BERNSTEIN

Succession Planning for Practice Owners

Maximizing Your Options

2023

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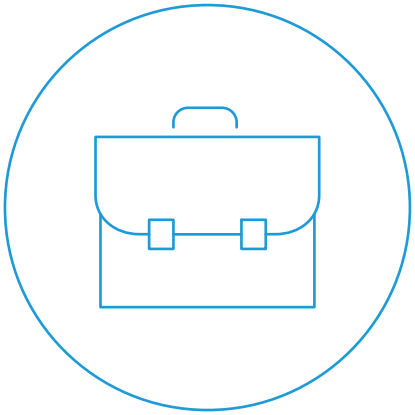
Bernstein Private Wealth Management

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.

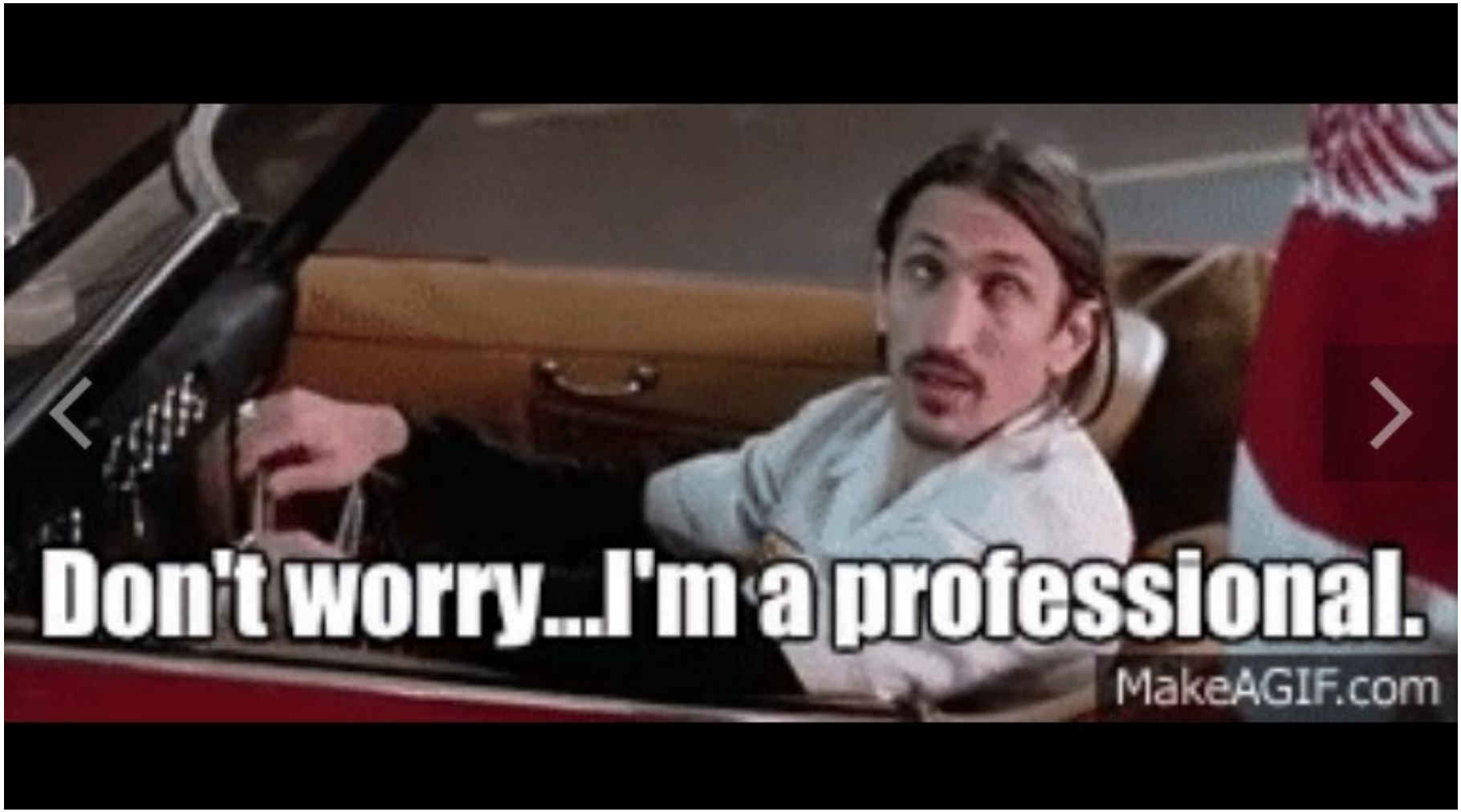
Agenda

- Overview of succession planning considerations
- Deeper dive into private medical practice M&A and case study
- Personal financial strategies for succession planning



What Is a Professional?

WHAT IS A PROFESSIONAL?



Why Create a Succession Plan?

Owner exits aren't always planned

- Retirement
- Medical/Disability
- Disagreements
- Death
- Divorce

Ownership/Leadership considerations

Employee and Client Retention

Value of the practice

What's in a Plan?

Business Plan—5 year outlook

- Ages of partners
- Depth of talent and skill sets

Ownership succession

- Buy-Sell Agreement
  - Negotiate terms far in advance of any foreseeable exit
  - What price?
  - Funding considerations

Management succession

Communication plan

Personal financial plan

Successor Options

Existing Partner(s)

Family Member (rare for professional practices)

Sell to a Third Party

- Individual
- Practice/firm
- Hospital (medical practices)
- Private equity

Key Considerations

- **Financial**
- **Partner and Employee retention and morale**
  - Culture
  - Job Security
  - Compensation and benefits
  - Communication
- **Client/patient retention and growth**
  - Quality of service or care
  - Additional capabilities/services?
- **Transition period**
  - How long will current owners continue practicing?
- **Control**
- **Tax and Legal**

1st Step: Prioritize Objectives:
What Are the Goals of a Successful Transaction?

Questions That Practice Owners Often Have

- Why are sales of practices so prevalent now?
- How are deals structured?
- Who are the buyers and how do their offers differ?
- What should you do if you receive an offer for your practice?
- How can you increase the value of your practice?
- How do you build and protect wealth beyond the practice?

Why are Sales of Medical Practices Currently So Prevalent?

- Private equity backed funds are making attractive offers, funded by significant sums of investor capital and low-interest debt
- Practice owners are concerned about future reimbursement rates and increasing costs of compliance
- Seek to improve their reimbursement rates, cost structure, and efficiency through mergers and by utilizing Management Service Organizations (MSOs) and Dental Service Organizations (DSOs)
- Want to focus on patient care instead of management oversight
- Wish to provide better and more comprehensive services to patients, and potentially generate additional revenue streams
- Need access to greater financial capital to help grow the practice
- Are looking to retire in the next few years and seeking liquidity events to capture the value of their practice in advance

How Are Deals Structured?

- Cash at closing
- Escrow cash in 12–18 months
- Rolled equity
  - Financial buyers (private equity) are likely to utilize significant rolled equity, with a second liquidity event projected within 5 years
- Earn-out
- Employment agreements
- Non-compete agreements

Employment Agreement—Compensation Reduction

- Compensation often reduced 20%–30% or more
- Necessary part of deal to create attractive EBITDA for acquirer
- Sale price can be considered pre-payment for future compensation reduction
- Potentially attractive tax ramifications: capital gains tax on cash at closing in lieu of ordinary income tax on future foregone earnings
- Considerations: ability to retain and attract talent at new compensation levels

How to Increase the Value of Your Practice

- Focus on Revenue and EBITDA
  - Growth over time—3 years
  - Recurring streams
  - Larger EBITDA = larger multiples on valuation
  - Attractive revenue and EBITDA relative to specialty group comparisons
  - DON'T SLOW DOWN PRIOR TO EXIT
- Intangible Assets
  - Often largest contributor to value creation
  - Technology, patents, specialized skill sets, brand, reputation, etc.
- People, Processes, Equipment
  - Quality staff with high morale and low turnover
  - Procedures and manuals up to date
  - Modern and welcoming environment; appropriate hardware and software licenses
- Transferable
  - What does the business offer buyers if key individuals leave?
- Risk management
  - Meticulous record keeping, regulatory compliance, liability management, and management succession plan

Current analysis does not guarantee future results.

Real Estate Transactions Provide Liquidity

- Medical real estate has appreciated tremendously for many practices
- Real Estate sale/leaseback transactions may unlock value to:
  - help fund growth initiatives;
  - provide tax deduction on lease payments;
  - help owners create liquidity for themselves—potentially help fund retirement;
  - reduce cost for new partners.
- Sale/leaseback may be done independently of any potential transaction for the practice itself

Current analysis does not guarantee future results.

What to Do if You Receive an Offer?

- Advice from experienced professionals
  - Accountant
  - Healthcare M&A attorney
  - Financial advisor
  - Investment banker
  - Consultant
- Consider the culture
  - Most important consideration to many owners we have interviewed
  - Will owner be happy with the results after the deal is done?
  - Does the potential deal achieve the goals?
- Does the deal provide enough financially?
  - Understand what “core capital” figure is and how the deal will help achieve it

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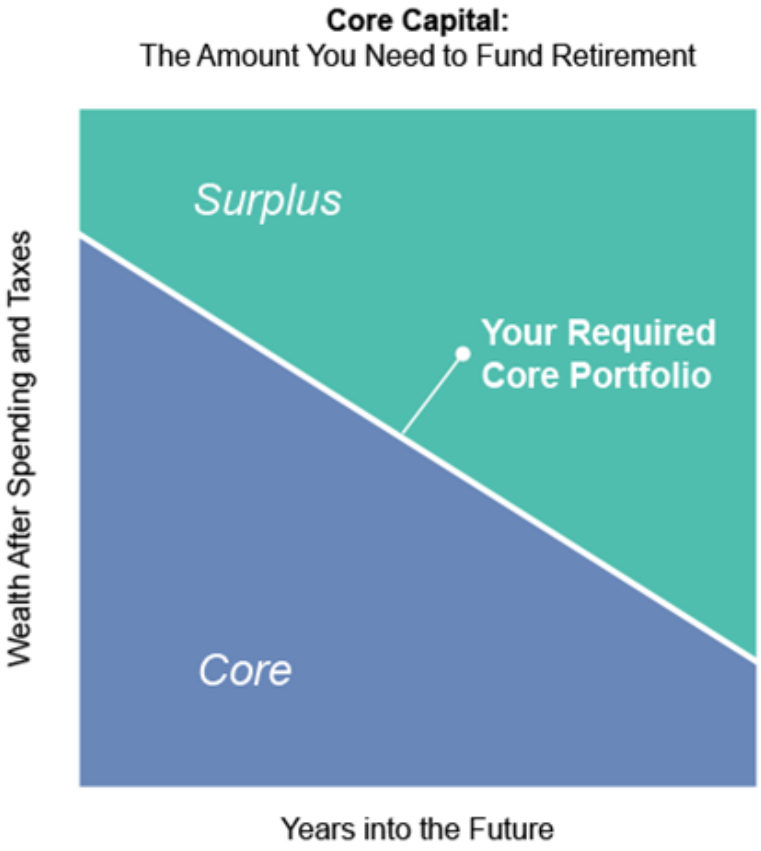
PLANNING ANALYSIS FOR PRACTICE TRANSACTION

2022

CASE STUDY 1

CORE CAPITAL ANALYSIS

Core Capital - A Disciplined, Research-Based Framework



Key Drivers

- Age
- Spending
- Asset allocation

Stress Tested For

- High inflation
- Poor markets
- Long life

Source: AB

Analysis Assumptions*

AGE / RESIDENCE

Dr. Smith, you are 60 years old, and a resident of Texas.

