BERNSTEIN
Global Wealth Management

Case Study Results

Prepared for Steven E. Trytten

November 27, 2007

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Assumptions

In preparing the foregoing displays, we adopted all of the assumptions listed in Section V, Parts A and B of *Case Study: Jones & Son – Basic Stretch Out,* except as follows:

1. Mr. Trytten assumes portfolio turnover of 20% per year. Our portfolio turnover assumptions for each asset class are detailed in Section 5 in *Notes on Wealth Forecasting*, which follows this List of Exceptions.

2. Mr. Trytten assumes that inflation will be 1.5% per year throughout the analysis. Bernstein's Capital Markets Engine models inflation as a separate variable. See generally *Notes on Wealth Forecasting*.

3. Mr. Trytten assumes that each portfolio will generate 1.5% of income and 6.5% of capital appreciation each year. In our model, each portfolio is invested (i) 60% in globally diversified equities and (ii) 40% in intermediate-duration Treasury bonds (in the case of each IRA portfolio) or municipal bonds (in the case of each taxable portfolio). For this purpose, a "globally diversified equities" portfolio means a stock portfolio consisting of 35% US Value stocks, 35% US Growth stocks, 25% Developed International stocks, 5% Emerging Markets stocks. See *Notes on Wealth Forecasting* for additional details.

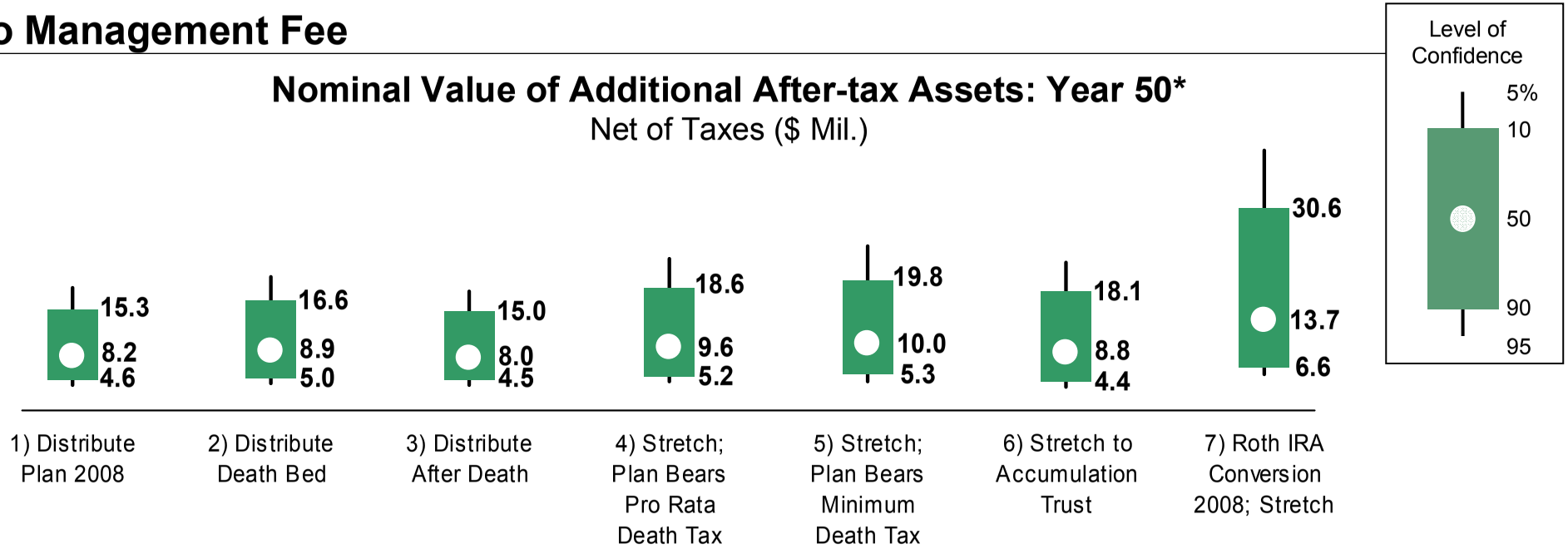
4. In all cases in which the Alternative Minimum Tax (AMT) applies, we assume a $45,000 annual exemption and a flat tax rate of 28%.

5. We model the regular federal income tax, exclusive of the AMT, only in those situations where, in our judgment, the amount of regular federal income tax payable by a particular taxpayer for a given taxable year would be substantially greater, on average, than the amount of regular income tax plus AMT payable by that taxpayer for that year. See Section 9 of *Notes on Wealth Forecasting* for a detailed description of the effective regular federal income tax rates used. When computing regular federal income taxes, we disregard the reduction of itemized deductions described in Section 68 of the Internal Revenue Code of 1986, as amended.

6. Unlike Mr. Trytten's analysis, our model does not track cash inflows and outflows in a separate "Checkbook" account. Rather, those cash flows are credited directly to, and debited directly from, the hypothetical taxable and IRA portfolios that we modeled in each scenario.

No Management Fee Scenario

No Management Fee



Best Strategy?

