September 2014

Charitable Remainder Trusts—They're Back!

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Tastes Have Changed but CRTs Are Forever

1969 CRT is born — *TRA '69*

1977 CRT suffers exhaustion — *Rev. Rul. 77-374*

1988 CRT meets 7520 — *TAMRA '88*

1995 CRT exhaustion relapse — *7520 Regs.*

1997 CRT gets arrested — *TRA '97*

1998 "Flip" is born — *T.D. 8791*

2003-2005 CRT class struggles — *Reg.-110896-98*

2013 CRT buys health insurance — *T.D. 9644*

Source: AllianceBernstein

How a Charitable Remainder Trust Works

Contribution of assets
(typically appreciated)

Donor → Charitable Remainder Trust → Charity

Remainder
when trust expires

Immediate charitable income-tax deduction*

Liquidate assets and reinvest tax-deferred

Annual cash payouts:
percentage of trust value (CRUT)
or fixed-dollar amount (CRAT)

Recipient

Character of Income:
"Tier" Rules of Accounting
"Worst-In, First-Out"

*The income-tax deduction is not the total amount contributed, but rather the present value of what is expected to pass to charity. The calculation of the present value takes into account the value of the contributed assets, the discount rate (based on the Section 7520 rate) and the term of the trust (for lifetime trusts, a life expectancy table is used). See Sections 7520 and 664 of the Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder.
Source: AllianceBernstein

Today: CRUTs Up, CRATs Down

Maximum Allowable Lifetime Unitrust Percentage

Age	Current 7520 Rate* 2.2%	Average 7520 Rate 6.0%
40	7.015%	7.176%
50	9.779%	10.003%
60	15.106%	15.453%
70	25.612%	26.200%
80	48.535%	49.649%

Maximum Allowable Lifetime Annuity Percentage

Age	Current 7520 Rate* 2.2%	Average 7520 Rate 6.0%
40	---	6.238%
50	---	6.441%
60	---	6.839%
70	5.000%	7.569%
80	6.788%	9.235%

*September 2014

Act I: CRUTs

new!

donor seeking tax deferral

CRTs: Back in the High Life

Benefits of a Charitable Remainder Trust | **Today vs. 2003–2012**

- ✓ Defer Income Tax Upon Sale
- ✓ Tax-Advantaged Growth
- ✓ Up-Front Income-Tax Deduction

Greater

- ✓ Payouts at Lower Tax Rates*

Possible

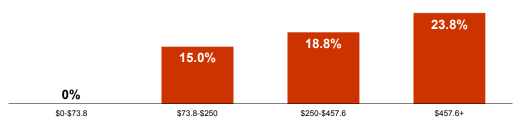
*Relative to an outright sale of a highly appreciated asset
Source: AllianceBernstein

Progressivity of Tax Brackets Has Increased: Federal Rates

Marginal Tax Rate on Long-Term Capital Gains*
Joint Filers, Income Brackets ($Thousands)

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

$43,450



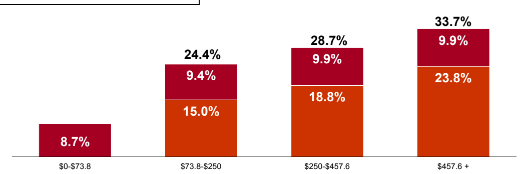
*Based on Health Care and Education Reconciliation Act of 2010 and the American Taxpayer Relief Act of 2012. Long-term capital gains rates in 2014: 0% on capital-gains portion of taxable income up to $73,800, 15% on income over $73,800 to $457,600, and 20% on income above $457,600. Medicare surtax of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

Progressivity of Tax Brackets Has Increased: Federal + Oregon Rates

Marginal Tax Rate on Long-Term Capital Gains*
Joint Filers, Income Brackets ($Thousands)

Long-Term Capital Gain	Tax
$500k—Top Marginal	$168,500
$500k—Full Bracket Run	$123,697

$44,803



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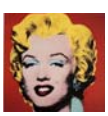
Source: IRS and AllianceBernstein

Modern Uses of Charitable Remainder Trusts

Stock

Art

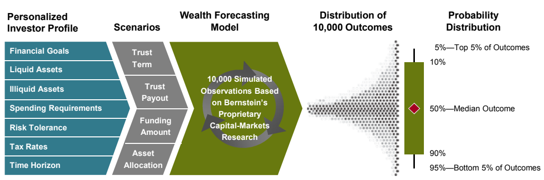


Real Estate

IRA

Source: AllianceBernstein

The Analytical Model*: Quantifying the Probability of Expected Outcomes



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

*The Wealth Forecasting System[SM] is based upon Bernstein 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

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Assumptions: CRUT funded with Stock

- Married couple, both age 65 and Oregon residents*
- $10 million marketable stock
- $0 cost basis
- No additions or withdrawals (except for income taxes)
- Sale proceeds reinvested in 100% globally diversified equities**
- Charitable deduction from CRT offsets long-term capital gains taxable income in first year***
- All wealth outcomes expressed in inflation-adjusted dollars (2014)

*All cases assume Oregon residency is maintained for the duration of the analysis.
**Globally diversified equities are defined as 21% US diversified, 21% US growth, 21% US value, 7% US SMID, 22.5% developed international and 7.5% emerging markets.
***Based on a Federal and state blended long-term capital gains rate of 27.4%.