ASSETS and INCOME

The purpose of this analysis is to determine your Core Capital porfolio required to sustain your lifetime spending needs.

We have modeled initial assets of $5 million, but we have not modeled any future income in this analysis.

EXPENSES

You expect to spend $300,000 after-tax annually. We have assumed this will adjust with inflation each year.

TAX RATE

We have calculated your federal income tax rate automatically based on the income assumptions referenced above.

INVESTMENT SCENARIOS

We modeled the following allocation scenarios in this analysis:

Scenario A: Conservative Allocation (30% Return-Seeking / 70% Risk-Mitigating)

Scenario B: Balanced Allocation (50% Return-Seeking / 50% Risk-Mitigating)

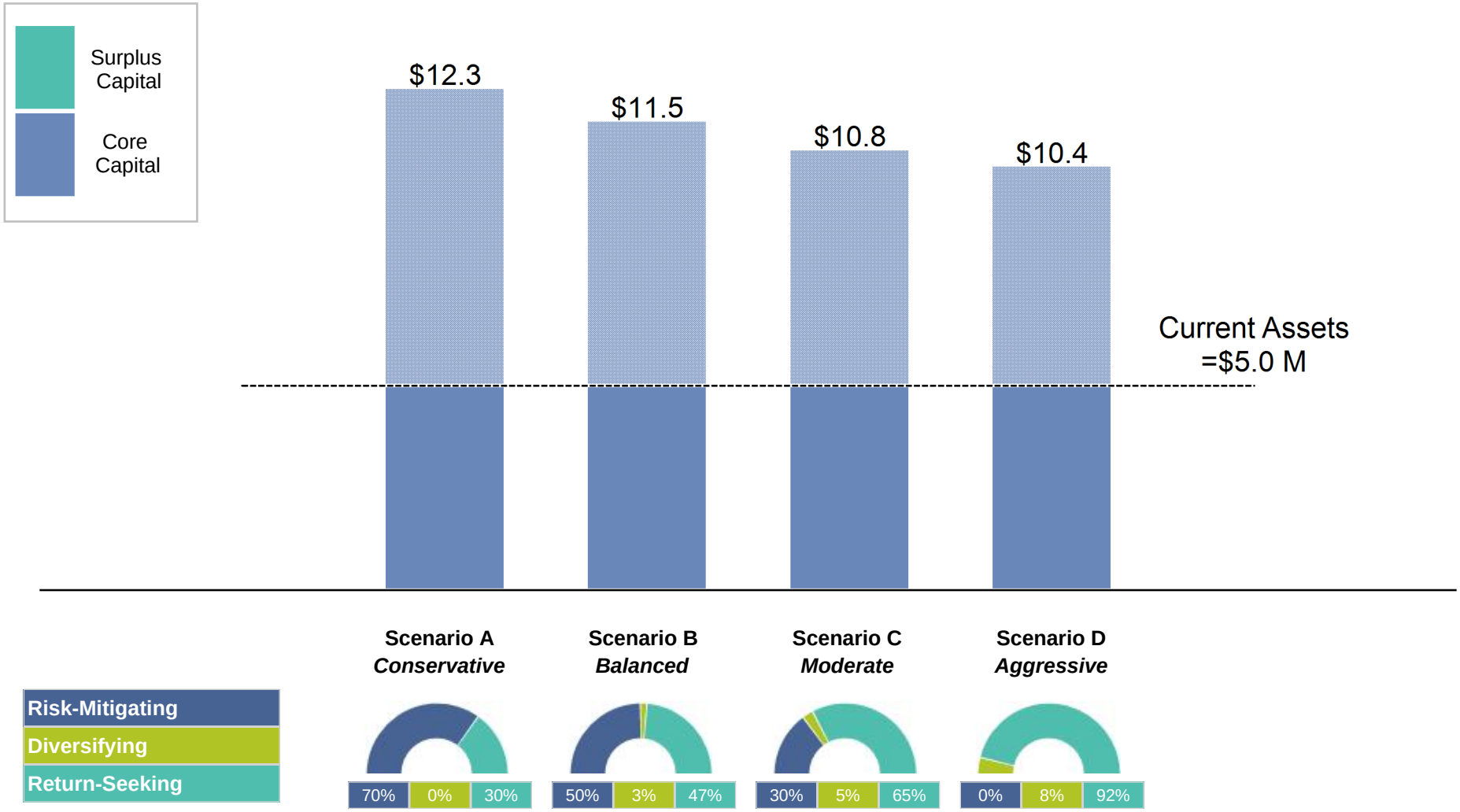
Scenario C: Moderate Allocation (70% Return-Seeking / 30% Risk-Mitigating)

Scenario D: Aggressive Allocation (100% Return-Seeking / 0% Risk-Mitigating)

*Based on information supplied by the client and are as of the date of this analysis. AB is not a legal, tax, or estate advisor. Investors should consult these professionals as appropriate before making any decisions.

Your Framework: Core Capital

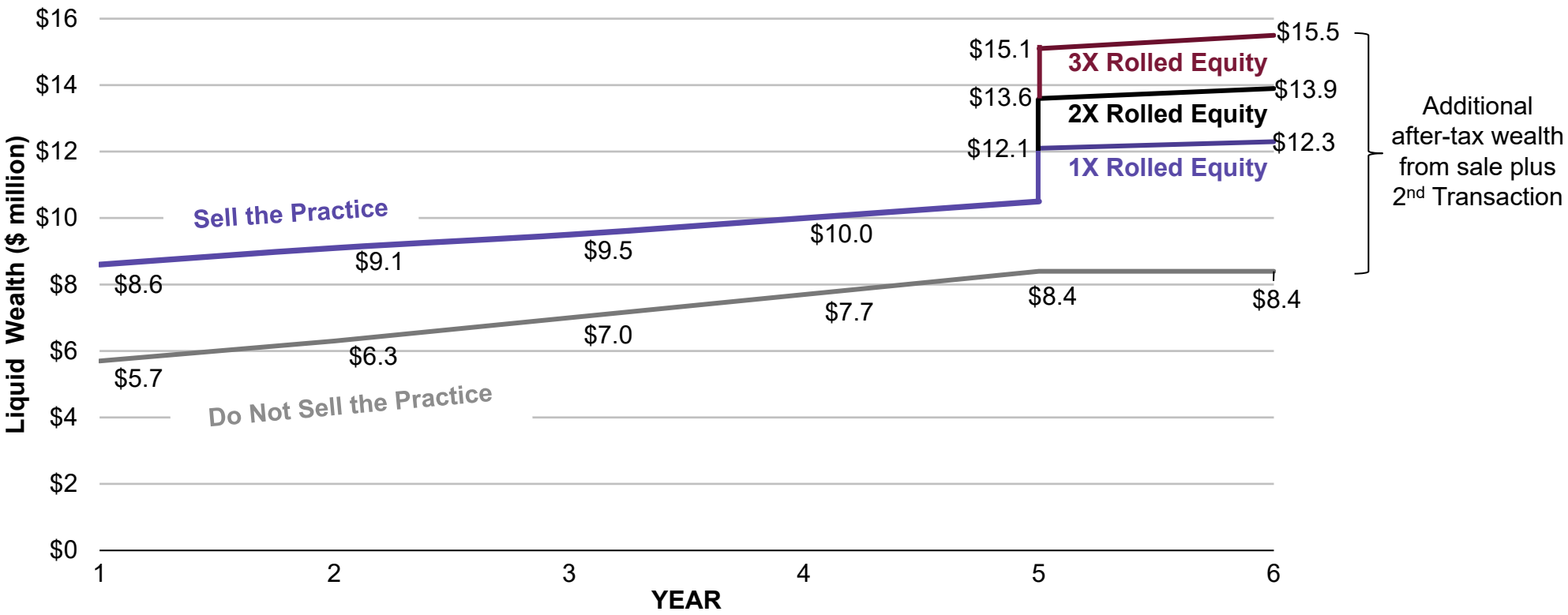
Your Required Core Portfolio ($Millions)*



*Single Life, Confidence Level = 90%, Cash Cushion = $0.
Based on AB's estimates of the range of returns for the applicable capital-markets over the periods analyzed. Data do not represent past performance and are not a promise of actual future results or a range of future results. See Notes on the Wealth Forecasting System in the appendix for further details.

How Long Will It Take to Have the Same Wealth if They Keep the Practice?

Median Wealth Over 6 Years (USD Millions, Nominal)*



*In all scenarios, values assume initial starting assets of $5.0 million, and that all assets are invested with an allocation of 65% global stocks, 5% diversifying, and 30% bonds. In the "Do Not Sell" scenario, Dr. Smith continues receiving $1.1 million pretax earnings, and spends $300,000 after-tax annually. In the sale scenarios, Dr. Smith receives initial cash proceeds of $4 million cash and $2 million of rolled equity, and earnings of $650,000 annually. We've assumed the rolled equity will be liquidated in a 2nd transaction event in year 5 for $2 million (1x), $4 million (2x), or $6 million (3x). All proceeds received are assumed to be taxable as long-term capital gains.

