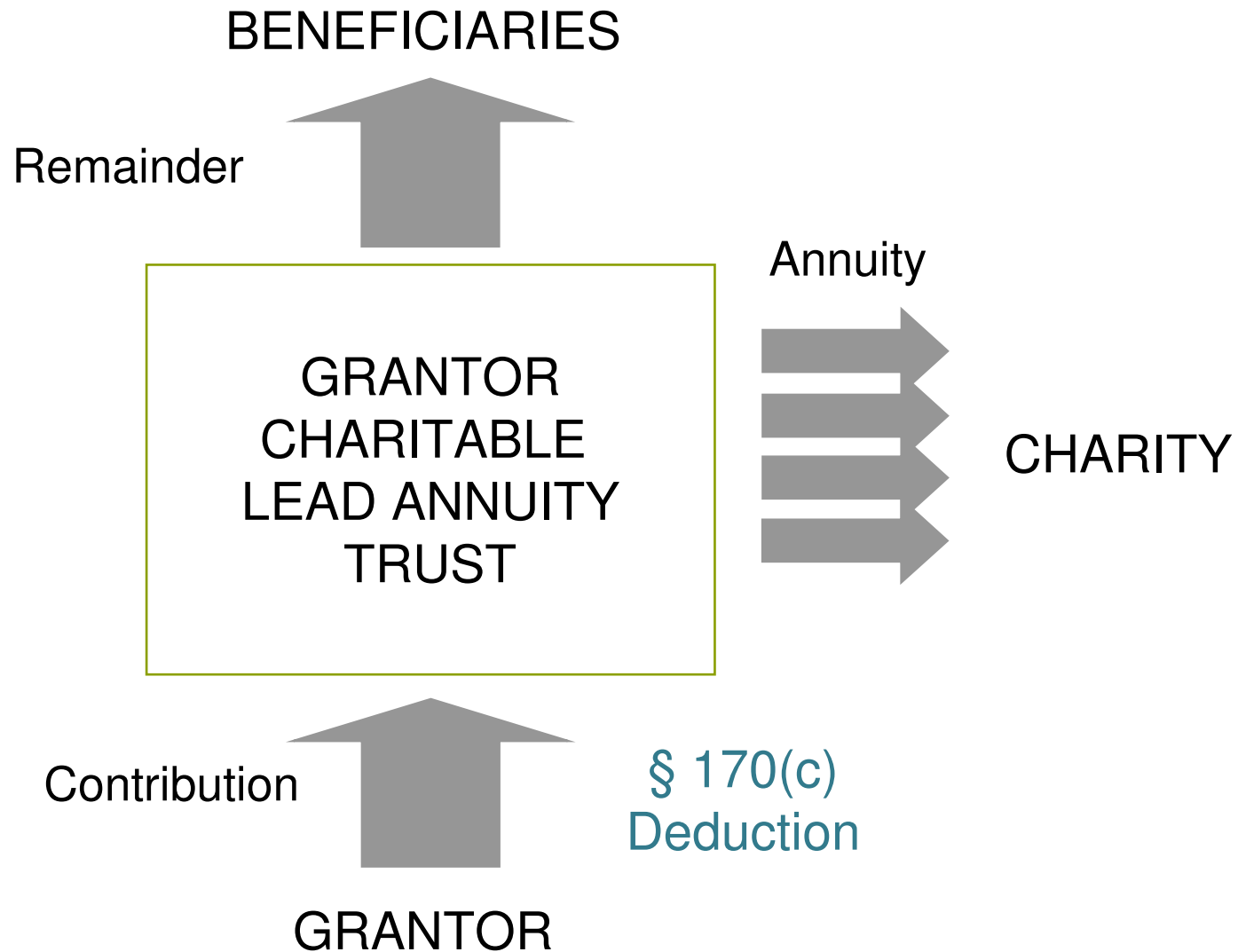
**Probability of remainder interest >\$0.

Non-Grantor Charitable Lead Trusts



Charitable Lead Trusts, as defined under Sections 170, 170A, 2055 and 2522 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), and the Treasury Regulations thereunder.