Probability (Including Roth)

<2%	5%	<2%	<2%	<2%	<2%	95%

Probability (Not Including Roth)

<2%	16%	<2%	<2%	79%	5%

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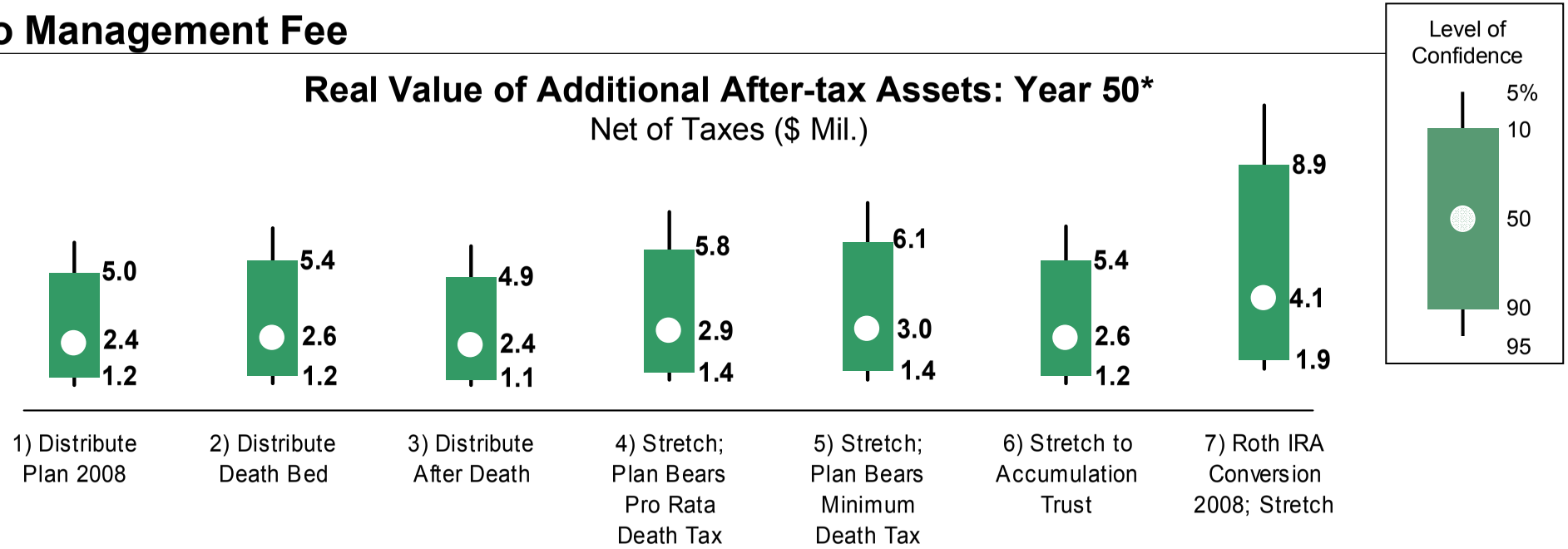
Consistent with Mr. Trytten's characterization, (i) the term "Additional After-tax Assets" represents the projected future value (in 50 years) of additional wealth accumulated as a result of the $1,000,000 IRA, regardless of whether those assets continue to be in an IRA at that time; and (ii) the term "Total Assets" represents the projected future value (in 50 years) of the $2,000,000 of total assets that presently constitute Mr. Jones' estate.

In this analysis, (i) for purposes of computing federal estate tax, we assume that the provisions of the Internal Revenue Code of 1986, as amended ("Code"), effective for decedents dying after December 31, 2010, will apply (i.e., an applicable exclusion amount of $1,000,000 and a top marginal federal estate tax rate of 55%); and (ii) for purposes of computing state estate tax, we assume that the amount of tax payable will equal the amount of the federal credit for state death taxes paid, as described in Code Section 2011(b), effective for decedents dying after December 31, 2010 (i.e., the so-called "pick-up" tax).

Treasury Department regulations are ambiguous regarding which trust beneficiary, if any, is treated as the designated beneficiary of an IRA payable to the trust, and which trust beneficiaries, if any, may be disregarded as "mere potential successors" to an interest in the IRA. See Treas. Reg. § 1.401(a)(9)-5, A-7(c). In Scenario 6 (Stretch to Accumulation Trust) of this analysis, we assume, consistent with Mr. Trytten's assumption, that the Beneficiary qualifies as a designated beneficiary of the IRA for purposes of the minimum required distribution rules.