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

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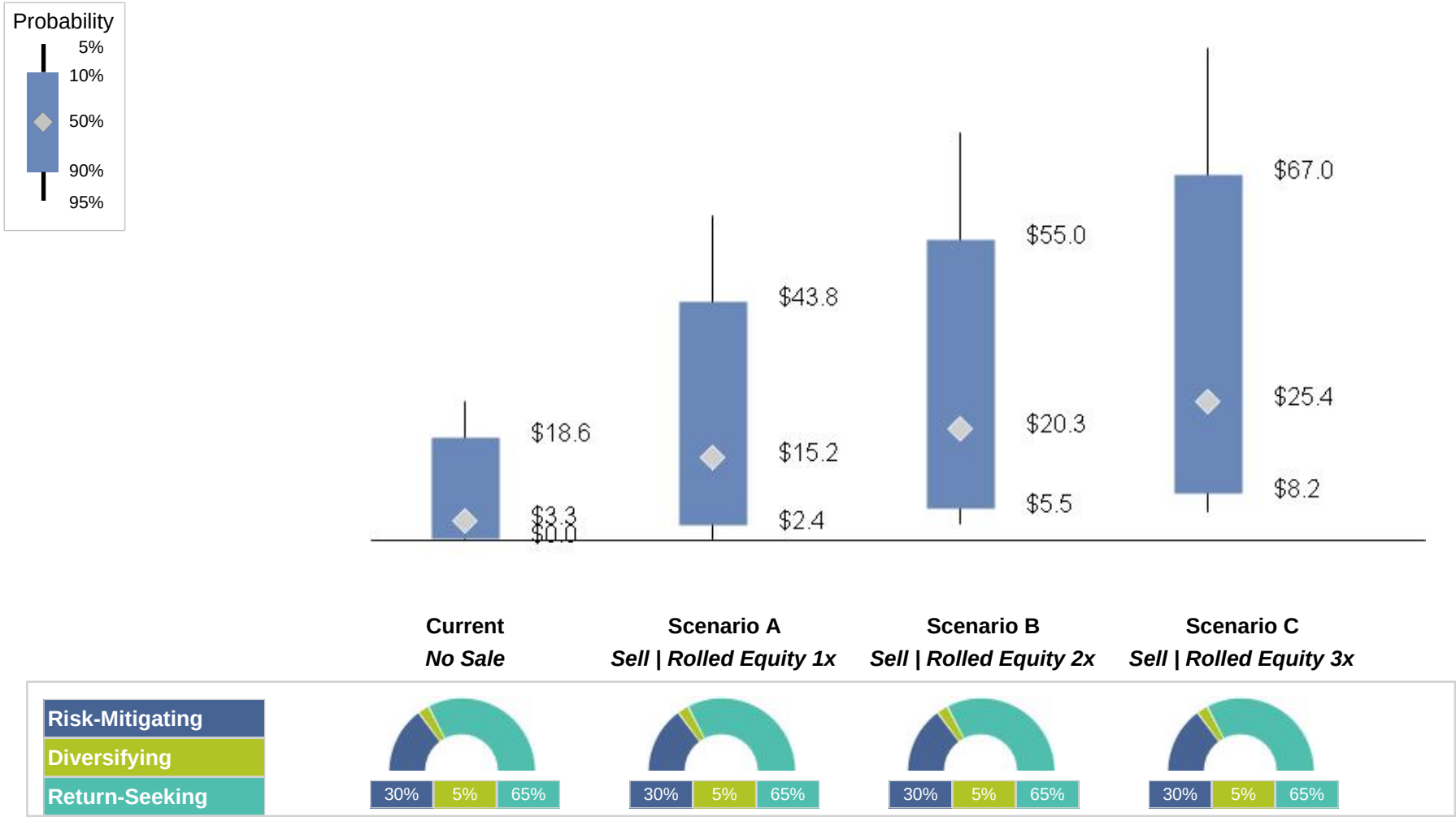
Range of Relationship Values: Year 30

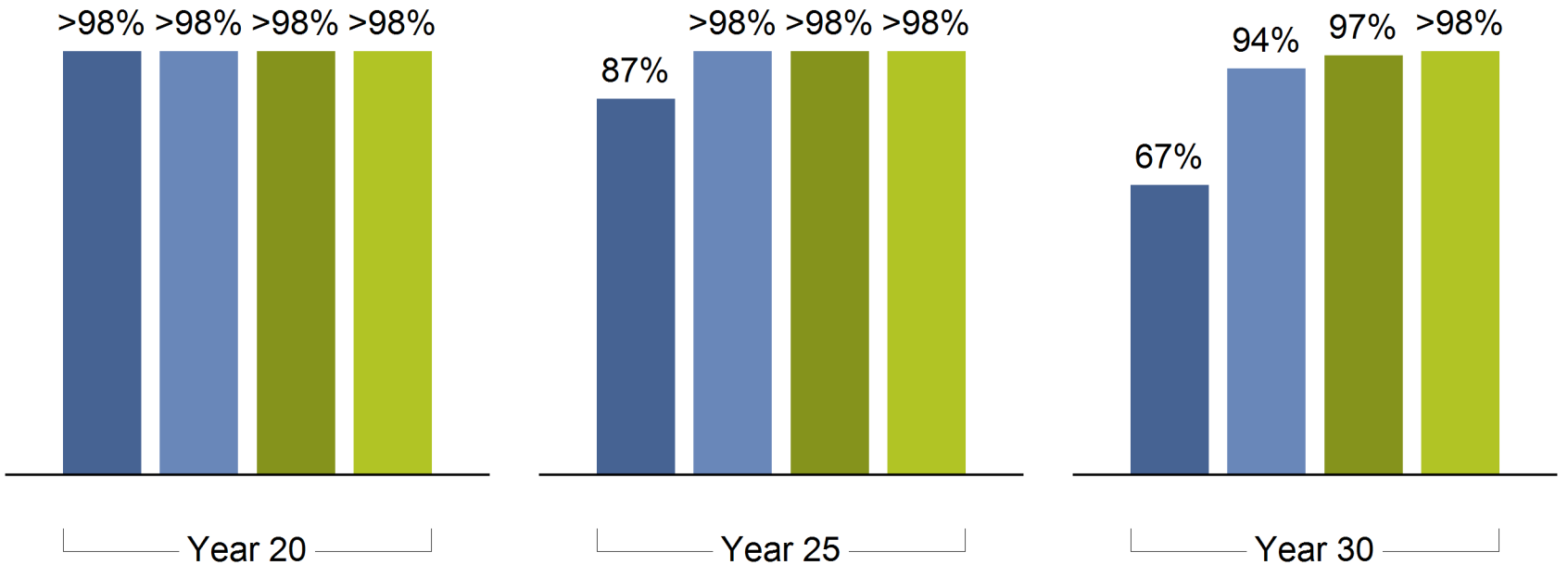
After Taxes and Cash Flows ($Millions, Nominal)*
Portfolio



*Based on AB's estimates of the range of returns for the applicable capital market over the next 30 years. Data do not represent past performance and are not a promise of actual future results or a range of future results. Asset values represent the estimated market value; if the assets were liquidated, additional capital gains or losses would be realized that are not reflected here. See Assumptions and Notes on the Wealth Forecasting System in the Appendix for further details.

Will I Sustain Spending over My Time Horizon?

Probability of Assets Greater than $0
Portfolio



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CASE STUDY 2

WEALTH TRANSFER ANALYSIS

Case Study 2

- Dr. Melissa Feelgood is a urologist who owns her practice with 5 partners. She and her husband, Mark, are both 60 years of age
- Received an offer to sell their practice to a PE group for $30 million, her share being $5 million
  - $3.75 million in cash and $1.25 rolled equity
  - PE firm expects to sell in 5 years for 3x; Rolled equity projected to $3.75 million in 5 years
- Will work for 5 years with a 25% reduction in compensation, earning $600,000
- Current portfolio of $10.5 million portfolio, including $2 million in Cash Balance Plan and 401(k)/profit-sharing plans; own a home valued at $3.5 million

Case Study 2

Defining goals

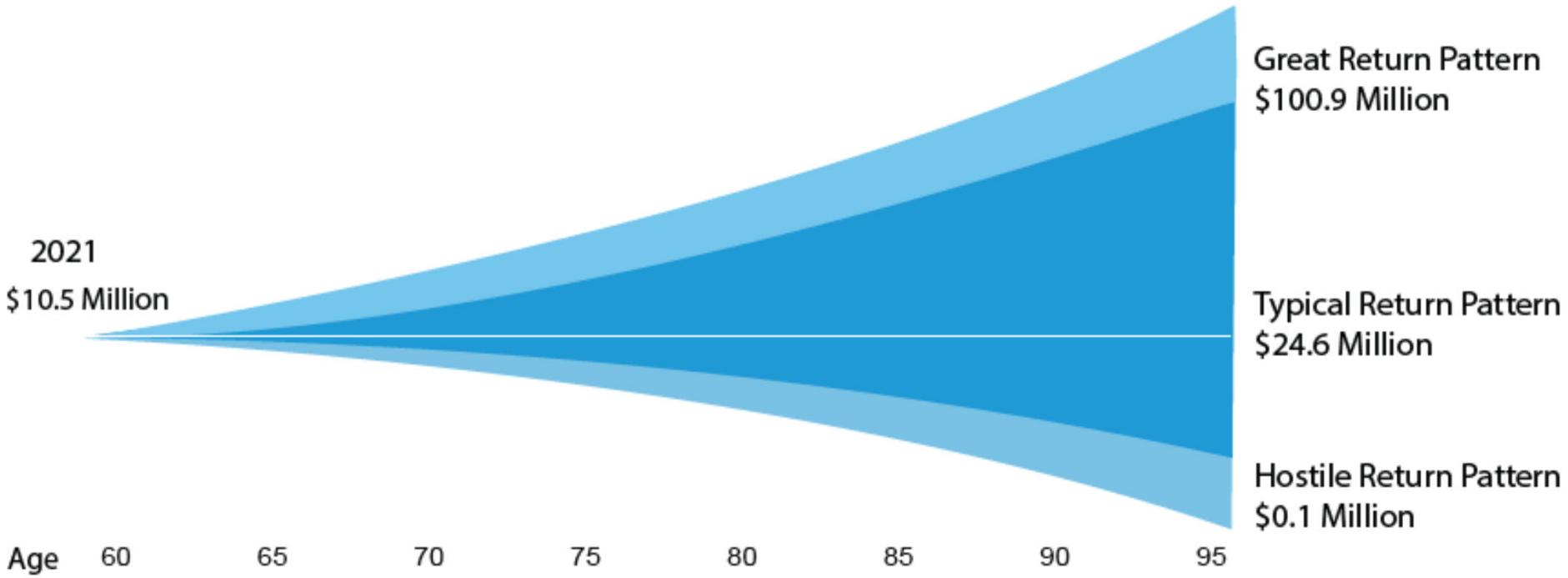
- Primary Goals
  - Retire in 5 years, despite reduction in future compensation
  - Secure core capital to support $435,000 of annual inflation-adjusted spending
  - Determine the right asset allocation to achieve financial goals
- Secondary Goals
  - Provide flexibility for their lifestyle spending while maximizing the wealth transferred to their children
  - Reduce the potential impact of future estate taxes on their family's wealth

Can they achieve their goals without any return on the rolled equity?