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Tier Rules: Now with Net Investment Income (NII)

- Tier rules [§ 664(b) & Reg. § 1.664-1(d)(1)]
  - Income assigned among 3 categories of income
  - Each category is assigned to a different class based on the Federal income tax rate
  - Highest rate in each *class* is paid out first --- result is modified "worst in, first out"

Category	Class	Rate
Ordinary Income	NII Interest	43.4%
	NII Qualified Dividend	23.8%
Capital Gain	NII Short-Term Gain	43.4%
	NII Long-Term Gain	**23.8%**
Other Income	Tax-Exempt Interest	0.0%
Corpus	Basis	n/a

Source: AllianceBernstein

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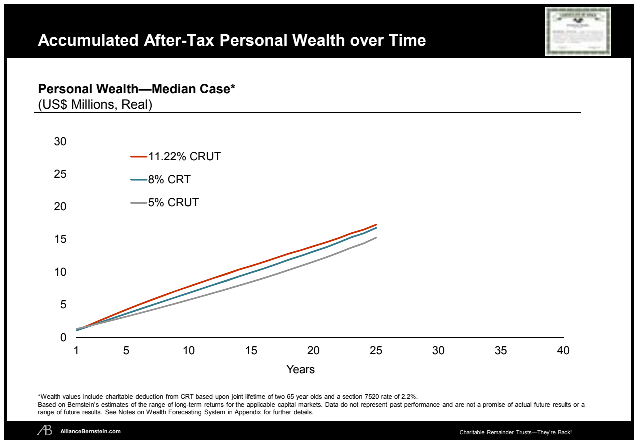

Accumulated After-Tax Personal Wealth over Time
Personal Wealth—Median Case*
(US$ Millions, Real)
11.22% CRUT
8% CRT
5% CRUT
30
25
20
15
10
5
0
1
5
10
15
20
25
30
35
40
Years
*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
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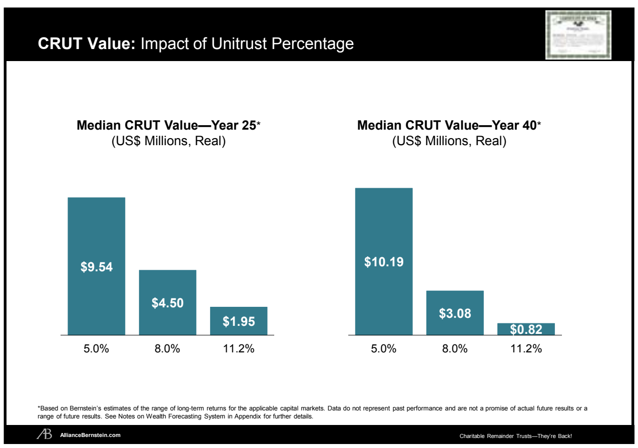

CRUT Value: Impact of Unitrust Percentage
Median CRUT Value—Year 25*
(US$ Millions, Real)
$9.54
$4.50
$1.95
5.0%
8.0%
11.2%
Median CRUT Value—Year 40*
(US$ Millions, Real)
$10.19
$3.08
$0.82
5.0%
8.0%
11.2%
*Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
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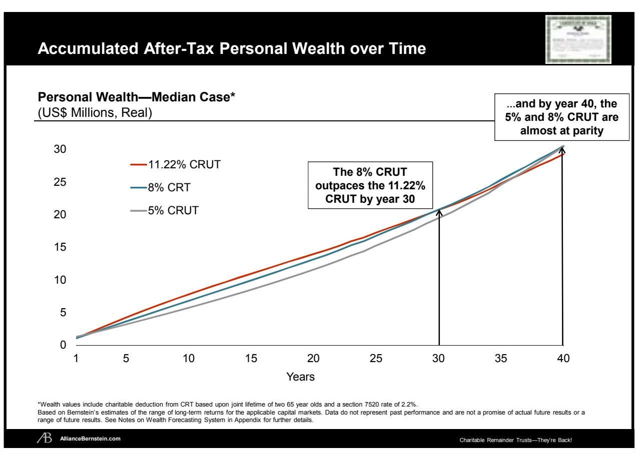