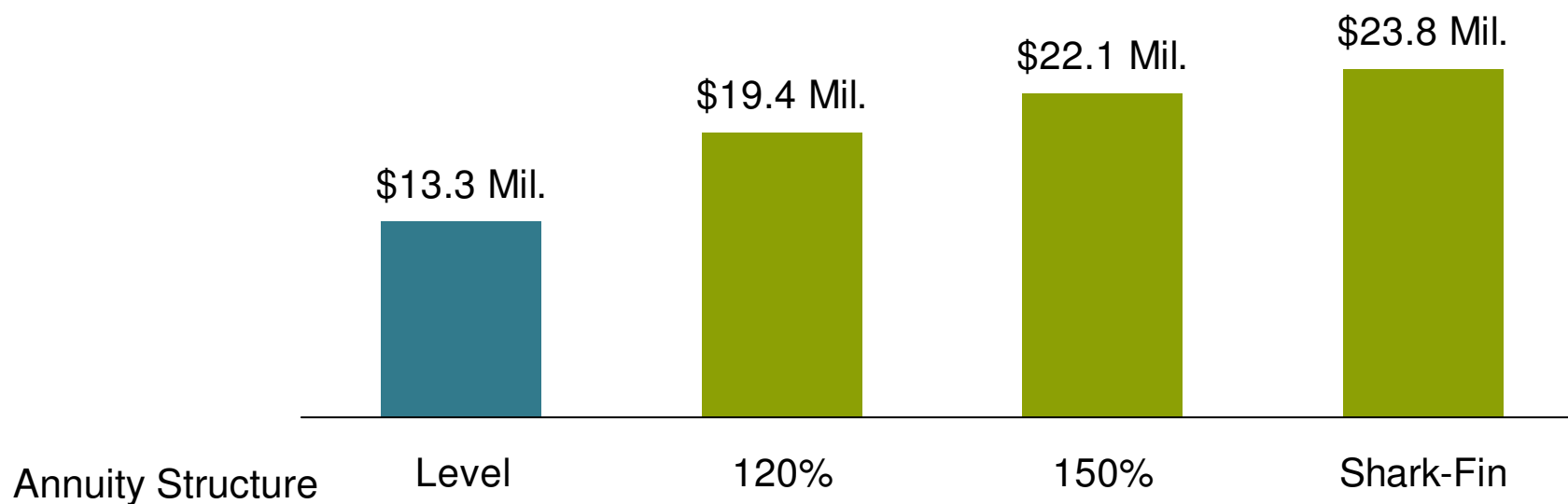
“Intentionally Defective” Grantor Charitable Lead Trusts



Charitable Lead Trusts, as defined under Sections 170, 170A, 2055 and 2522 of the Internal Revenue Code of 1986, as amended from time to time (the “Code”), and the Treasury Regulations thereunder.

“Intentionally Defective” Grantor CLAT

Median Wealth Transferred* \$10 Million, 20-Year Term CLAT (After Inflation, \$ Millions)



Probability of Success**

95%

97%

97%

98%

*Median inflation-adjusted grantor CLAT remainder assuming \$10 million zeroed-out 20-year CLAT funded at 1.8% 7520 rate, invested 100% global equity.

**Probability of remainder interest >\$0.

Why a CLAT Might Be a Viable Alternative to a Long-Term GRAT

- Arguably, no mortality risk
- May be able to use lower Section 7520 rate (“two-month look-back rule”)
- Not subject to 20-percent maximum annual increase in annuity value, see Rev. Proc. 2007-45
- Grantor gets economic benefit of upfront income tax charitable deduction, which may help offset inability to retain annuity stream

CLAT vs. GRAT Case Study

■ Investor profile

- CA resident, highest marginal income tax bracket
- Wishes to contribute \$10 million to a long-term GRAT
- Is not very charitably inclined, but is willing to consider a grantor CLAT if the non-charitable benefits of the strategy are compelling
- If investor establishes a grantor CLAT, he has a large enough contribution base in the current year to deduct the full \$10 million*—lucky him!