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

Projected Range of Portfolio Values

Retire in Five Years. After Taxes and Cash Flows (Nominal)*
Personal and retirement assets



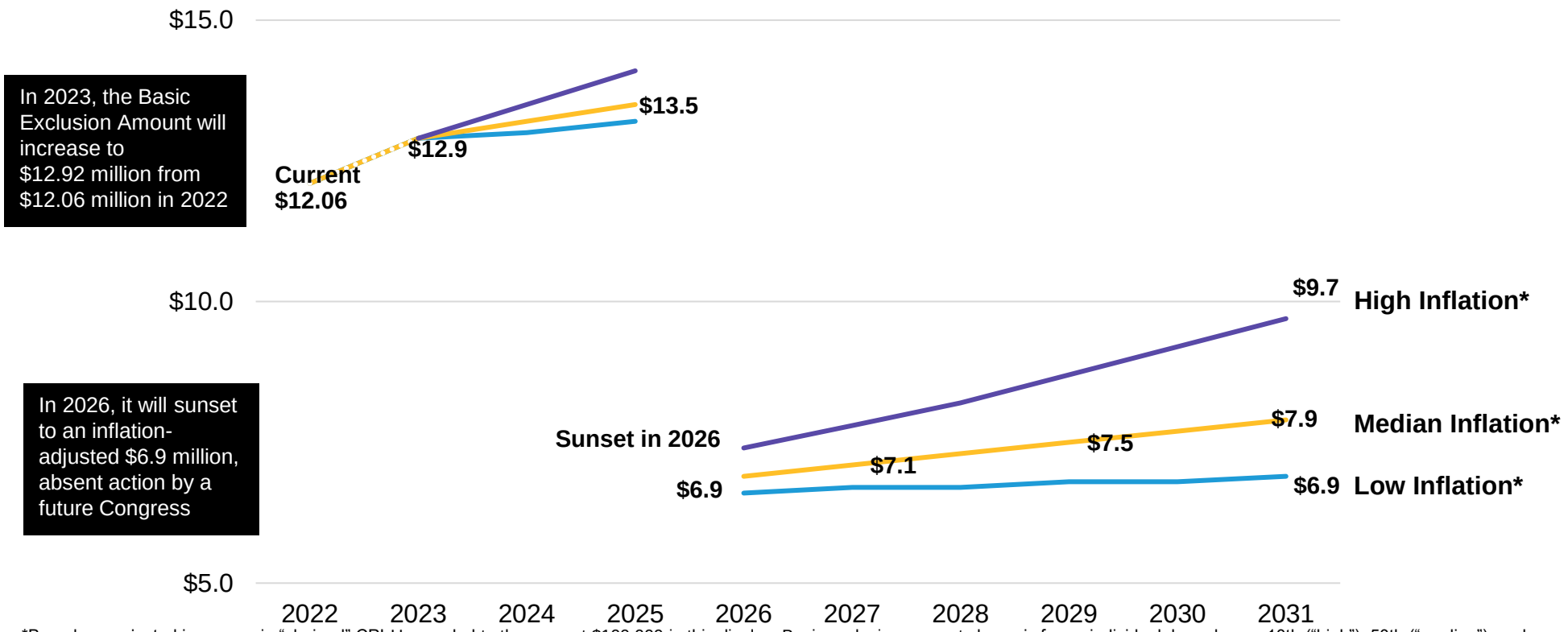
For illustrative purposes only; does not constitute an endorsement of any particular wealth transfer strategy. Bernstein does not provide legal or tax advice. Consult with competent professionals in these areas before making any decisions.

*There is no guarantee that any estimates or forecasts will be realized.

Source: Bernstein

Projected Basic Exclusion Amount Under Current Tax Law

Basic Exclusion Amount
Nominal (USD Millions)



*Based on projected increases in "chained" CPI-U, rounded to the nearest $100,000 in this display. Basic exclusion amount shown is for an individual, based upon 10th ("high"), 50th ("median"), and 90th ("low") percentile outcomes for the inflation-adjusted basic exclusion amount.

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

Source: AB

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Case Study

Planning solutions

- Give rolled equity to Spousal Lifetime Access Trust (SLAT), created by Melissa for benefit of Mark and two adult children as additional beneficiaries
- The rolled equity transferred to the SLAT, along with any subsequent growth and income generated, should be excluded in Melissa or Mark's estate for estate tax purposes
- Allows the Feelgoods to reduce future estate taxes without completely forgoing access to the assets

Wealth Transfer Toolbox

Desired Beneficiaries

- Children
- Grandchildren
- Other Family
- Charitable Causes

Gifting Techniques

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

Leveraging Opportunities

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

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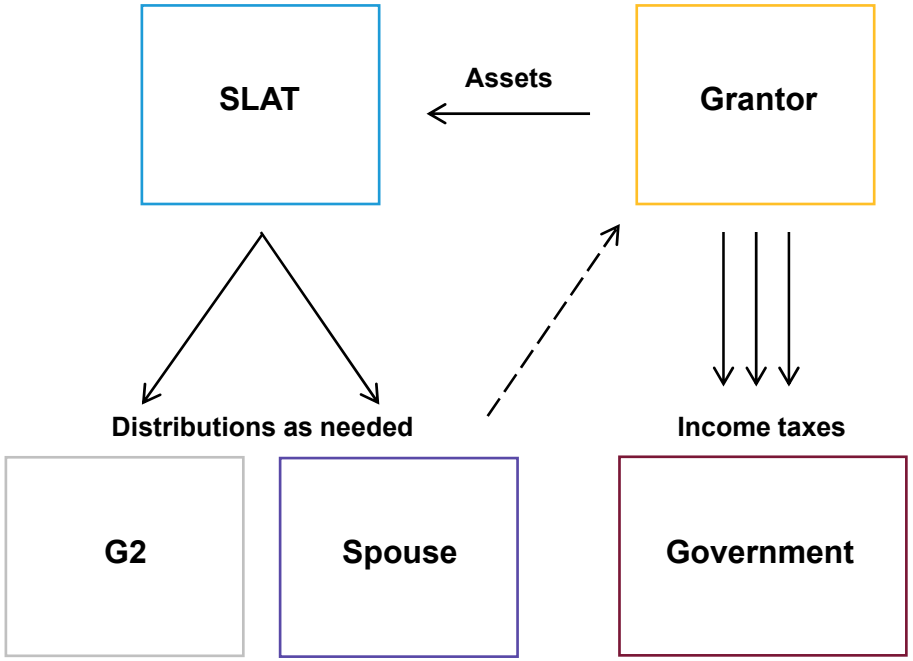
Spousal Lifetime Access Trust (SLAT)



Key points:

- Can benefit children, grandchildren, and grantor's spouse, or benefit can be restricted to the grantor's spouse during life.
- The trust assets should be protected from the grantor's and beneficiary's creditors.
- A married couple could fund two SLATs, one for each spouse's benefit. However, each trust must be carefully drafted to avoid being considered reciprocal.*
- Grantor pays taxes on trust income.
- When structured properly, trust assets should not be included in the estate of the grantor or spouse.
- The significant risks to consider are death and divorce. At the beneficiary spouse's death, the grantor spouse no longer has a means of accessing the trust assets.

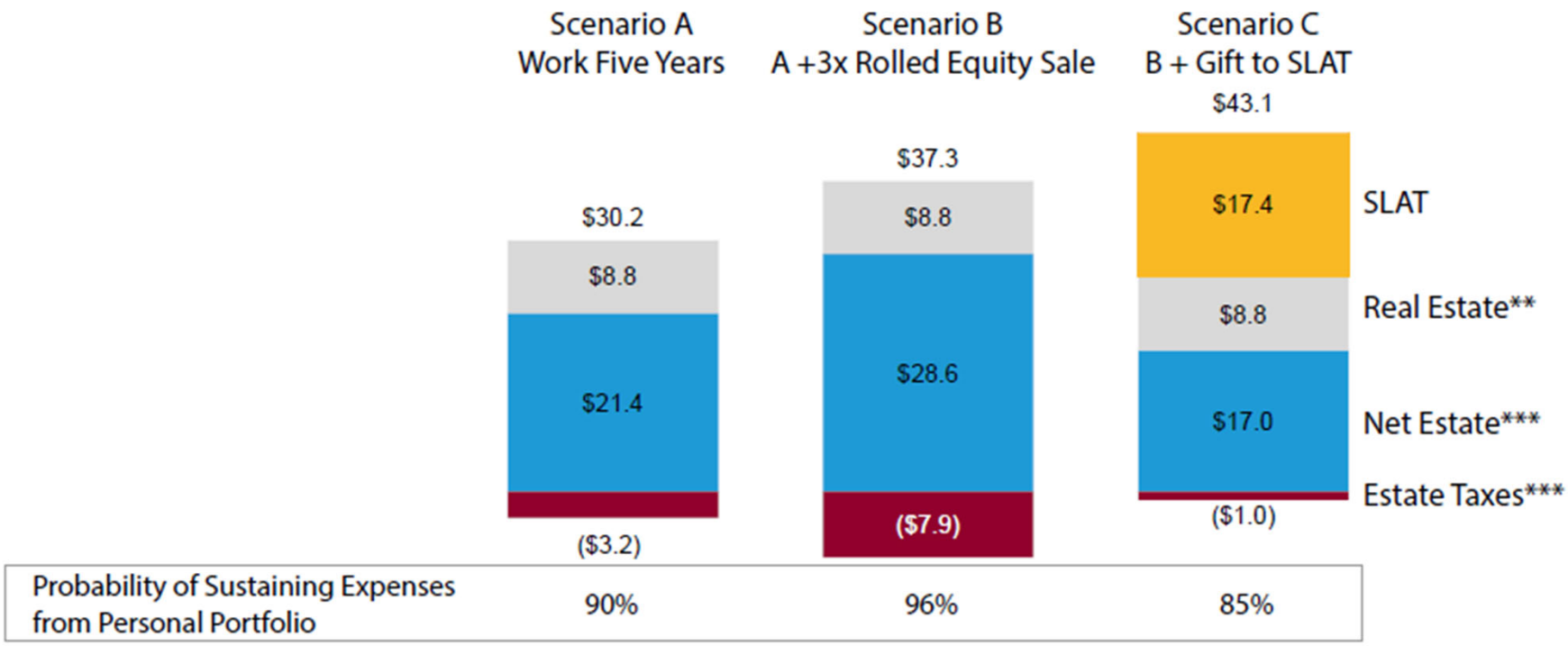
*When creating the two SLATs, each trust must be carefully drafted and funded to avoid the trusts being considered identical or substantially similar. The issue arises from the IRS' application of the reciprocal trust doctrine, created by law in response to the perceived tax-avoidance motive, where two parties create identical trusts for each other and, as a result, end up in approximately the same economic position.