No Management Fee



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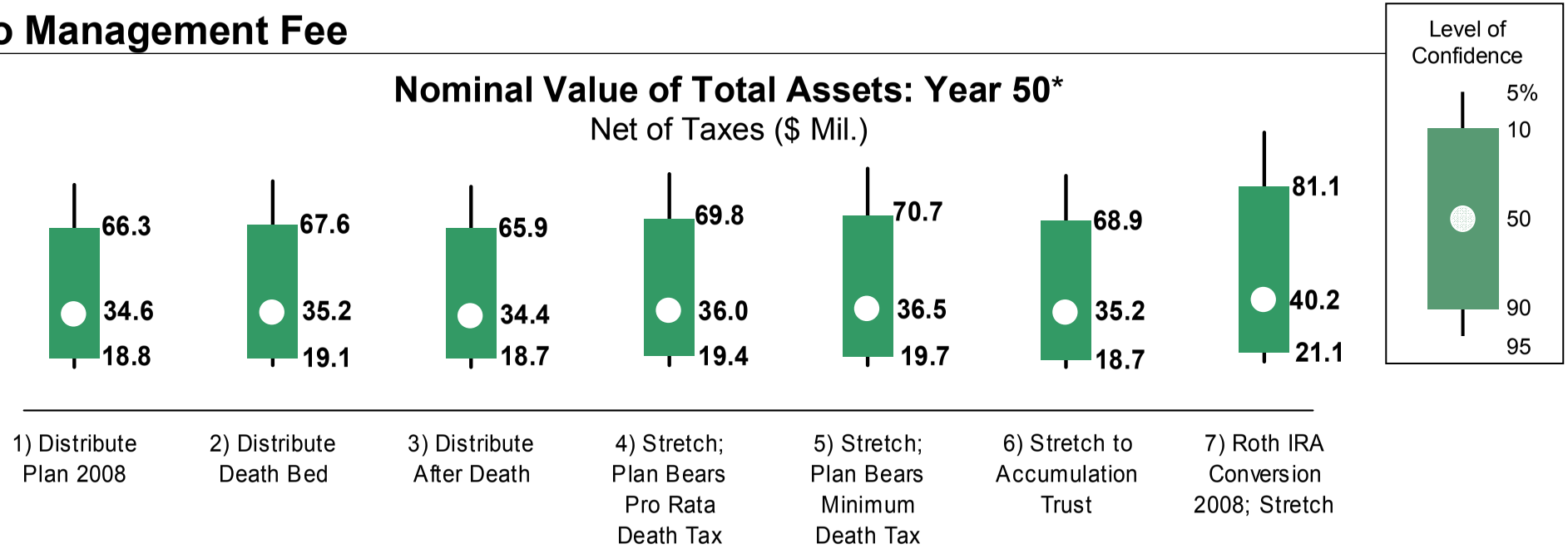

Average Share of Additional After-tax Assets

24%	**25%**	**23%**	**27%**	**28%**	**25%**	**35%**

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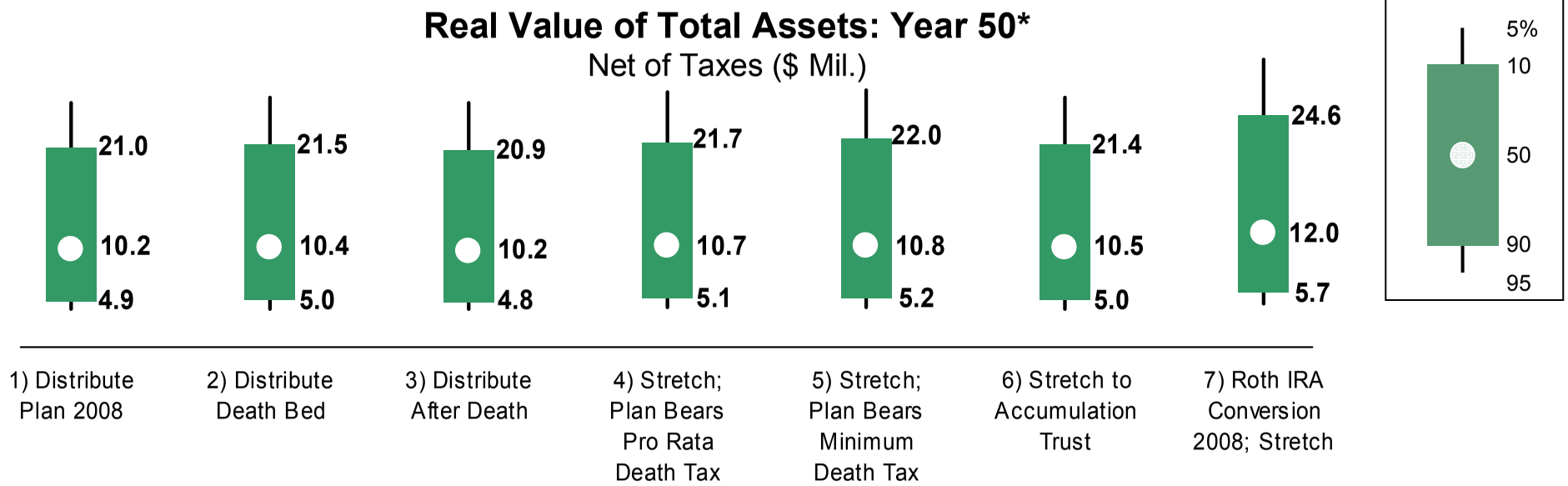