■ Asset allocation

- Investor: 50% globally diversified** stocks / 50% intermediate-term municipal bonds
- CLAT or GRAT: 100% globally diversified** stocks

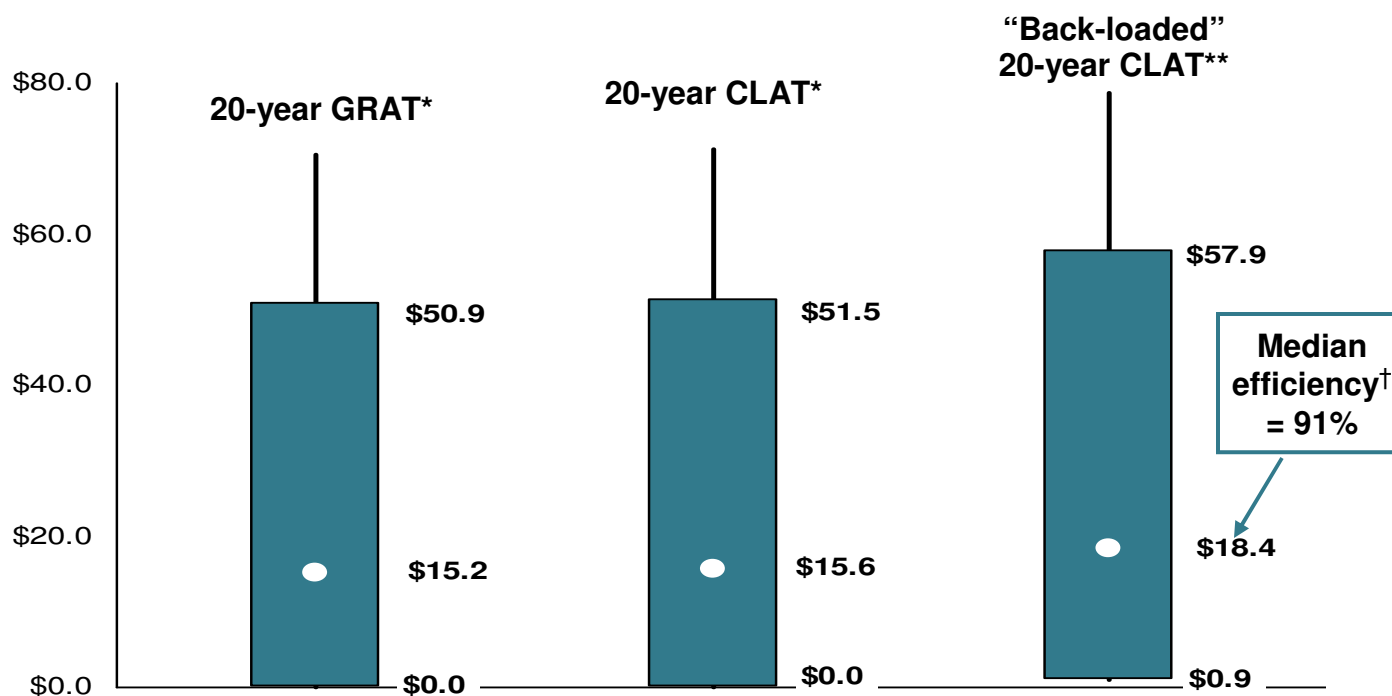
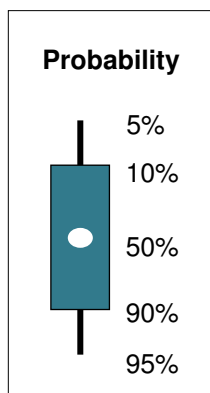
*Assumes that CLAT is zeroed-out. See Revenue Procedure 2007-45 regarding income tax deductibility of contribution to grantor CLAT.

**"Globally diversified" means 35% US value stocks, 35% US growth stocks, 25% developed international stocks, and 5% emerging market stocks. See Appendix, Notes on Wealth Forecasting System, for details.