Accumulated After-Tax Personal Wealth over Time
Personal Wealth—Median Case*
(US$ Millions, Real)
...and by year 40, the 5% and 8% CRUT are almost at parity
The 8% CRUT outpaces the 11.22% CRUT by year 30
11.22% CRUT
8% CRT
5% CRUT
30
25
20
15
10
5
0
1
5
10
15
20
25
30
35
40
Years
*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
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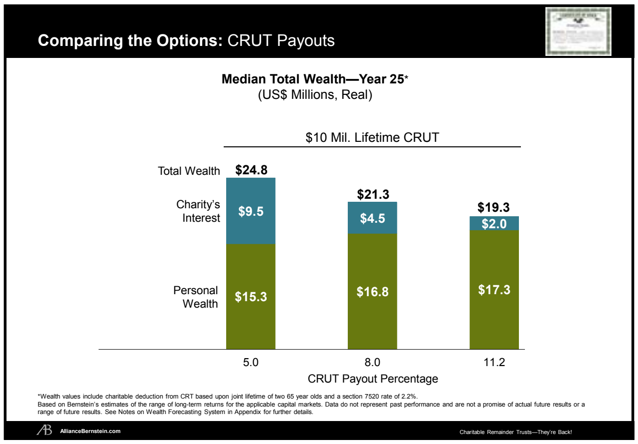
Comparing the Options: CRUT Payouts
Median Total Wealth—Year 25*
(US$ Millions, Real)
$10 Mil. Lifetime CRUT
Total Wealth
Charity's Interest
Personal Wealth
$24.8
$9.5
$15.3
$21.3
$4.5
$16.8
$19.3
$2.0
$17.3
5.0
8.0
11.2
CRUT Payout Percentage
*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
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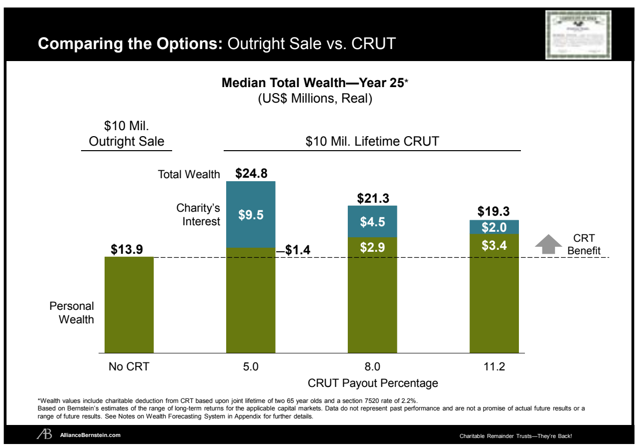
Comparing the Options: Outright Sale vs. CRUT
Median Total Wealth—Year 25*
(US$ Millions, Real)
$10 Mil. Outright Sale
$10 Mil. Lifetime CRUT
Total Wealth
Charity's Interest
Personal Wealth
$13.9
$24.8
$9.5
$1.4
$21.3
$4.5
$2.9
$19.3
$2.0
$3.4
CRT Benefit
No CRT
5.0
8.0
11.2
CRUT Payout Percentage
*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
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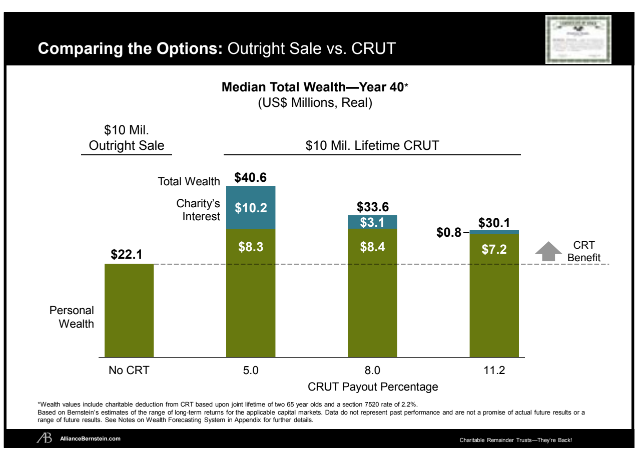
Comparing the Options: Outright Sale vs. CRUT
Median Total Wealth—Year 40*
(US$ Millions, Real)
$10 Mil. Outright Sale
$10 Mil. Lifetime CRUT
Total Wealth
Charity's Interest
Personal Wealth
$22.1
$40.6
$10.2
$8.3
$33.6
$3.1
$8.4
$0.8
$30.1
$7.2
CRT Benefit
No CRT
5.0
8.0
11.2
CRUT Payout Percentage
*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
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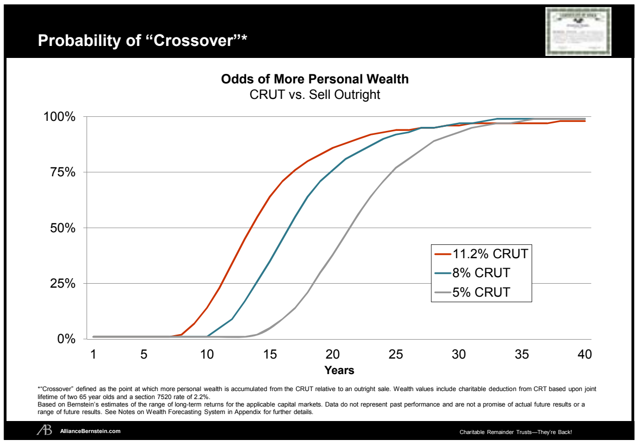

Probability of "Crossover"*
Odds of More Personal Wealth
CRUT vs. Sell Outright
100%
75%
50%
25%
0%
1
5
10
15
20
25
30
35
40
Years
11.2% CRUT
8% CRUT
5% CRUT
*"Crossover" defined as the point at which more personal wealth is accumulated from the CRUT relative to an outright sale. Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
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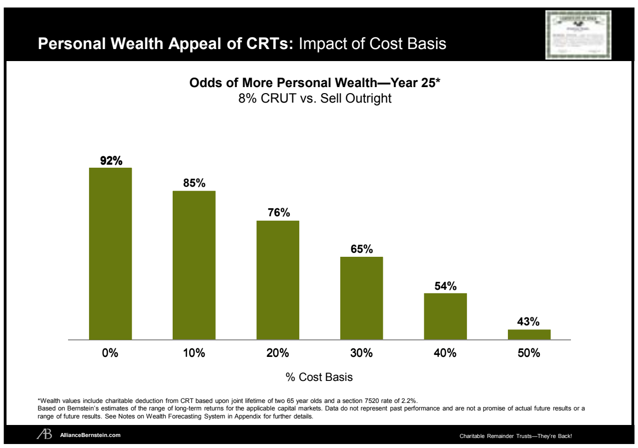

Personal Wealth Appeal of CRTs: Impact of Cost Basis
Odds of More Personal Wealth—Year 25*
8% CRUT vs. Sell Outright
92%
85%
76%
65%
54%
43%
0%
10%
20%
30%
40%
50%
% Cost Basis
*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
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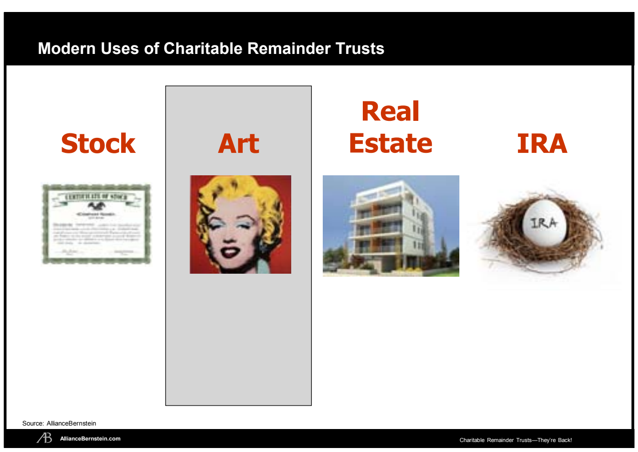

Modern Uses of Charitable Remainder Trusts
Stock
Art
Real Estate
IRA
Source: AllianceBernstein
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Artwork: Don't Count on an Income Tax Deduction