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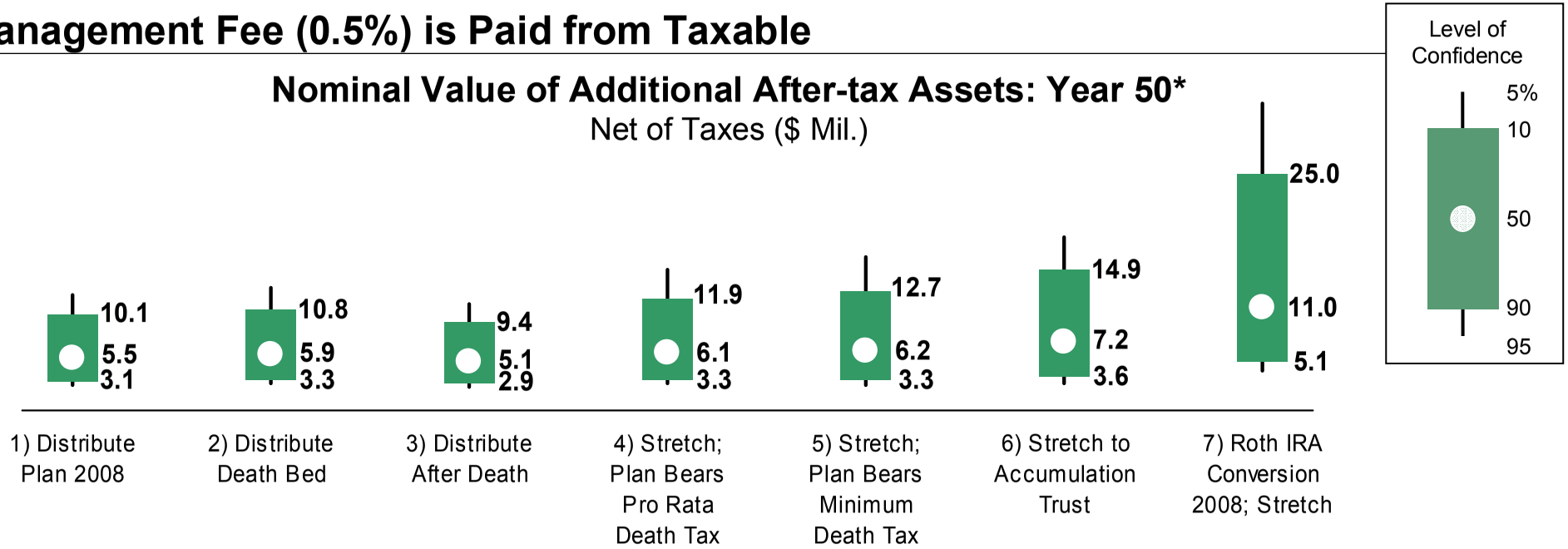
0.5% Management Fee Scenario

Management Fee (0.5%) is Paid from Taxable



Best Strategy?

Probability (Including Roth)

<2%	<2%	<2%	<2%	<2%	<2%	>98%

Probability (Not Including Roth)

<2%	13%	<2%	<2%	11%	76%

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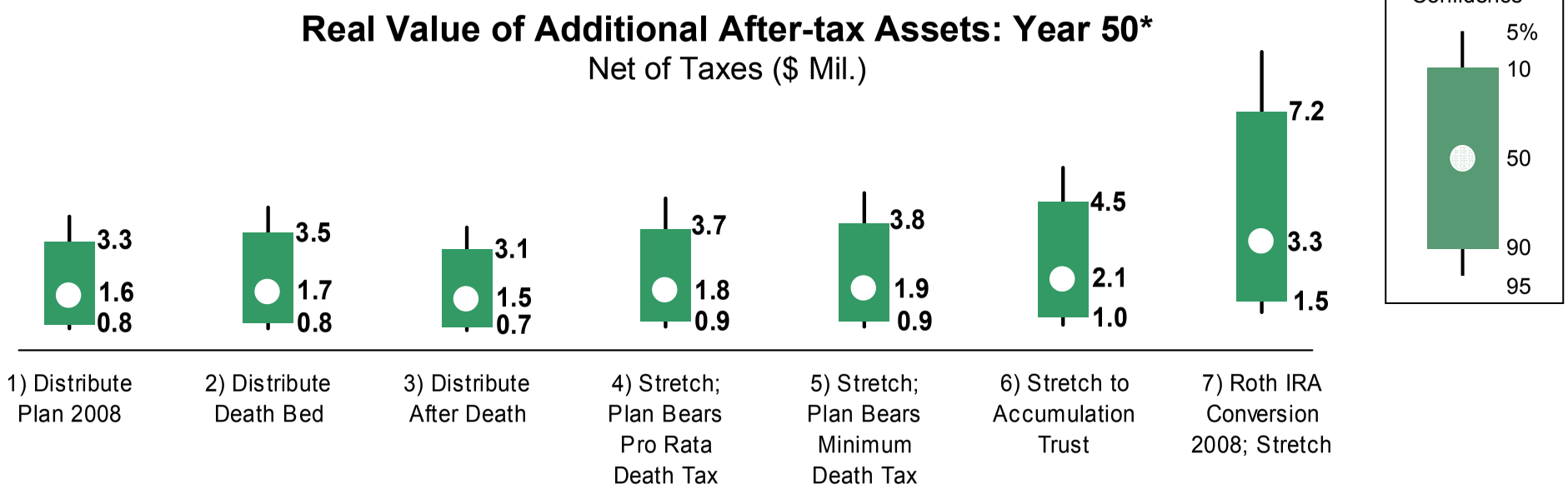

Best Strategy?