Range of Remainder Values—20th Year

\$Millions (real)

10,000 Simulated Trials



Median relative net estate [†]	(\$ 4.5)	(\$ 2.1)
Median value to charity [‡]	\$11.0	\$11.1

Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 20 years. Data do not represent past performance and are not a promise of actual or range of future results. See Appendix, Notes on Wealth Forecasting System, for details.

*Annuity payments increase by 20% per year. GRAT was zeroed-out based on Section 7520 rate of 3.4%. CLAT was zeroed-out based on Section 7520 rate of 3.2%.

**In "back-loaded" 20-year CLAT, annuity payments are \$100K (nominal) for years 1 through 19, with balloon payment of approximately \$16.1 million in year 20. See Revenue Procedure 2007-45 for rules regarding structure of annuity payments.

†"Relative net estate" means difference, net of estate tax, between (i) value of grantor's estate after 20 years plus GRAT remainder (in GRAT scenario); and (ii) value of grantor's estate after 20 years plus CLAT remainder (in CLAT scenario). This difference is largely attributable to annuity payments that grantor receives from GRAT, but that are payable to charity from CLAT. This difference may be offset, in part, by economic benefit that grantor receives at inception of CLAT strategy due to income tax charitable deduction. "Efficiency" means (ii) divided by (i).

‡"Value to charity" means inflation-adjusted value of assets distributed to charity during annuity term of CLAT.

CLATs Now or Later?: Where Will the 7520 Rate Be When It Counts?

Testamentary CLAT 10 Years Later

Median Wealth Transferred* at End of 20-Year Term (Inflation-Adjusted)
(\$ Millions)

75% Chance of Mid to High 7520 Rate**



*Zeroed-out 20-year testamentary CLAT established 10 years from now at prevailing 7520 rate (funded with \$10 million). Low Section 7520 rates are the lowest quartile; Mid the second and third quartiles; High, the highest quartile. Probability of success is defined as the probability of having some assets remaining in the portfolio at the end of the 20-year testamentary CLAT.

**Only 13.6% of forecasted trials resulted in a 7520 rate of 2.0% or less 10 years from now.

Source: AllianceBernstein

Summary: Charitable Planning in Today's Environment

- Foundations and Direct Gifts - Consider delaying gift if sole goal is to maximize tax benefit
 - 35.0% benefit changing to 39.6% benefit = 13.1% hurdle

- CRTs don't maximize personal wealth in current environment but still work in the right circumstances
 - Will be more beneficial when capital gains taxes rise
 - Still could make sense to sell today in CRT if holding a low-basis concentration
 - Smaller gift to private foundation may be better alternative

- Grantor CLAT has both income tax and estate tax savings
 - Meet charitable and wealth transfer objectives with a high degree of confidence
 - 7520 rates are rising but still historically low
 - Grantors with T-CLATs as part of their estate plan should consider inter-vivos CLATs

Summary (cont.)

- Understand the gifting potential of the donor
- Recognize the various tax implications of alternative vehicles
- Probe for and understand the donor's goals
 - Personal/Family
 - Charitable
 - Emotional
- Build an investment strategy that optimizes achievement of the donor's goals
- Revisit the plan regularly

Appendix

Perpetuity....and Beyond

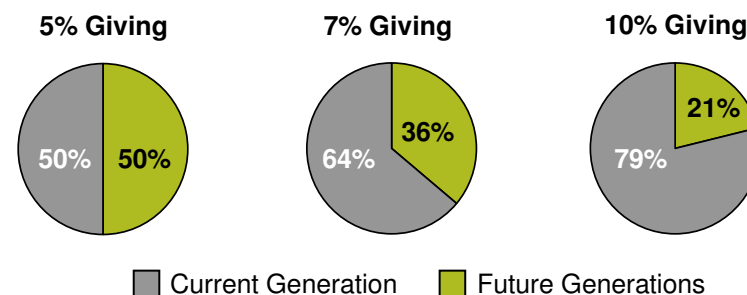
- Perpetuity is far from the only potential goal for a foundation...