Bernstein does not provide tax, valuation, or legal advice; please consult professionals in these fields prior to making any decisions regarding strategies modeled in this analysis.

Source: AB

Potential Estate Tax

Typical Markets* (Year 35)
After estate taxes and cash flows (USD millions, nominal)



*"Typical Markets" means 50th percentile results of 10,000 trials in our Wealth Forecasting System. Based on AB's estimates of the range of returns to the applicable capital market (as of 12/31/20) over 35 years.

**Assumes current real estate value of $3.5 million, adjusted with headline inflation over 35 years.

***Assumes federal lifetime exclusion of $5.85 million, adjusted with chained inflation over 35 years. We assumed you used $1 million of your lifetime exclusion in Scenario C. Assumes marginal federal estate tax rate of 40% on assets in excess of the remaining exclusion amount.

Data does not represent pas performance and is not a promise of actual or range of actual future results. See Assumptions and Note on Wealth Forecasting System in Appendix for further details.

Source: AllianceBerntein

Planning Opportunities Ahead

Cash

- Cash management for tax proceeds and short-term spending needs

Income Tax

- Charitable planning > Donor-Advised Fund (DAF)
- Qualified Opportunity Zone Fund
- Tax-efficient portfolios
- Private Placement Variable Annuity or Private Placement Life Insurance
- Qualified Plans
- Roth IRA

Generational

- Transfer rolled equity or other growth assets outside of estate via trust strategies such as SLAT, IDGT, GRAT, and CLAT to minimize future estate taxes

Education

- Tax-efficient college planning for kids or grandkids

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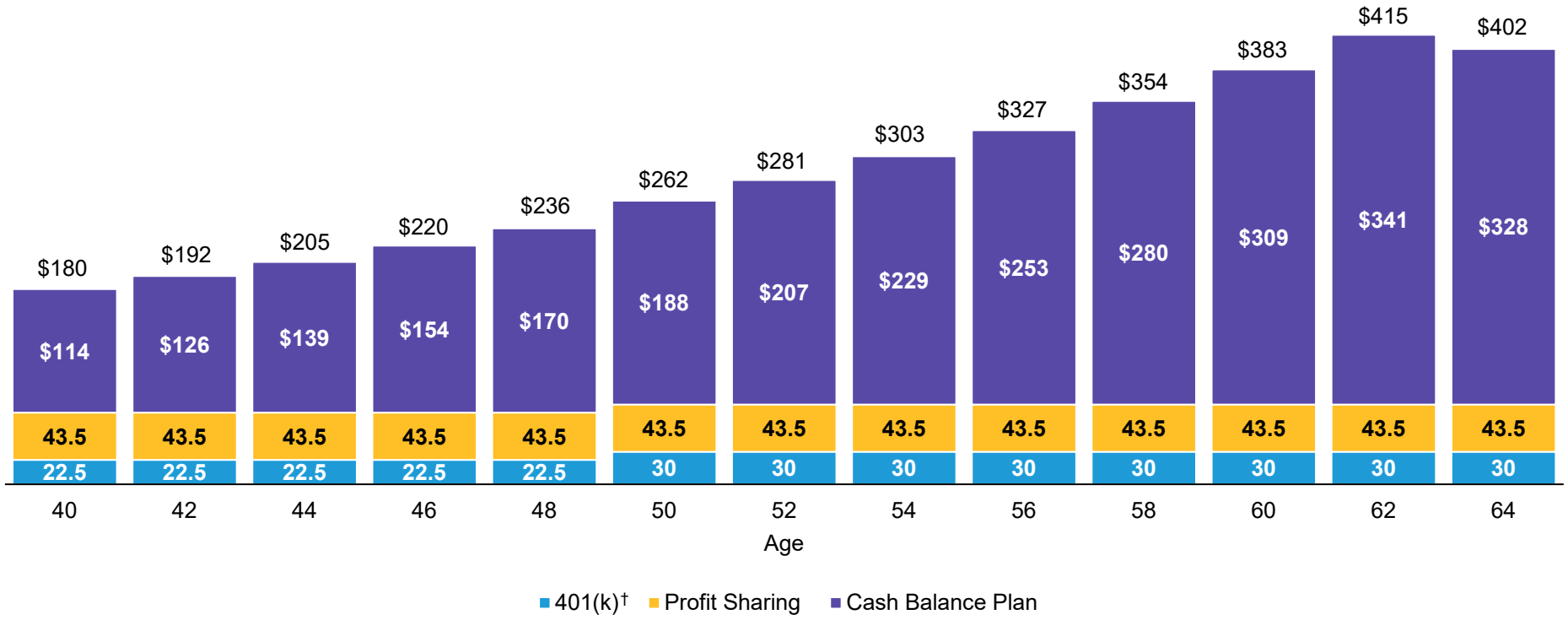
Key Takeaways to Build Wealth and Prepare for a Transition

- Assess your current financial plan and determine core capital
- Engage with qualified professionals to assist in maximizing the value recognized from the transaction
- Know the EBITDA, track it, grow it
- Consider real estate transaction for potential liquidity event
- Structure investments for asset protection
- Maximize tax deferral opportunities
- Explore charitable strategies for tax deductions and philanthropic impact
- Build a well-diversified portfolio, limiting exposure to concentrated investments, and manage liquidity
- Evaluate the financial impact of a transaction to your financial plan, and explore opportunities for tax savings and wealth transfer

How to Save Tax-Efficiently?

Deferral Possibilities: Cash Balance Plans

Annual Real Contributions, Legal Maximums
USD Thousands



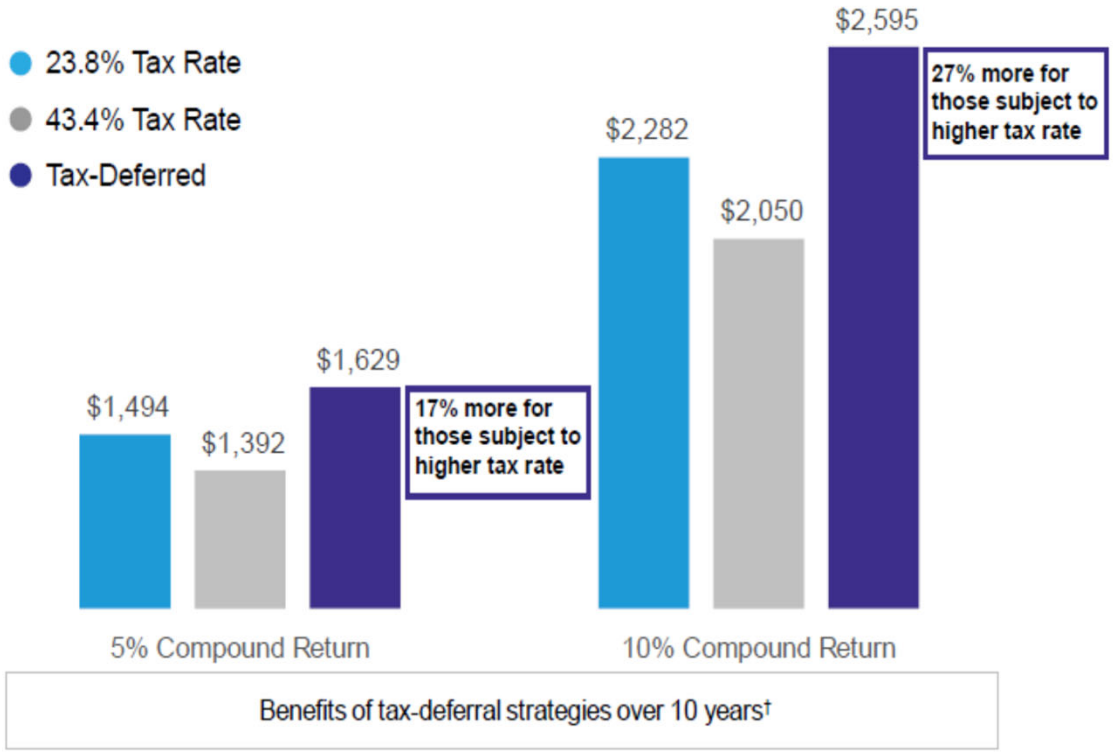
Annual Contributions are determined for each participant upon entering the plan

*Source: IRS and FuturePlan
†Includes "catch-up" contributions for participants age 50 and older

How to Add Alternatives Tax Efficiently?