- Collector/Investor-Owned Art
  - "Unrelated" Contributions
    - Contributions of appreciated tangible personal property not "for the use" or "related" to the exempt purpose of the charity (public or private)
    - Reduction of deduction by amount of appreciation (cost basis) [§ 170(e)(1)(B)(i) & Reg. § 1.170A-4(a)(3)]
  - Deferred Charitable Gift Concern
    - No deduction for a future interest in tangible personal property until all intervening interests and rights to actual possession or enjoyment have expired (or held by unrelated parties) [§ 170(a)(3) & Reg. § 1.664-2(d), -3(d)]
    - Subsequent sale by CRT may give rise to deduction [PLR 9452026]
- Creator-Owned Art
  - Considered "ordinary income property" [§ 170(e)(1)(A) & Reg. § 1.170A-4(b)(1)]
  - Reduction of deduction by amount of appreciation (cost basis)

Source: AllianceBernstein

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"Flip" for a More Tax Efficient Avenue of Liquidity: Net Income (with Make-Up Account) Charitable Remainder Unitrust

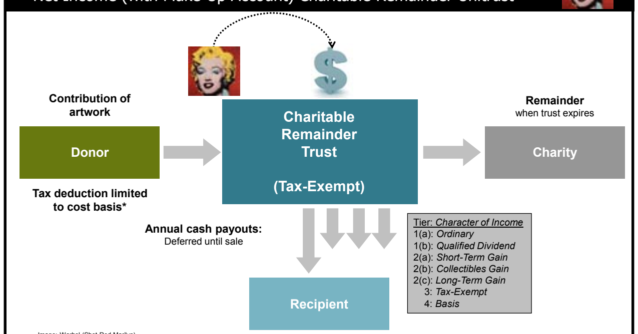

Image: Warhol (Shot Red Marilyn)

*The income-tax deduction is not the total amount contributed, but rather the present value of what is expected to pass to charity. The calculation of the present value is based upon the basis of the artwork (not fair value), the discount rate (based on the Section 7520 rate) and the term of the trust (for lifetime trusts, a life expectancy table is used). See Sections 7520 and 664 of the Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder.

Source: AllianceBernstein

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Artwork: "Flip" NIMCRUT

- "Flip" Event
  - Can be "on a specified date or by a single event whose occurrence is not discretionary with, or within the control of, the trustees or any other person." [Reg. § 1.664-3(a)(1)(i)(c)]
  - Includes a sale of "unmarketable assets" including real property, closely-held stock, and unregistered securities [Reg. § 1.664-3(a)(7)(ii)]
  - Conversion to a unitrust the following taxable year with loss of any "make-up" amount not otherwise paid out prior to conversion [Reg. § 1.664-3(a)(1)(c)(3)]
- Allocation of Gain to Net Income
  - Pre-contribution gain is allocated to principal [Reg. § 1.664-3(a)(1)(i)(b)(3)]
  - Post-contribution gain may be allocated to income if the governing instrument provides and if allowable under state law [§ 643(b), Reg. §§ 1.664-3(a)(1)(i)(b)(3) & 1.643(a)-3(b)]
- Plan for Valuation Discounts?
  - Accelerated distributions vs. tax-deferral

Source: AllianceBernstein

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Assumptions: CRUT funded with Artwork

- Acquired for $100,000
- $10.0 million fair market valuation today
- $11 million sale value one year from today net of closing costs
- Charitable Remainder Trust
  - Trust is structured as a NIMCRUT that "flips" to a unitrust payout upon the sale of the artwork
  - $1 million of post-contribution appreciation is deemed to be income for the purposes of determining the make-up distribution
  - Charitable deduction is limited to cost basis

Source: AllianceBernstein

Tier Rules: Collectibles

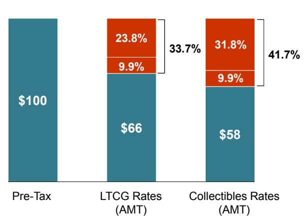
- Tier rules [§ 664(b) & Reg. § 1.664-1(d)(1)]
  - Income assigned among 3 categories of income
  - Each category is assigned to a different class based on the Federal income tax rate
  - Highest rate in each *class* is paid out first --- result is modified "worst in, first out"

Category	Class	Rate
Ordinary Income	NII Interest	43.4%
	NII Qualified Dividend	23.8%
Capital Gain	NII Short-Term Gain	43.4%
	NII "Collectible" Gain	**31.8%**
	NII Long-Term Gain	23.8%
Other Income	Tax-Exempt Interest	0.0%
Corpus	Basis	n/a

Source: AllianceBernstein

Art: Lower Deduction, but More Valuable Tax Deferral

Tax Erosion of Zero Basis Asset
Long-Term Capital Gain vs. Collectibles

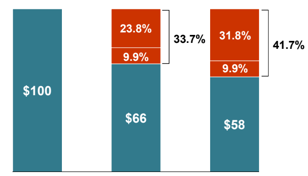


How does "crossover" for collectibles compare to long-term gain property?

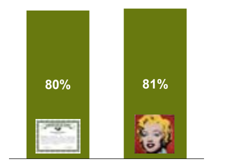
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.
Source: AllianceBernstein

Art: Lower Deduction, but More Valuable Tax Deferral

Tax Erosion of Zero Basis Asset
Long-Term Capital Gain vs. Collectibles



Odds of More Personal Wealth After 20 Years
8% CRUT vs. Sell Outright



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Source: AllianceBernstein

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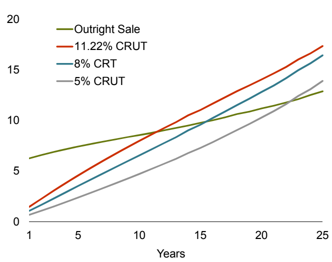
When Is "Crossover" Achieved?