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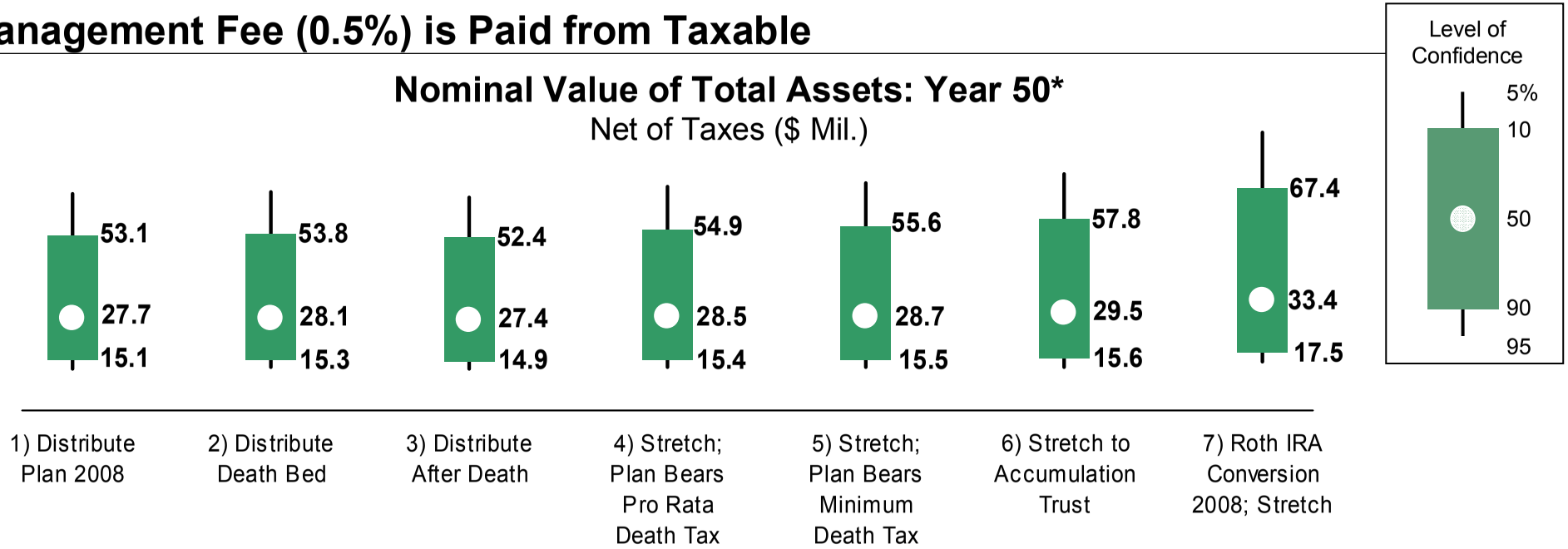

Average Share of Additional After-tax Assets

20%	**21%**	**19%**	**22%**	**22%**	**25%**	**34%**

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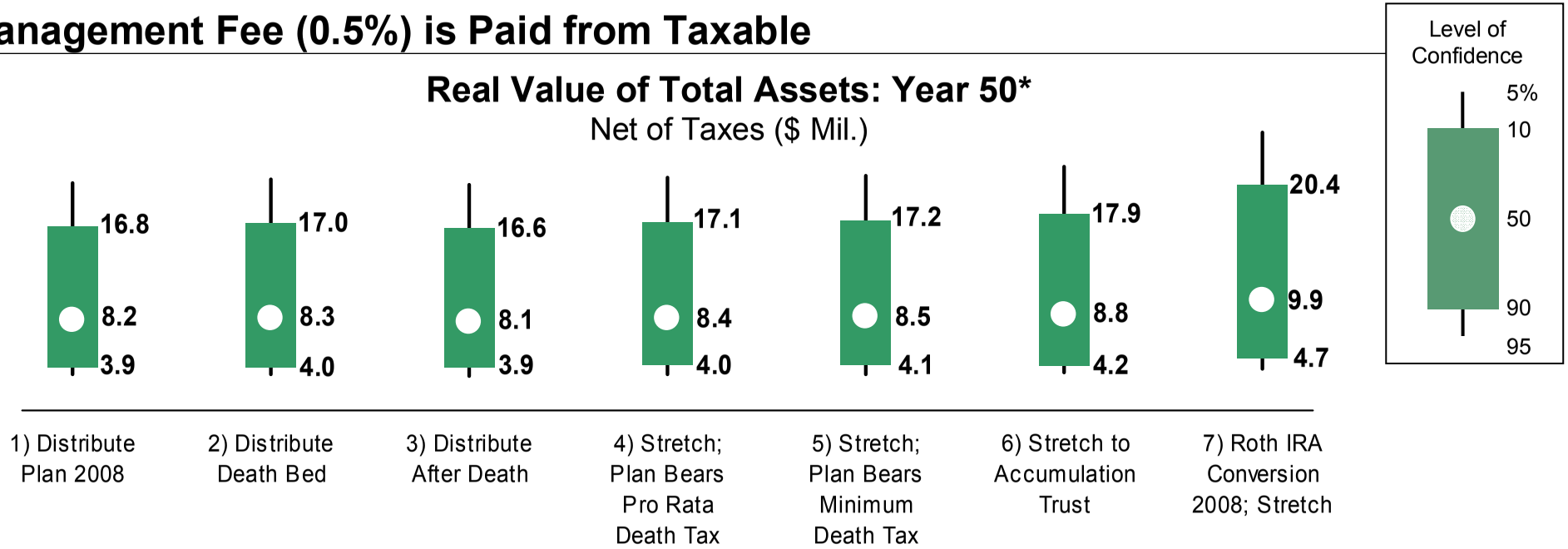