Tax Deferral Is Worth More with Higher Tax Rates and Higher Returns

Value of $1 Million Portfolio after 10 Years (USD Thousands)*

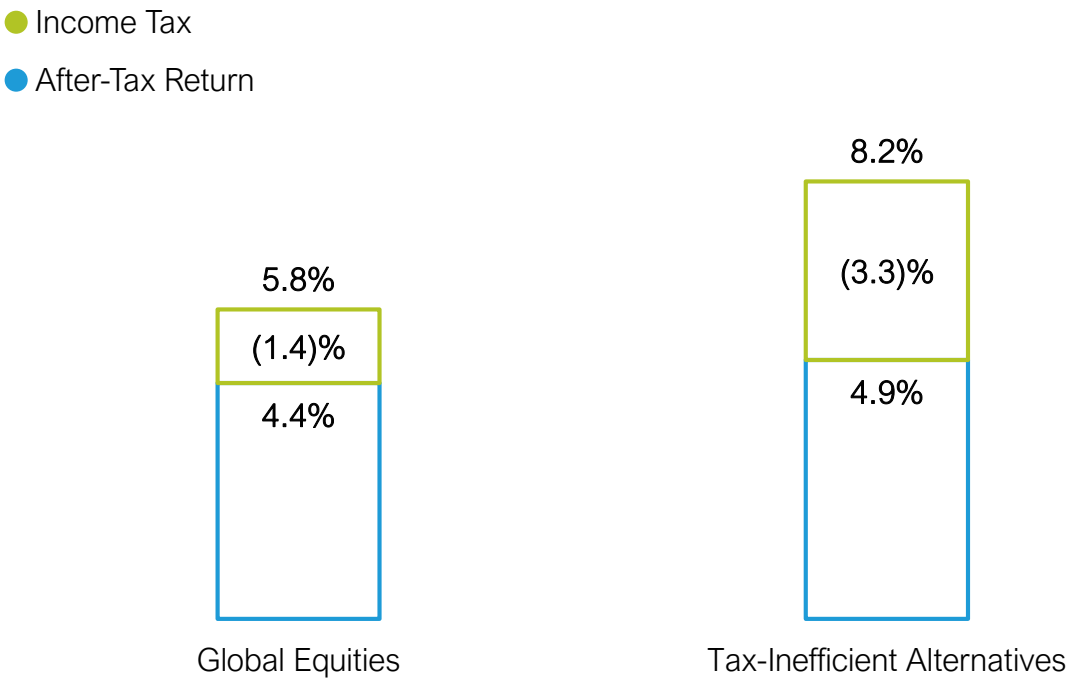


*Assumes $1 million portfolio grown for 10 years, subject to either 23.8% long-term capital gains tax rate or 43.4% tax rate or tax-deferred, with either a 5% or 10% compound rate of return. Model assumes 15% annual turnover. After-tax results based on Bernstein's Wealth Forecasting Analysis. Data do not represent past performance and are not a promise of actual future results or a range of future results. Asset value represent the estimated market value; if the assets were liquidated, additional taxes would be realized that are not reflected here. See Assumptions and Notes on the Wealth Forecasting System in the Appendix for further details.

†Illustrated benefit represents a comparison of the pre-tax value of the tax-deferred account relative to the taxable account subject to 23.8% long-term capital gains tax rate or 43.4% tax rate. The tax-deferred account will recognize taxes upon liquidation or distribution of the assets that are not reflected in this comparison.

Alternatives Can Provide Attractive Pretax Returns, but Many Are Tax Inefficient…

Projected Median 10-Year Annualized Return (Average Manager)*



Key Question:

- Is the tax hurdle too high?
- Is the increased return potential worth the illiquidity?

For illustrative purposes only. Data do not represent past performance. Actual returns may be higher or lower than projected. For recipient's use only.
*Based on Bernstein's estimates of median returns for applicable capital markets over next 10 years as of June 30, 2020. Projected pretax 10-year compound annual growth rate. "Global Equities" means 60% US stocks, 31.9% developed international stocks, and 8.1% emerging markets stocks. "Tax-Inefficient Alternatives" is 33.3% securitized assets, 33.3% private credit, and 33.3% long-short hedge fund. Assumes information ratio of zero for actively managed strategies. Assumes 23.8% effective tax rate for long-term capital gains and qualified dividends, 40.8% effective tax rate for Tax-Inefficient Alternatives. See Appendix, Notes on Bernstein Wealth Forecasting, and AIA Description and Methodology, for details.
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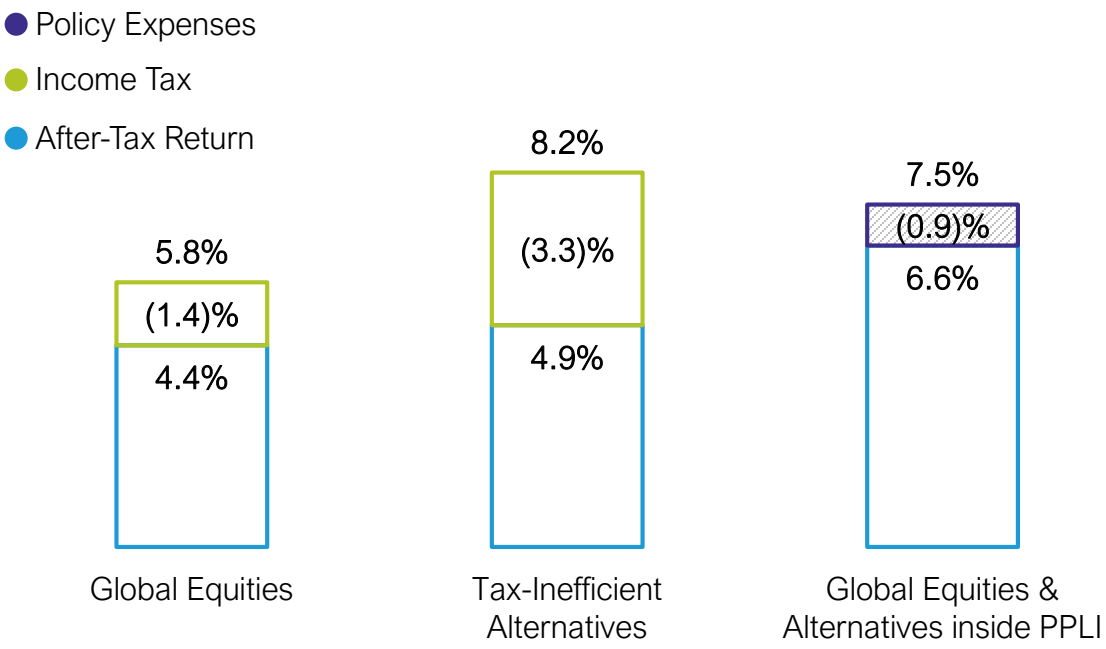
Source: AB

…However, Investing in Alternatives through a Private Placement Life Insurance Policy Can Defer (or Eliminate) the Tax Drag

Projected Median 10-Year Annualized Return (Average Manager)*



Key Question:

- Is the enhanced return potential worth the
  - added complexity; and
  - time commitment?

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*Based on Bernstein's estimates of median returns for applicable capital markets over next 10 years as of June 30, 2020. Projected pretax 10-year compound annual growth rate. "Global Equities" means 60% US stocks, 31.9% developed international stocks, and 8.1% emerging markets stocks. "Tax Inefficient Alternatives" is 33.3% securitized assets, 33.3% private credit, and 33.3% long-short hedge fund. Assumes information ratio of zero for actively managed strategies. Assumes 23.8% effective tax rate for long-term capital gains and qualified dividends, 40.8% effective tax rate for Tax-Inefficient Alternatives. "Global Equities & Alternatives" means 75% tax-inefficient alternatives (as defined), 12.5% U.S. low volatility/ high yield stocks, and 12.5% global stocks. Assumes information ratio of zero for actively managed strategies. Assumes 23.8% effective tax rate for long-term capital gains and qualified dividends, 40.8% effective tax rate for Tax-Inefficient Alternatives. Taxes upon distribution from PPLI policy are excluded from projections. See Appendix, Notes on Wealth Forecasting, and AIA Description and Methodology, for details.

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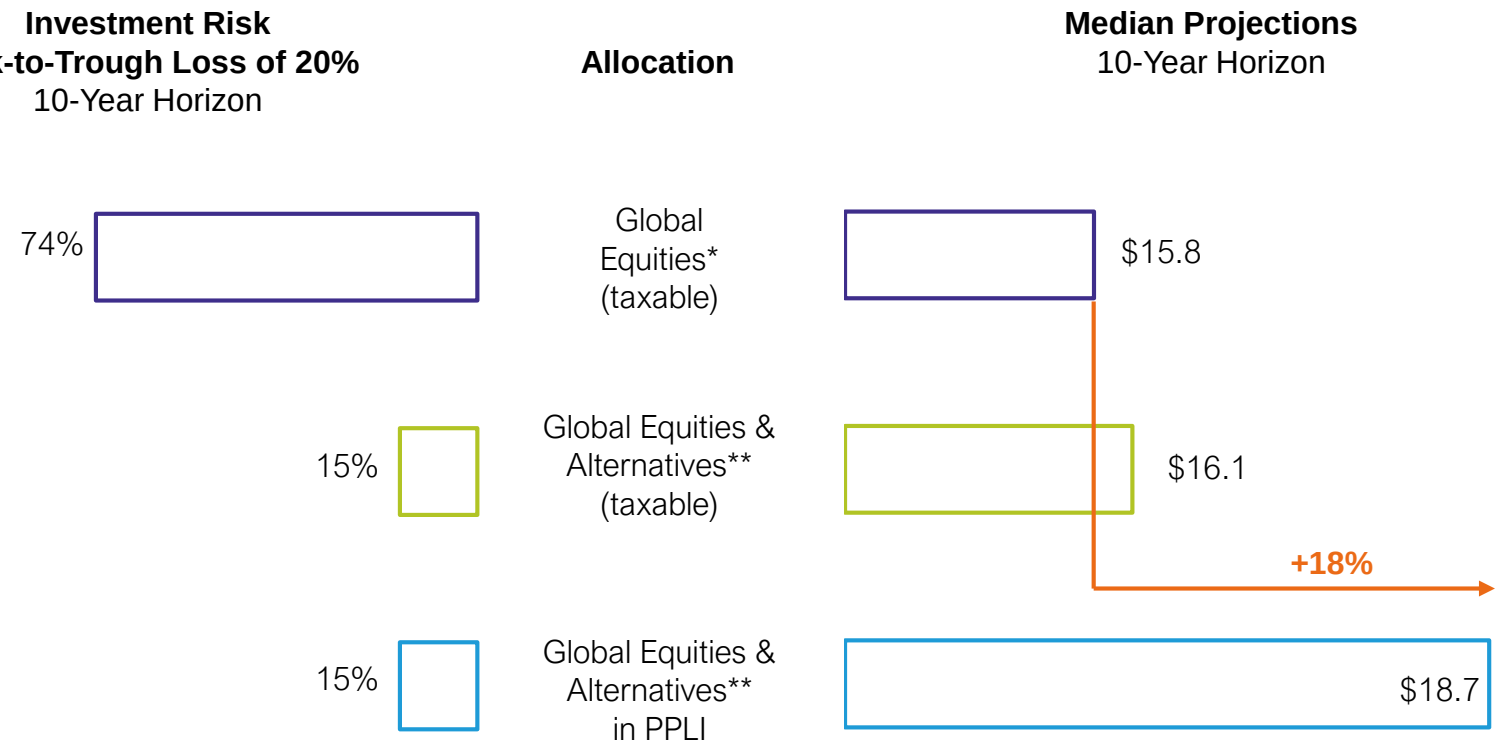
Source: AB

Reduce Volatility and Improve Outcomes



These projections are not to be considered investment recommendations by AllianceBernstein L.P. and are not indicative of any one specific AllianceBernstein L.P. product or investment advisory service. Based on Bernstein's estimates of median returns for applicable capital markets over next 10 years as of June 30, 2020.
*"Global Equities" means 60% US stocks, 31.9% developed international stocks, and 8.1% emerging markets stocks.
**Global Equities & Alternatives" means 12.5% U.S. low volatility/ high yield stocks, 12.5% global stocks, 25% securitized assets, 25% private credit, and 25% long-short hedge fund based on Alternatives Impact Analysis (AIA). PPLI assumes initial one time expense of 1.5% of $10 million premium, and annual expenses of 0.9%. Display indicates pre-liquidation cash value projection for PPLI. See disclosures regarding AIA and all projections.
Based on Bernstein's estimates of the range of returns for the applicable capital markets over the next 10 years. Data does not represent past performance and is not a promise of actual or range of future results. See Notes on Bernstein Wealth Forecasting System in Appendix for further details.