Personal Wealth Over Time—Median Case*
(US$ Millions, Real)



CRUT Payout (%)	Year of Crossover** (ART)	Year of Crossover** (Stock)
11.2	11	14
8.0	15	17
5.0	22	21

*Charitable deduction is based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
**"Crossover" defined as the point at which more personal wealth is accumulated from the CRUT relative to an outright sale. Results displayed are based on the median case (50% probability).
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System in Appendix for further details.

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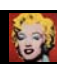
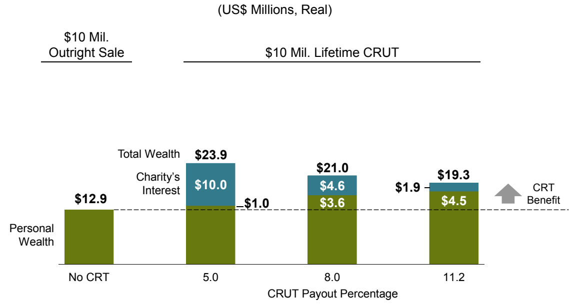
Comparing the Options: Outright Sale vs. CRUT



Median Total Wealth—Year 25*
(US$ Millions, Real)



*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
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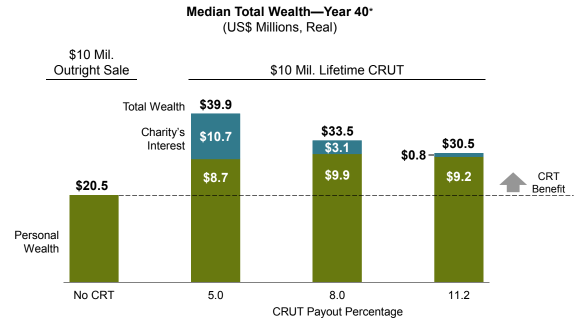
Comparing the Options: Outright Sale vs. CRUT



*Wealth values include charitable deduction from CRT based upon joint lifetime of two 65 year olds and a section 7520 rate of 2.2%.
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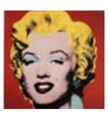
Modern Uses of Charitable Remainder Trusts

Stock

Art



Real Estate

IRA

Source: AllianceBernstein

AllianceBernstein.com — Charitable Remainder Trusts—They're Back!

Real Estate: Playing in the Dirt Can Be Messy

- Mortgaged property very problematic with CRTs—generally a non-starter
- The Problem with Debt:
  - Contributions of debt in excess of basis will be a taxable event [§ 1.1001-2]
  - Contributions of "negative basis" LLC or LP interests also will be a taxable event [§§ 733, 731(a) & 751]
  - Phantom capital gain problem under the bargain sale rules [§ 1.1011-2]
  - Unrelated Business Taxable Income (UBTI)
    - Debt-financed income is UBTI [§ 514(c)(2)(A)]
    - 100% excise tax on UBTI, allocated fully to corpus [§ 664(c)(2)(A) & Reg. § 1.664-1(c)(1), (d)(2)]
    - 10 year exception for mortgaged property (debt placed and property owned more than 5 years prior to inter-vivos transfer) [§ 514(c)(2)(B)]
- Unencumbered property that's highly appreciated and/or depreciated can be a good fit with Flip NIMCRUT structure

Source: AllianceBernstein

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Tier Rules: Real Estate

- Tier rules [§ 664(b) & Reg. § 1.664-1(d)(1)]
  - Income assigned among 3 categories of income
  - Each category is assigned to a different class based on the Federal income tax rate
  - Highest rate in each *class* is paid out first --- result is modified "worst in, first out"

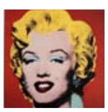
Category	Class	Rate
Ordinary Income	NII Interest	43.4%
	NII Net Rental Income	**43.4%**
	NII Qualified Dividend	23.8%
Capital Gain	NII Short-Term Gain	43.4%
	NII "Collectible" Gain	31.8%
	NII Unrecaptured § 1250 Gain	**28.8%**
	NII Long-Term Gain	23.8%
Other Income	Tax-Exempt Interest	0.0%
Corpus	Basis	n/a

Source: AllianceBernstein

Modern Uses of Charitable Remainder Trusts

Stock

Art



Real Estate

IRA

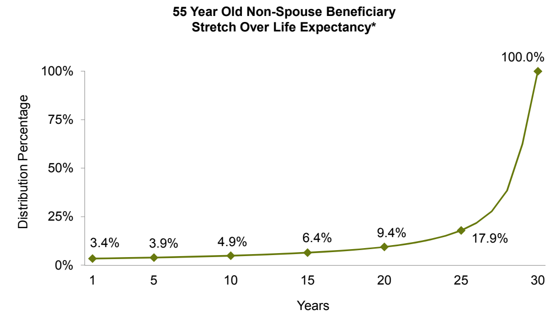
Source: AllianceBernstein

2014 Heckerling Institute: Planning for the End of Stretch IRAs

- **Potential for Legislative Repeal of Stretch IRAs**
  - **Natalie Choate** in her session "IRAs and Charitable Giving" speculated this legislative change may be possible, if not probable.
  - **Professor Christopher Hoyt** in a special session of "Planning for Estates Under $10 million: "A Rubik's Cube of Simplicity" basically said it is coming—it is a matter of when not if this change will be made.
- **Planning implications for IRAs and Charity**
  - Repeal of stretch-out would greatly increase the appeal of gifting IRAs directly to charity
  - More clients would consider CRTs for the "stretch-out-like" impact

Source: AllianceBernstein

Required Minimum Distributions: Current Law



*Assumes a 55-year old beneficiary with a 29.6 year life expectancy.
Source: IRS

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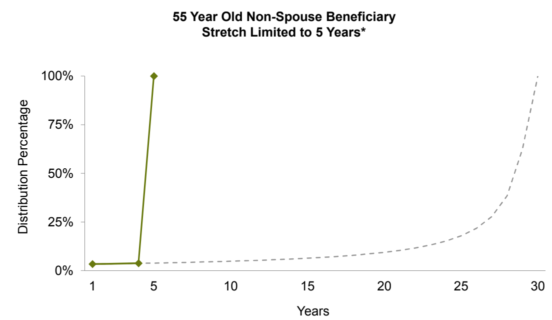
Required Minimum Distributions: FY2015 Revenue Proposal



*Assumes same distributions in years 1-4 as in the "Current Law – Stretch" case followed by a full distribution in the 5th year.