- ... and indeed one key factor can be who's likely to control the lion's share of the giving—the donor or future generations; the answer depends mostly on the payout rate

Typical Donor Goals:

- Involve children in philanthropy and charitable vision
- Provide stable gifts—give when charity most in need
- Make large current impact on charity
- Give over finite period of time

Share of Charitable Giving—20-Year Horizon: Invested in 70/30 Balance*



*70/30 balance includes 10% in REITs, which is allocated half to the stock weighting and half to the bond weighting.

Based on Bernstein estimates of the range of returns for the capital markets over the next 20 years. Data do not represent any past performance and are not a promise of actual future results. See Notes on Wealth Forecasting System at the end of this presentation for further details

Comparison: Private Foundations vs. Alternatives

Vehicle	Legal Control of Assets and Grants	Family Involvement	Personal Income Tax Deduction	Administration/ Costs
Private Foundations	Yes	Often Extensive	Most restrictive	Can be significant
Public Charities (Donor-Advised Funds, Supporting Organizations)	Make recommendations, but no legal control	Potential for involvement, but generally less than private foundations	Most favorable	Administration less onerous, but not always more cost effective

Index Descriptions

The unmanaged **S&P 500 Index** comprises 500 large-capitalization US stocks and is a common measure of the performance of the US stock market.

The **MSCI EAFE (Europe, Australasia, Far East) Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure developed market equity performance, excluding the US and Canada.

The **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure equity market performance in the global emerging markets.

The **MSCI World Index** is a free-float-adjusted market-capitalization-weighted index that is designed to measure global developed market equity performance.

The **Russell 1000[®] Growth Index** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.*

The **Russell 1000[®] Value Index** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.*

*The Russell Index methodology results in some companies appearing in both the growth and value indexes.

Index Descriptions (continued)

The **Lipper Short Municipal Debt Funds Index** tracks funds that invest in municipal debt issues with dollar-weighted average maturities of less than three years.

The **Lipper Short-Intermediate Municipal Debt Funds Index** tracks funds that invest in municipal debt issues with dollar-weighted average maturities of one to five years.

The **Lipper Intermediate Municipal Debt Funds Index** tracks funds that invest in municipal debt issues with dollar-weighted average maturities of five to 10 years.

The **FTSE NAREIT Equity Index** is an unmanaged, market-capitalization-weighted index that tracks the performance of publicly traded REITs across a range of US geographies and property types.

The **FTSE EPRA/NAREIT Global Real Estate Index** is a market-capitalization-weighted index that tracks the performance of listed real estate companies and REITs across a range of property types worldwide.

Note on Asset Allocation in Historical Studies

Data Sources

US Stocks. February 1890 through December 1925: S&P 500 Total Return Index (with Global Financial Data extension). January 1926 through December 1974: S&P 500 Total Return. Represented by Ibbotson January 1926 through December 1974 and the S&P 500 thereafter from Compustat (via FactSet).

US Value Stocks. January 1975 through December 2009: S&P 500 Barra Value Total Return.

US Growth Stocks. January 1975 through December 2009: S&P 500 Barra Growth Total Return.

Developed International Stocks. January 1970 through December 2009: MSCI EAFE Index UH (Cap) Total Return.

Emerging Markets Stocks. January 1988 through December 2009: MSCI Emerging Markets Free Index (Cap) Total Return.

Bonds. February 1890 through December 1918: Global Financial Data 10-year US Government Bond Total Return Index. January 1919 through December 1925: Global Financial Data 5-year US Government Bond Total Return Index. January 1926 through January 1962: US LT Government Bond. February 1962 through December 1975: 5-Yr Treasury TPA. January 1976 through December 2009: Barclays US Aggregate (LHMN0001).

REITs. February 1972 through November 1997: NAREIT Equity REIT. December 1997 through December 2009: EPRA NAREIT Global Real Estate Index Total Return.