Diagnosing Private Placement Life Insurance

- Private Placement Life Insurance is a life insurance policy without formal securities law registration.
- Purchase of a policy is limited to qualified purchasers and accredited investors.
- Product loads and periodic charges are considerably lower than most retail products.
- No surrender charges.
- Investments within the policy will not be subject to income taxes, with all gains deferred until a withdrawal is made, or avoided if held until death.
- The cash value of the policy is driven by the performance of the underlying investments
- No K-1

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How to Add Structure to Charity?

There Are Many Ways to Give to Charity

Purely Philanthropic Strategies

Immediate Gifts

- Charitable IRA Rollover
- Securities
- Cash

Staged Gifts

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

Deferred Gifts

- Pledges
- Bequests

Partly Philanthropic Strategies

Staged Gifts

- Charitable Lead Annuity Trusts

Deferred Gifts

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

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The Amount of Complexity Depends on the Asset Gifted

	Give Cash to		Give Publicly Traded Stocks to		Give Private Corporation Shares to	
	Private Foundation	DAF	Private Foundation	DAF	Private Foundation	DAF
Complexity	Very easy		Easy		Complex	
Source	Cash from sale		Existing investments		Shares of corporation	
Deduction Limited to	30% of AGI	60% of AGI	20% of AGI	30% of AGI	Cost Basis, at 20% of AGI	Fair Market Value, at 30% of AGI
Need Qualified Appraisal?[ii]	No		No		Yes	
UBTI Issues?[iv]	No		No		Yes	

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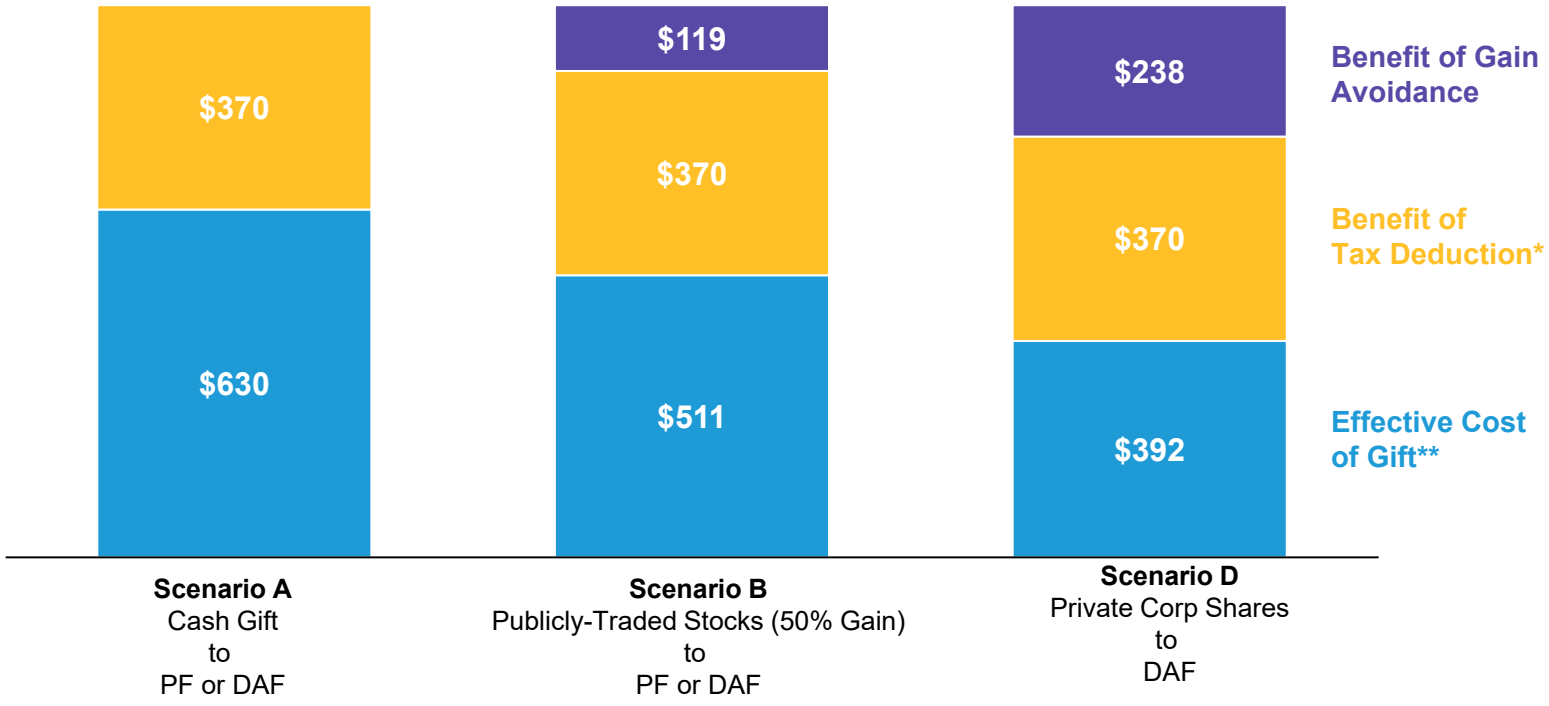
Source: AB

What's Your True Cost of These Giving Options?

Effective Cost of a $1.0 million Gift (USD Thousands)*



Values above are for illustrative purposes and only and reflect only federal income tax savings.

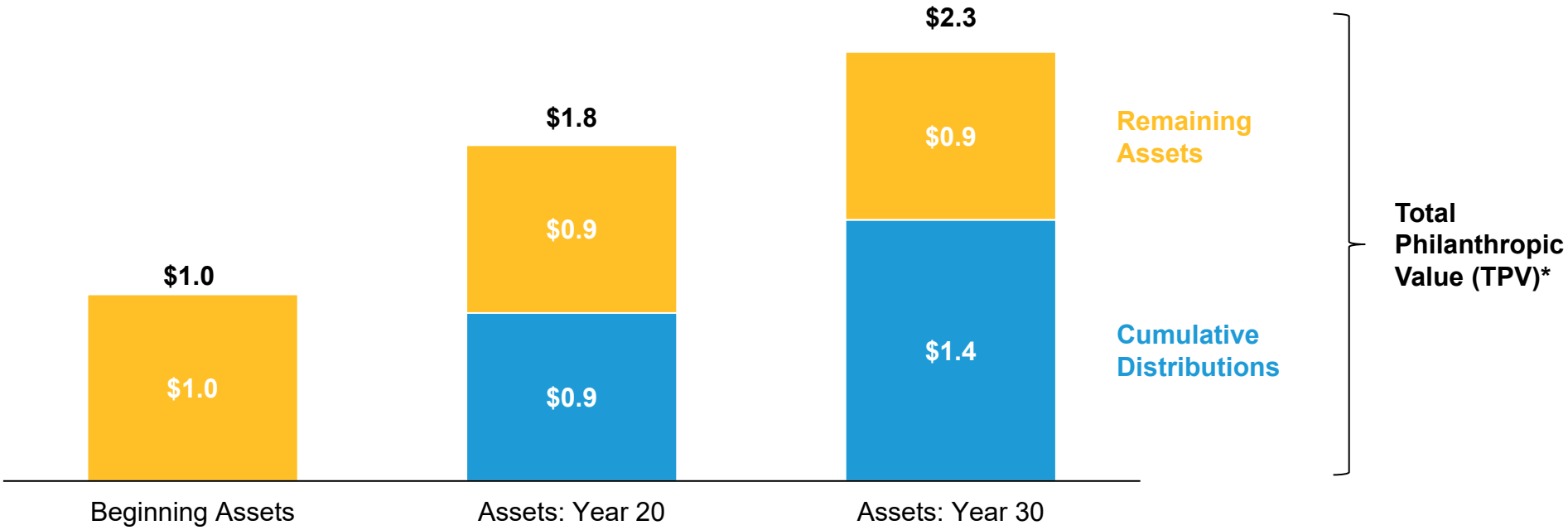
*Benefit of tax deduction assumes Jack and Diane will utilize the charitable income tax deduction to offset ordinary income from their business distributions.

Bernstein does not provide tax or legal advice. Investor should consult tax and legal professionals before making any decisions.

Source: AB

How Much Is a $1.0 Million Gift to a Donor-Advised Fund Worth?

Value of DAF After Distributing 5% Annually
Median Results—Nominal (USD Millions)*



*TPV is the sum of cumulative distributions and the portfolio remainder value in a given year. Allocation is 60% global stocks and 40% bonds.