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Consider CRTs for "Stretch-Out Like" Impact

- PLR 199901023
  - CRT can be the beneficiary of a qualified retirement account
  - Distributions are ordinary income under the tier rules [§§ 691(a)(3) & 664(b)(1)]
  - Entitled to a deduction under § 691(c)(1)(A) for estate taxes, if any

Category	Class	Rate
Ordinary Income	NII Interest	43.4%
	Excluded IRA Income	**39.6%**
	NII Qualified Dividend	23.8%
Capital Gain	NII Short-Term Gain	43.4%
	NII Long-Term Gain	23.8%
Other Income	Tax-Exempt Interest	0.0%
Corpus	Basis	n/a

Source: AllianceBernstein

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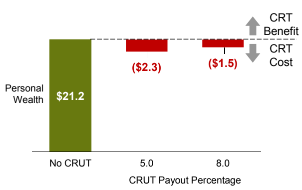
Assumptions: Testamentary CRUT Funded with IRA

- **Scenario #1**: IRA ➔ 55 Year Old Non-Spouse Beneficiary
  - Federal estate tax liability on IRA is $4 million and is assumed to be paid from non-IRA assets
  - Beneficiary is entitled to $4 million IRC 691(c) income tax deduction on IRA distributions*
- **Scenario #2**: IRA ➔ CRUT fbo 55 Year Old Non-Spouse Beneficiary
  - Federal estate tax liability calculated on present value of non-spouse beneficiary's life interest in CRT**
  - Estate tax savings is credited to non-spouse beneficiary's taxable account
    - 5.0% CRUT: Estate tax = $2.7 million, Estate tax savings = $1.3 million
    - 8.0% CRUT: Estate tax = $3.3 million, Estate tax savings = $0.7 million
  - IRC 691(c) deduction is netted against Tier 1 accounting income from IRA distributions to the CRT
    - 5.0% CRUT: Tier 1 income = $10 million minus $2.7 million = $7.3 million
    - 8.0% CRUT: Tier 1 income = $10 million minus $3.3 million = $6.7 million

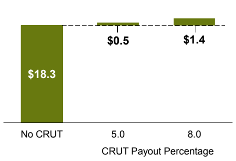
*Phase-out of itemized deductions for tax filers with AGIs in excess of Pease threshold ignored for the purpose of this analysis.
**Present value of lifetime interest of CRUT based upon a 55 year old (single life) and 5.0% unitrust equals 68.1% of initial contribution value (8.0% unitrust equals 81.7%). Assumes a Section 7520 rate of 2.2% and quarterly CRT distributions.

Median Personal Wealth—Year 30: Beneficiary IRA vs. CRUT

Stretch Over Beneficiary Life Expectancy*
(US$ Millions, Real)



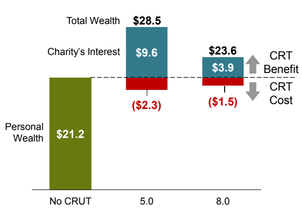
Stretch Limited to 5 Years*
(US$ Millions, Real)



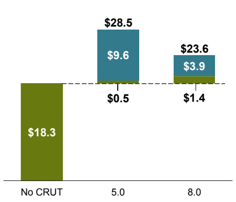
*Values displayed are based on the median outcome.
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System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

Median Total Wealth—Year 30: Beneficiary IRA vs. CRUT

Stretch Over Beneficiary Life Expectancy*
(US$ Millions, Real)

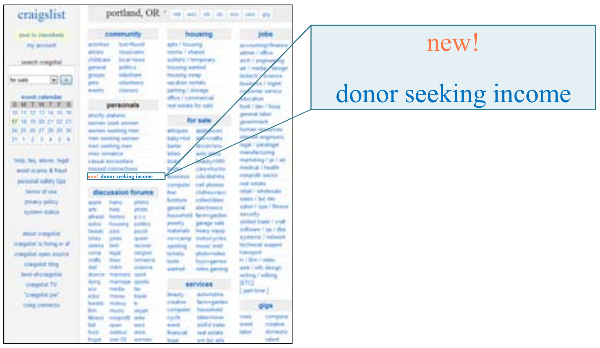


Stretch Limited to 5 Years*
(US$ Millions, Real)



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

Act II: CRATs



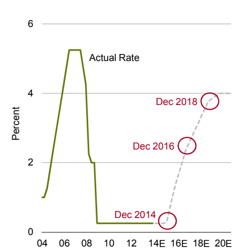
Assumptions: Retired Couple with Planned Bequest

- Married couple, both age 75 and Oregon residents
- Financial assets total $3 million:
  - $2.5 million taxable investment accounts
  - $0.5 million in IRAs and qualified retirement plans
- Focused on generating stable cash flow from investment portfolio
- Plan on leaving a significant amount of their estate to charity

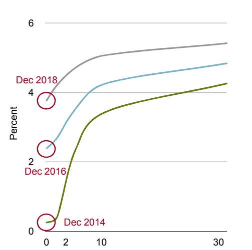
*All cases assume Oregon residency is maintained for the duration of the analysis.
**Any unused deduction by the end of the maximum carry forward period is assumed to expire.