Inflation. February 1890 through December 1925: United States Bureau of Labor Statistics Consumer Price Index Not Seasonally-Adjusted. January 1926 through December 2009: US Consumer Price Index.

Asset Allocation Simulation Assumptions

100% Bonds

- From February 1890 to December 2009, 100% Bonds.

30% Stocks / 70% Bonds

- From February 1890 to December 1969, 30% US Stocks / 70% Bonds.
- From January 1970 to January 1972, 21% US Stocks / 9% Developed International Stocks / 70% Bonds.
- From February 1972 to December 1974, 17.5% US Stocks / 7.5% Developed International Stocks / 65% Bonds / 10% REITs.
- From January 1975 to December 1987, 8.75% US Value Stocks / 8.75% US Growth Stocks / 7.5% Developed International Stocks / 65% Bonds / 10% REITs.
- From January 1988 to December 2009, 8.75% US Value Stocks / 8.75% US Growth Stocks / 6.25% Developed International Stocks / 1.25% Emerging Markets Stocks / 65% Bonds / 10% REITs.

50% Stocks / 50% Bonds

- From February 1890 to December 1969, 50% US Stocks / 50% Bonds.
- From January 1970 to January 1972, 35% US Stocks / 15% Developed International Stocks / 50% Bonds.
- From February 1972 to December 1974, 31.5% US Stocks / 13.5% Developed International Stocks / 45% Bonds / 10% REITs.
- From January 1975 to December 1987, 15.75% US Value Stocks / 15.75% US Growth Stocks / 13.5% Developed International Stocks / 45% Bonds / 10% REITs.
- From January 1988 to December 2009, 15.75% US Value Stocks / 15.75% US Growth Stocks / 11.25% Developed International Stocks / 2.25% Emerging Markets Stocks / 45% Bonds / 10% REITs.

70% Stocks / 30% Bonds

- From February 1890 to December 1969, 70% US Stocks / 30% Bonds.
- From January 1970 to January 1972, 49% US Stocks / 21% Developed International Stocks / 30% Bonds.
- From February 1972 to December 1974, 45.5% US Stocks / 19.5% Developed International Stocks / 25% Bonds / 10% REITs.
- From January 1975 to December 1987, 22.75% US Value Stocks / 22.75% US Growth Stocks / 19.5% Developed International Stocks / 25% Bonds / 10% REITs.
- From January 1988 to December 2009, 22.75% US Value Stocks / 22.75% US Growth Stocks / 16.25% Developed International Stocks / 3.25% Emerging Markets Stocks / 25% Bonds / 10% REITs.

100% Stocks

- From February 1890 to December 1969, 100% US Stocks.
- From January 1970 to January 1972, 70% US Stocks / 30% Developed International Stocks.
- From February 1972 to December 1974, 70% US Stocks / 30% Developed International Stocks.
- From January 1975 to December 1987, 35% US Value Stocks / 35% US Growth Stocks / 30% Developed International Stocks.
- From January 1988 to December 2009, 35% US Value Stocks / 35% US Growth Stocks / 25% Developed International Stocks / 5% Emerging Markets Stocks.

Notes on Wealth Forecasting

1. Purpose and Description of Wealth Forecasting Analysis

Bernstein's Wealth Forecasting AnalysisSM 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, which will have capital gains tax implications.

Notes on Wealth Forecasting

4. Modeled Asset Classes: The assets or indexes below were used in this analysis to represent the various model classes.

Asset Class	Modeled As...	Annual Turnover Rate
Intermediate-Term Taxables	Taxable bonds with maturity of 7 years	30%
US Value	S&P/Barra Value Index	15%
US Growth	S&P/Barra Growth Index	15%
Developed International	MSCI EAFE Unhedged	15%
Emerging Markets	MSCI Emerging Markets Index	20%
REITs	NAREIT	30%

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 28.8%. 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%. 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 Analysis 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. These simulations are based on inputs that summarize the condition of the capital markets as of December 31, 2009. Therefore, the first 12-month period of simulated returns represents the period from December 31, 2009, through December 31, 2010, and not necessarily the calendar year of 2009. A description of these technical assumptions is available on request.