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

Source: Bernstein

Building and Protecting Wealth Beyond the Practice

- Build your Core Capital portfolio
- Protect assets – from creditors, income taxes, estate taxes through wealth planning
- Manage illiquidity and risk exposure
  - Diversify portfolio with private investments and other alternatives, but manage illiquidity and risk exposure through diversification of strategies and limit percentage of assets
- Keep more, save more with qualified plans and tax-efficient investment strategies
  - 401(K) and Profit Sharing Plans (PSP)—defer tax on up to $64,500 of income
  - Cash Balance Plans—defer tax on up to $350,000 of income, when combined with 401(k) and PSP
  - ERISA plans provide asset protection
- Private placement variable annuities (PPVA) or private placement life insurance (PPLI)
  - Tax deferral on investment earnings
  - Potential asset protection, depending on state of residence
  - No K-1s on alternative investments inside
  - Low fees and no surrender charges
  - Qualified purchasers only
- Donor-Advised Funds (DAF)
  - Tax-free charitable investment account
  - Charitable deduction upon contribution of assets
  - Donate appreciated assets to maximize benefit: avoid gain and obtain deduction

Appendix

Notes on Wealth Forecasting System

1. Purpose and Description of Wealth Forecasting System

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

2. 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 System

4. Modeled Asset Classes

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

Asset Class	Modeled as:	Annual Turnover Rate
Cash Equivalents	3-month Treasury bills	100%
Intermediate-Term Diversified Municipals	AA-rated diversified municipal bonds of 7-year maturity	30%
Int.-Term Inflation Muni	Long Int.-Term Diversified Muni, Long Int.-Term TIPS and Short Int.-Term Treasury Adjusted for Cost	30%
US Diversified	S & P 500 Index	15%
US Value	S & P / Barra Value Index	15%
US Growth	S & P / Barra Growth Index	15%
US Low Vol Equity	MSCI US Minimum Volatility Index	15%
Developed International	MSCI EAFE Unhedged	15%
Emerging Markets	MSCI Emerging Markets Index	20%
US SMID	Russell 2500	15%
High-Risk Intl	Country Fund	15%
Real Assets	1/3 NAREIT, 1/3 MSCI ACWI Commodity Producer Index, 1/3 DJ- UBS Commodity Futures Index	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-Market 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%. AB's forecast of volatility is based on historical data and incorporates AB's judgment that the volatility of fixed income assets is different for different time periods.

6. Technical Assumptions

AB's Wealth Forecasting System is based on a number of technical assumptions regarding the future behavior of financial markets. AB's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the current condition of the capital markets as of December 31, 2021. Therefore, the first 12-month period of simulated returns represents the period from December 31, 2021, through December 31, 2022, and not necessarily the calendar year of 2021. A description of these technical assumptions is available on request.

Notes on Wealth Forecasting System

7. Tax Implication

Before making any asset allocation decisions, an investor should review with his/her tax advisor the tax liabilities incurred by the different investment alternatives presented herein including any capital gains that would be incurred as a result of liquidating all or part of his/her portfolio, retirement-plan distributions, investments in municipal or taxable bonds, etc. AB does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

8. Tax Rates

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

Taxpayer	Scenario	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
Dr. Pain	Current	2022	2051	see below	see below	see below	see below	Automatic-Single Filer
Dr. Pain	A	2022	2051	see below	see below	see below	see below	Automatic-Single Filer
Dr. Pain	B	2022	2051	see below	see below	see below	see below	Automatic-Single Filer
Dr. Pain	C	2022	2051	see below	see below	see below	see below	Automatic-Single Filer

The federal income tax rate represents AB's estimate of either the top marginal tax bracket or an "average" rate calculated based upon the marginal rate schedule. The federal capital gains tax rate is represented by the lesser of the top marginal income tax bracket or the current cap on capital gains for an individual or corporation, as applicable. Federal tax rates are blended with applicable state tax rates by including, among other things, federal deductions for state income and capital gains taxes. The state income tax rate represents AB's estimate of the 'average' rate calculated based upon the applicable state's marginal tax schedule. Where an applicable state tax code permits the exclusion of a portion of capital gain income from gross income for purposes of calculating state income tax such exclusions have been included in the calculation.

Notes on Wealth Forecasting System

1. **Purpose and Description of Wealth Forecasting Analysis**
   AB's Wealth Forecasting Analysis is designed to assist investors in making their long-term investment decisions as to their allocation of investments among categories of financial assets. Our planning tool consists of a four-step process: (1) Client-Profile Input: the client's asset allocation, income, expenses, cash withdrawals, tax rate, risk-tolerance level, goals, and other factors; (2) Client Scenarios: in effect, questions the client would like our guidance on, which may touch on issues such as when to retire, what his/her cash-flow stream is likely to be, whether his/her portfolio can beat inflation long-term, and how different asset allocations might affect his/her long-term security; (3) The Capital-Markets Engine: our proprietary model that uses our research and historical data to create a vast range of market returns, which takes into account the linkages within and among the capital markets, as well as their unpredictability; and (4) A Probability Distribution of Outcomes: based on the assets invested pursuant to the stated asset allocation, 90% of the estimated ranges of 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 AB's estimates of the range of market returns, as these results are subject to a variety of economic, market, and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results, or the actual probability that these results will be realized. The information provided here is not intended for public use or distribution beyond our private meeting. Of course, no investment strategy or allocation can eliminate risk or guarantee returns.

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

3. **Rebalancing**
   Another important planning assumption is how the asset allocation varies over time. We attempt to model how the portfolio would actually be managed. Cash flows and cash generated from portfolio turnover are used to maintain the selected asset allocation between cash, bonds, stocks, REITs, and hedge funds over the period of the analysis. Where this is not sufficient, an optimization program is run to trade off the mismatch between the actual allocation and targets against the cost of trading to rebalance. In general, the portfolio is expected to be maintained reasonably close to the target allocation. 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 personal portfolio and entirely of stocks in his/her retirement portfolio. If personal assets are spent, the mix between stocks and bonds will diverge from targets. We put primary weight on maintaining the overall allocation near target, which may result in an allocation to taxable bonds in the retirement portfolio as the personal assets decrease in value relative to the retirement portfolio's value.

Notes on Wealth Forecasting System

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

5. Modeled Asset Classes
The following assets or indices were used in this analysis to represent the various model classes

Asset Class	Modeled As	Annual Turnover
Municipal Cash	Municipal money-market securities	100%
Cash Equivalents	3-month US Treasury bills	100
Int.-Term Diversified Municipals	AA-rated diversified municipal bonds of 7-year maturity	30
Int.-Term Taxables	Taxable bonds of 7-year maturity	30
US Diversified	S&P 500 Index	15
US Value	S&P/Barra Value Index	15
US Growth	S&P/Barra Growth Index	15
US Low Vol Equity	MSCI US Minimum Volatility Index	15
Developed International	MSCI EAFE Unhedged	15
Emerging Markets	MSCI Emerging Market Index	20
US SMID	Russell 2500	15
High-Risk Intl	Country Fund	15
Global Intermediate Taxable Bonds Hedged	7-year 50% Sovereign ang 50% Investment Grade Corporate Debt of Development Countries	30

6. Volatility
Volatility is a measure of dispersion of expected returns around the average. The greater the volatility, the more likely it is that returns in any one period will be substantially above or below the expected result. The volatility for each asset class used in this analysis is listed on the Capital-Market Projections page before 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
AB's Wealth Forecasting System is based on a number of technical assumptions regarding the future behavior of financial markets. AB's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the current condition of the capital markets as of December 31, 2021. Therefore, the first 12-month period of simulated returns represents the period from December 31, 2020, through December 31, 2021, and not necessarily the calendar years of 2020. A description of these technical assumptions is available on request.

Notes on Wealth Forecasting System

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. AB does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

9. **Tax Rates**
   the federal income tax rate represents AB's estimate of either the top marginal tax bracket or an "average" rate calculated based upon the marginal rate schedule. The federal capital gains tax rate is represented by lesser of the top marginal income tax bracket or the current cap on capital gains for a an individual or corporation, as applicable. Federal tax rates are blended with applicable state tax rates by including, among other things, federal deductions for state income and capital gains taxes. The state income tax rate represents AB's estimate of the 'average' rate calculated based upon the applicable state's marginal tax schedule. Where an applicable state tax code permits the exclusion of a portion of capital gain income from gross income for purposes of calculating state income tax, such exclusions have been included in the calculation.

10. **Internationally Defective Grantor Trusts (IDGTs)**
    The Internationally Defective Grantor Trusts (IDGTs) is modeled as an irrevocable trust whose assets are treated as the grantor's for income tax purposes, but not for gift or estate tax purposes. Some income and transfer-tax consequences associated with transfers to and the operation of an IDGT remain uncertain, and the strategy may be subject to challenge the IRS. Hence, this technique requires substantial guidance from tax and legal advisors. The grantor may give assets to the trust, which will require using gift tax exemptions and exclusions, or paying gift taxes. The IDGT is modeled with one or more current beneficiaries, and one or more remainder beneficiaries. Distributions to the current beneficiaries are not required, but system permits the user to structure annual distributions in a number of different ways, including 10 an amount or a percentage of fiduciary accounting income (FAI) (which maybe defined to include some or all realized capital gains); 2) FAI plus some principal, expressed either as a percentage of trust asset or as a dollar amount; 3) an annuity, or fixed-dollar amount which may be increased annually by inflation or by a fixed percentage; 4) a unitrust or annual payment of a percentage of trust assets, based on the trust's value at the beginning of the year, or average over multiple years; or 5) any combination of the above four payment methods. Because the IDGT is modeled as a grantor trust, the system calculates all taxes on income and realized capital gains that occur in IDGT portfolio each year, based on the grantor's tax rates and other income, and pays them from grantor's personal portfolio. The IDGT may continue for the duration of the analysis, or the trust assets may be distributed in cash or in kind at a specific point in time or periodically to (1) a non-modeled recipient, (2) a taxable trust, or (3) a taxable portfolio for someone other than the grantor. If applicable, an installment sale to an IDGT may be modeled as a user-entered initial "seed" gift followed by a sale of additional assets to the trust. The system will use one of two methods to repay the value of the sale assets plus interest (less any user-specified discount to the grantor): 1) user-defined payback schedule, or 2) annual payment of principal plus any unpaid interest at the end of the specified term.

This document is for informational purposes only and does not constitute investment advice. There is no guarantee that any projection, forecast, or opinion in this material will be realized. The views expressed herein may change at any time after the date of this publication. 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.

The Bernstein Wealth Forecasting System[SM] uses a Monte Carlo model that stimulates 10,000 plausible paths of return for each asset class and inflation and produces a probability distribution of outcomes. The model does not draw randomly from a set of historical returns to produce estimates of the future. Instead, the forecasts: (1) are based on the building blocks of asset returns, such inflation, yields, yields spreads, stock earnings, and price multiples; (2) incorporate the linkages that exist among the returns of various asset classes; (3) take into account current market conditions at the beginning of the analysis; and (4) factor in a reasonable degree of randomness and unpredictability. Moreover, actual 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.