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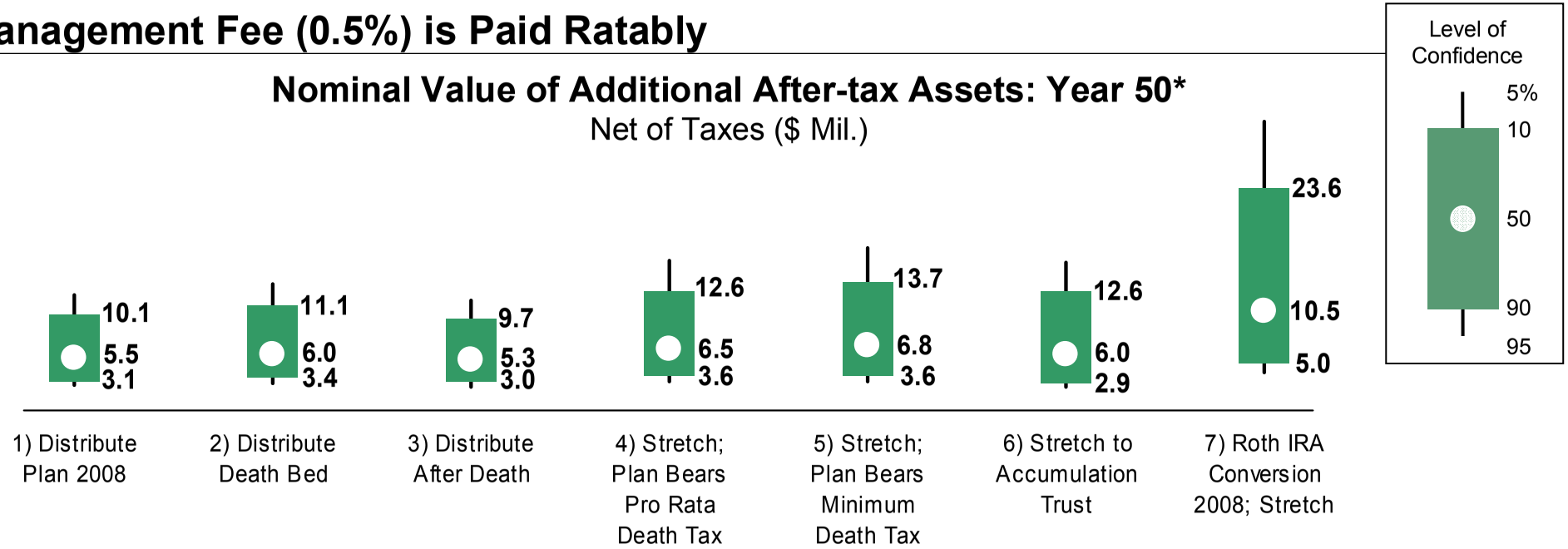

Best Strategy?

Probability (Including Roth)

<2%	3%	<2%	<2%	<2%	<2%	97%

Probability (Not Including Roth)

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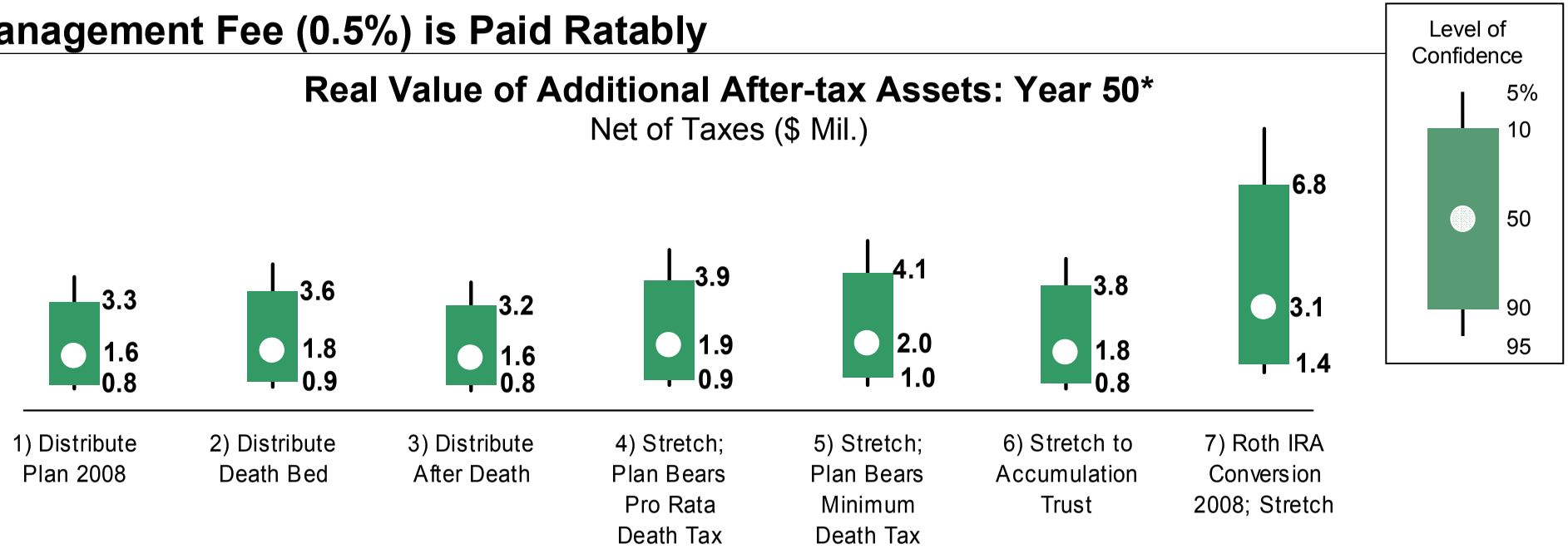