Interest Rates Expected to Rise Slowly

Fed Funds Rate Is Expected to Begin Long, Steady Rise



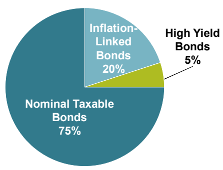
Treasury Curve Is Likely to Remain Steep, but Less So*



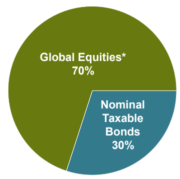
Historical analysis and forecasts do not guarantee future results.
As of December 31, 2013
*Yield curves projected are based on historical analysis of treasury yield curves and on applying the slope to the fed funds rate forecast as illustrated in left chart.
Fed funds rate expectations are based on an assumption of 2% inflation and consensus expectations for unemployment (5.6% in 2020).
Source: Bloomberg, *Blue Chip Economic Indicators* and AllianceBernstein

Tale of Two Allocations: Income vs. Total Return

Taxable Portfolio: Emphasize Income and Safety



5% CRAT: Emphasize Total Return



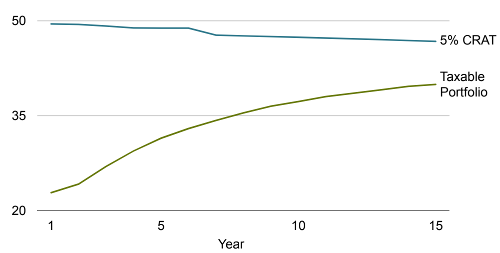
	One Year Projection**	
2.6%	Yield	2.5%
3.7%	Total Return	6.2%

As of December 31, 2013
*Global equities are defined as 21% US diversified, 21% US value, 21% US growth, 7% US SMID, 22.5% developed international and 7.5% emerging markets.
**Based on Bernstein's estimates of the median, pretax yield and total return over the next one year for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on Wealth Forecasting System at the end of this presentation for further details.
Source: AllianceBernstein

Income Should Climb as Rates Normalize…but CRAT Cash Flow Is Much Higher Initially and Throughout

Nominal

Median Annual After-Tax Cash Flow
Per $1.0 Million (USD Thousands)

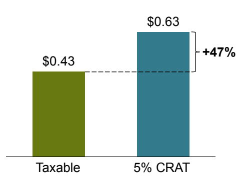


As of December 31, 2013
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or range of future results. See Assumptions and Notes on Wealth Forecasting System at the end of this presentation for further details.
Source: AllianceBernstein

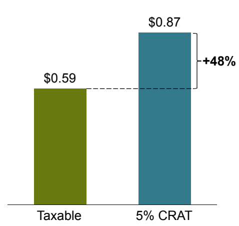
Personal and Charity Wealth Created: Year 15 (Projected Median Outcome)

Real (USD Millions)

Cumulative After-Tax Cash Flow



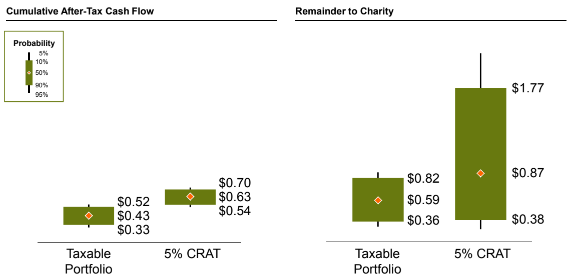
Remainder to Charity



As of December 31, 2013
Based on Bernstein's estimates of the range of long-term returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual future results or range of future results. See Assumptions and Notes on Wealth Forecasting System at the end of this presentation for further details.
Source: AllianceBernstein

Personal and Charity Wealth Created: Year 15
(Projected Range of Outcomes)

Real (USD Millions)



As of December 31, 2013
Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 15 years. Data do not represent past performance and are not a promise of actual future results or range of future results. See Assumptions and Notes on Wealth Forecasting System at the end of this presentation for further details.
Source: AllianceBernstein

MissionPossible

Bernstein Global Wealth Management

For more information, please feel free to contact us:

philanthropy@bernstein.com

www.alliancebernstein.com/nonprofits

Appendix

Lifetime CRUT: Charitable Deduction by Age and Payout

Age	Single Life CRUT—Charitable Deduction* Based on Payout Percentage							Maximum Payout**
	5%	6%	7%	8%	9%	10%	11%	
45	21.7%	16.7%	13.1%	10.4%	n/a	n/a	n/a	8.2%
55	31.9%	26.2%	21.7%	18.2%	15.5%	13.2%	11.5%	12.0%
65	44.9%	39.0%	34.0%	29.9%	26.4%	23.5%	21.0%	19.4%
75	60.1%	54.8%	50.2%	46.0%	42.3%	39.1%	36.1%	35.1%

Ages	Joint Life CRUT—Charitable Deduction* Based on Payout Percentage							Maximum Payout**
	5%	6%	7%	8%	9%	10%	11%	
45 / 45	13.9%	n/a	n/a	n/a	n/a	n/a	n/a	5.9%
55 / 55	22.0%	16.5%	12.5%	n/a	n/a	n/a	n/a	7.8%
65 / 65	33.8%	27.5%	22.4%	18.4%	15.1%	12.5%	10.4%	11.2%
75 / 75	49.2%	43.0%	37.6%	33.0%	29.0%	25.6%	22.6%	18.1%

*The income-tax deduction is expressed as a percentage of the CRT funding amount and is equal to the present value of the charitable remainder interest. The calculation of the present value takes into account the value of the contributed assets, the Section 7520 rate, and the term of the trust (for lifetime trusts, a life expectancy table is used). Calculations in the summary tables assume a Section 7520 rate of 2.2% and quarterly CRT distributions. **The maximum allowable payout is the lesser of 50% or the percentage that results in the charitable remainder interest equaling 10% of any assets transferred to the trust. See Sections 7520 and 664 of the Internal Revenue Code of 1986, as amended, and the Treasury regulations thereunder.
Source: AllianceBernstein

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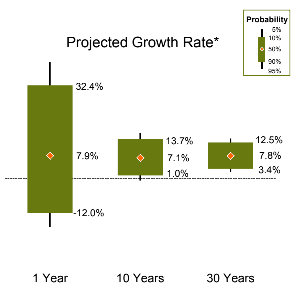
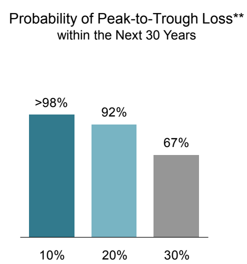
Projected Return and Risk: 100% Globally Diversified Equities