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.

Notes on Wealth Forecasting

8. Tax Rates

Bernstein's Wealth Forecasting Analysis has used the following tax rates for this analysis:

Taxpayer	Start Year	End Year	Federal Income Tax Rate	Federal Capital Gains Tax Rate	State Income Tax Rate	State Capital Gains Tax Rate	Tax Method Type
Foundation/Endowment	2010	2049	0.00%	0.00%	0.00%	0.00%	No Tax

The federal income tax rate represents Bernstein'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 tax rate generally represents Bernstein's estimate of the top marginal rate, if applicable.

9. Private Foundations

The Private Foundation is modeled as a charitable trust or not-for-profit corporation, which can be either a private operating foundation or a private non-operating foundation. The foundation may receive an initial donation and periodic funding from either the personal portfolio modeled in the system or an external source. Annual distributions from the foundation may be structured in a number of different ways, so long as the foundation distributes the minimum amount required under federal regulations, including: 1) only the minimum amount; 2) an annuity or fixed dollar amount, which may be increased annually by inflation or by a fixed percentage; 3) a unitrust, or annual payout of a percentage of foundation assets, based on a single year or averaged over multiple years; 4) a linear distribution of foundation assets, determined each year by dividing the foundation assets by the remaining number of years; or 5) the greater of the previous year's distribution or any of the above methods. These distribution policies can be varied in any given year. For non-operating foundations, the system calculates the excise tax on net investment income.

10. Endowments

The Endowment is modeled as a non-taxable permanent fund bestowed upon an institution to be used to support a specific purpose in perpetuity. The endowment may receive an initial donation and periodic funding from either the personal portfolio modeled in the system or an external source. Annual distributions from the endowment may be structured in a number of different ways, including: 1) an annuity or fixed dollar amount, which may be increased annually by inflation or by a fixed percentage; 2) a unitrust, or annual payout of a percentage of endowment assets, based on a single year or averaged over multiple years; 3) a linear distribution of endowment assets, determined each year by dividing the endowment assets by the remaining number of years; or 4) the greater of the previous year's distribution or any of the above methods. These distribution policies can be varied in any given year.

Notes on Wealth Forecasting

11. Capital-Markets Projections

	Median 40-Year Growth Rate	Mean Annual Return	Mean Annual Income	1-Year Volatility	40-Year Annual Equivalent Volatility
Intermediate-Term Taxables	5.2%	5.5%	6.3%	4.7%	11.2%
US Value Stocks	8.9	10.3	3.6	17.8	15.7
US Growth Stocks	8.5	10.4	2.3	20.2	16.5
Developed International Stocks	9.3	11.4	3.5	21.3	17.0
Emerging Markets Stocks	7.2	11.1	2.8	29.1	25.9
REITs	6.9	8.5	4.0	24.3	16.2
Inflation	2.9	3.2	N/A	1.2	10.7

Based on 10,000 simulated trials, each consisting of 50-year periods. Reflects Bernstein's estimates and the capital-markets conditions as of December 31, 2009. 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.

12. Projected Correlations

	Int.-Term Taxables	US Value	US Growth	Developed International	Emerging Markets	REITs	Inflation
Int.-Term Taxables	1.00	0.24	0.23	0.19	0.21	0.20	(0.34)
US Value	0.24	1.00	0.84	0.69	0.56	0.50	(0.11)
US Growth	0.23	0.84	1.00	0.69	0.54	0.38	(0.10)
Developed International	0.19	0.69	0.69	1.00	0.57	0.38	(0.09)
Emerging Markets	0.21	0.56	0.54	0.57	1.00	0.31	(0.08)
REITs	0.20	0.50	0.38	0.38	0.31	1.00	(0.05)
Inflation	(0.34)	(0.11)	(0.10)	(0.09)	(0.08)	(0.05)	1.00

Based on the first year of each of 10,000 simulated trials.

Reflects Bernstein's estimates, and the capital market conditions of December 31, 2009.

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.