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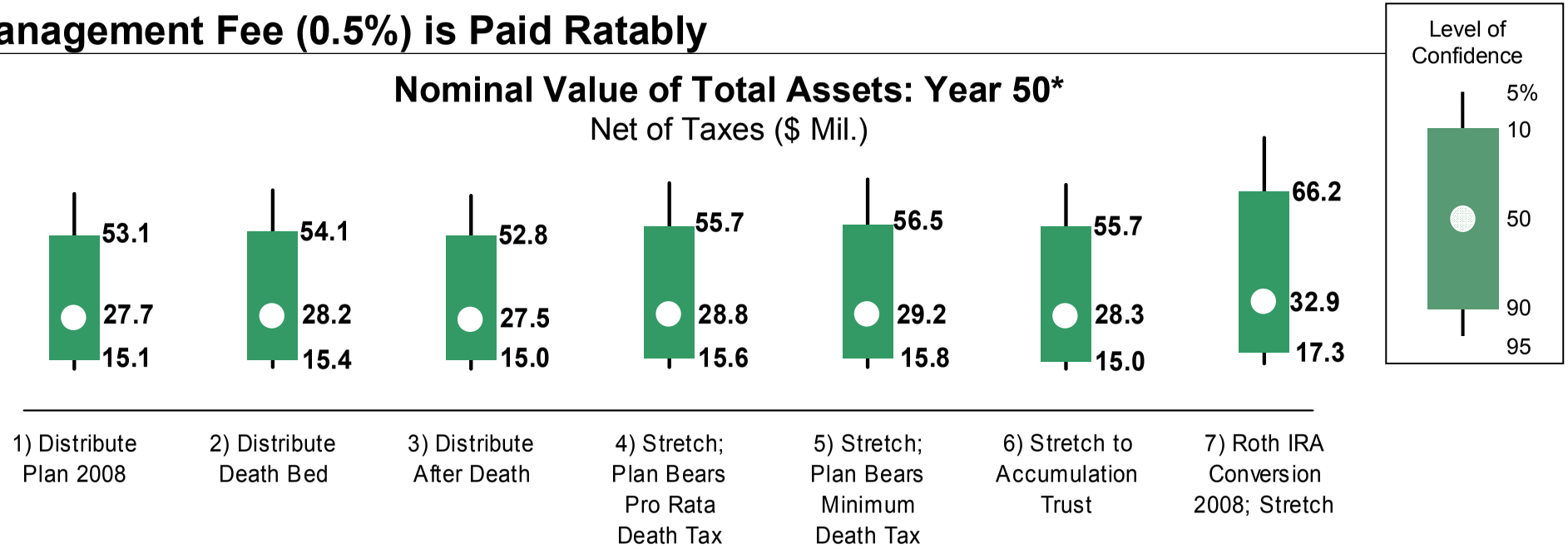