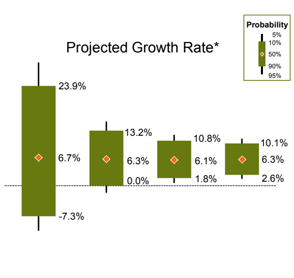


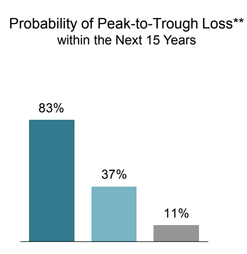


Asset allocation: "Globally Diversified Equities" are defined as 21% US diversified, 21% US value, 21% US growth, 7% US SMID, 22.5% developed international and 7.5% emerging markets.
*Projected pre-tax compound annual growth rates.
**Projections indicate the probability of a peak-to-trough decline in pre-cash-flow cumulative returns of 10%, 20% or 30% over the next 30 years. Because the Wealth Forecasting System uses annual capital market returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly) may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years.
Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 30 years. 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.

AllianceBernstein.com Charitable Remainder Trusts—They're Back!

Projected Return and Risk: 70% Global Equities / 30% Fixed Income*





Asset allocation: "Global Equities" are defined as 21% US diversified, 21% US value, 21% US growth, 7% US SMID, 22.5% developed international and 7.5% emerging markets. "Fixed Income" are defined as intermediate duration municipal bonds.
*Projected pre-tax compound annual growth rates.
**Projections indicate the probability of a peak-to-trough decline in pre-cash-flow cumulative returns of 10%, 20% or 30% over the next 15 years. Because the Wealth Forecasting System uses annual capital market returns, the probability of peak-to-trough losses measured on a more frequent basis (such as daily or monthly) may be understated. The probabilities depicted above include an upward adjustment intended to account for the incidence of peak-to-trough losses that do not last an exact number of years.
Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 15 years. 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.

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Notes on Wealth Forecasting System

1. Purpose and Description of Wealth Forecasting System

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

2. Retirement Vehicles

Each retirement plan is modeled as one of the following vehicles: Traditional IRA, 401(k), 403(b), Keogh, or Roth IRA/401(k). One of the significant differences among these vehicle types is the date at which mandatory distributions commence. For traditional IRA vehicles, mandatory distributions are assumed to commence during the year in which the investor reaches the age of 70½. For 401(k), 403(b), and Keogh vehicles, mandatory distributions are assumed to commence at the later of (i) the year in which the investor reaches the age of 70½ or (ii) the year in which the investor retires. In the case of a married couple, these dates are based on the date of birth of the older spouse. The minimum mandatory withdrawal is estimated using the Minimum Distribution Incidental Benefit tables as published on www.irs.gov. For Roth IRA/401(k) vehicles, there are no mandatory distributions. Distributions from Roth IRA/401(k) that exceed principal will be taxed and/or penalized if the distributed assets are less than five years old and the contributor is less than 59½ years old. All Roth 401(k) plans will be rolled into a Roth IRA plan when the investor turns 59½ years old to avoid minimum distribution requirements.

3. Rebalancing

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

Notes on Wealth Forecasting System (con't)

4. Expenses and Spending Plans (Withdrawals)

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

5. Modeled Asset Classes

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

Asset Class	Modeled As	Annual Turnover Rate (Percent)
US Diversified	S&P/Barra 500 Index	15
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
US SMID	Russell 2500	15

6. Volatility

Volatility is a measure of dispersion of expected returns around the average. The greater the volatility, the more likely it is that returns in any one period will be substantially above or below the expected result. The volatility for each asset class used in this analysis is listed on the Capital 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.

7. 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. These simulations are based on inputs that summarize the current condition of the capital markets as of September 30, 2013. Therefore, the first 12-month period of simulated returns represents the period from September 30, 2013, through September 30, 2014, and not necessarily the calendar year of 2014. A description of these technical assumptions is available upon request.

Notes on Wealth Forecasting System (con't)

8. 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.

9. Tax Rates

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 2014 and beyond, the maximum federal ordinary income tax rate is 43.4% and the maximum federal capital gain tax rate is 23.8%.

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 to the 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. For purposes of determining what is subject to the Medicare surtax, net investment income (NII) of a CRT beneficiary attributable to the beneficiary's unitrust or annuity distributions is the lesser of (1) the total amount of distributions for that year, or (2) the current and accumulated NII of the CRT. Accumulated NII of a CRT is the total amount of NII received by a CRT only for years beginning after 2012.

Capital-Markets Projections

In percent

	Median 30-Year Growth Rate	Mean Annual Return	Mean Annual Income	One-Year Volatility	30-Year Annual Equivalent Volatility
Intermediate-Term Taxables	4.5	4.7	5.7	3.9	8.4
Inflation-Protected Bonds	3.5	4.0	4.4	2.5	14.1
US Diversified	7.3	8.9	2.7	16.4	18.5
US Value	7.6	9.1	3.3	16.0	18.3
US Growth	7.0	9.0	2.2	18.2	20.0
US SMID	7.5	9.5	2.4	18.7	21.0
Developed International	7.9	9.9	3.2	18.1	19.5
Emerging Markets	6.3	10.2	3.8	26.2	27.7
Global Intermediate Taxable Bonds Hedged	4.0	4.3	5.2	3.6	9.0
Inflation	2.9	3.2	N.A.	0.9	9.7

Data do not represent any past performance and are not a guarantee of any future specific risk levels or returns, or any specific range of risk levels or returns.
Based on 10,000 simulated trials, each consisting of 30-year periods
Reflects Bernstein's estimates and the capital-markets conditions as of December 31, 2013