Average Share of Additional After-tax Assets

20%	**21%**	**19%**	**23%**	**24%**	**21%**	**32%**

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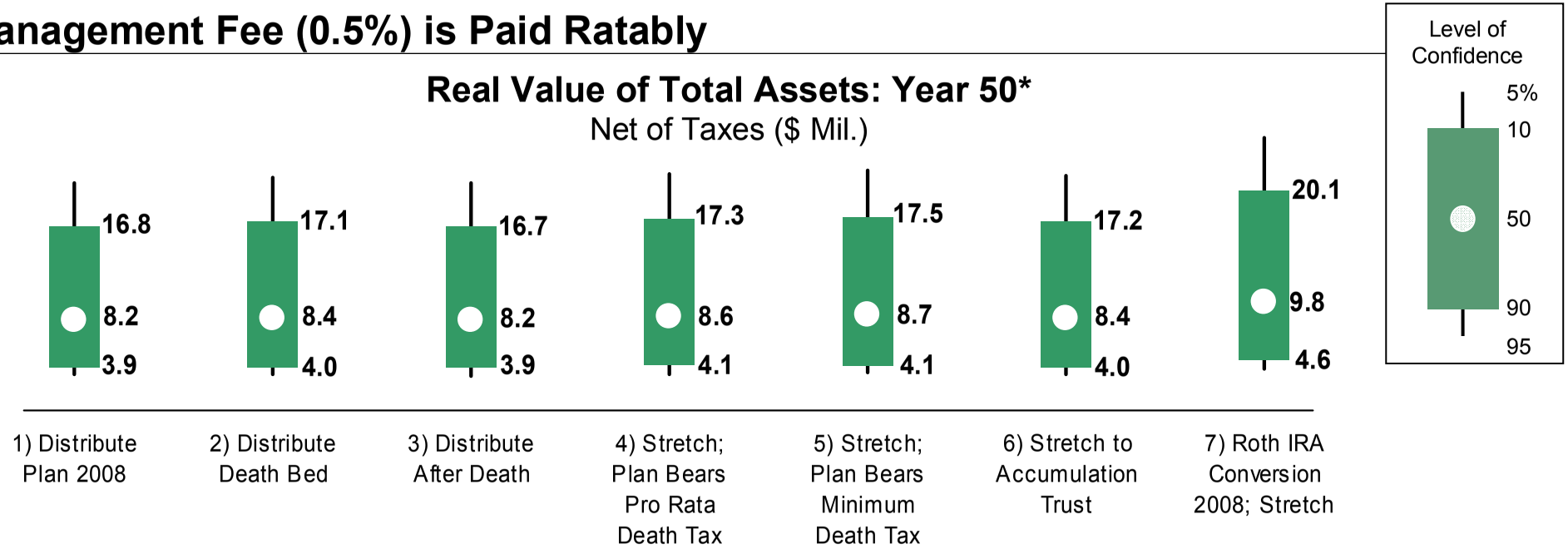
Management Fee (0.5%) is Paid Ratably



Average Share of Additional After-tax Assets

20%	**21%**	**19%**	**23%**	**24%**	**21%**	**32%**

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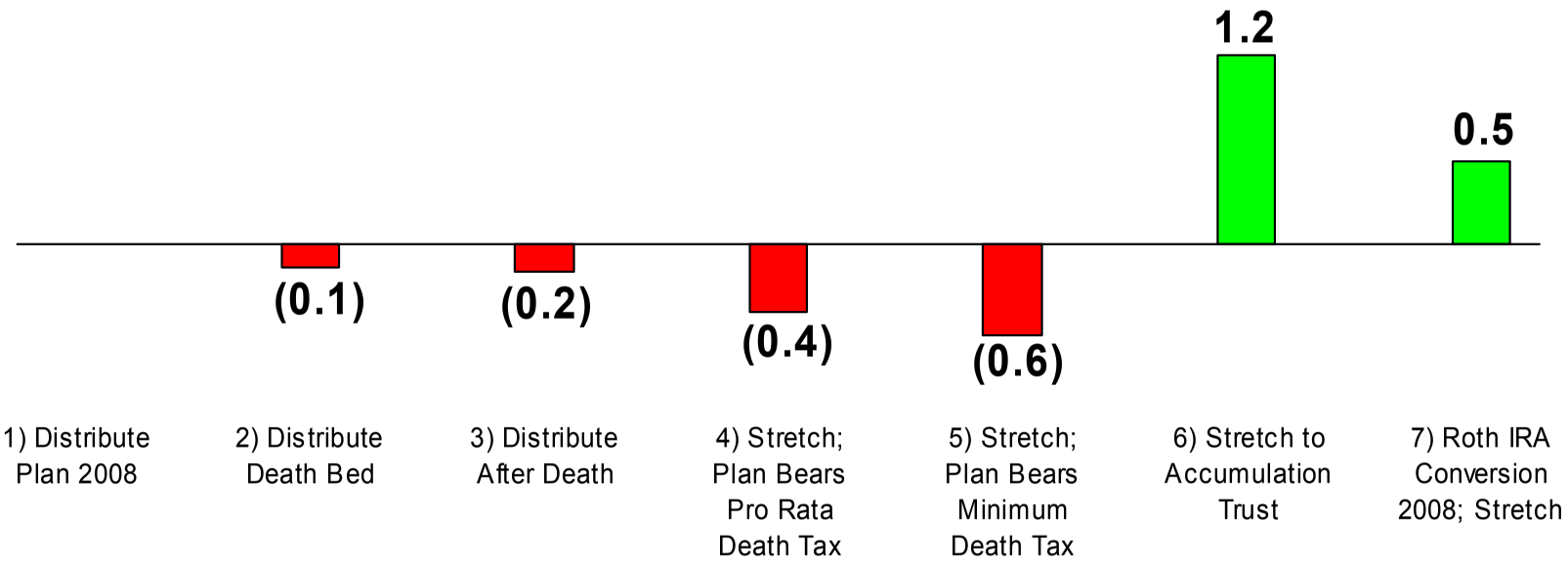
Management Fee (0.5%)

Difference in Nominal Wealth of Additional After-tax Assets: Year 50[1]*

Net of Taxes ($ Mil.)



[1] Median Value when Paying Management Fee From Taxable Assets minus Median Value when Paying Management Fee Ratably

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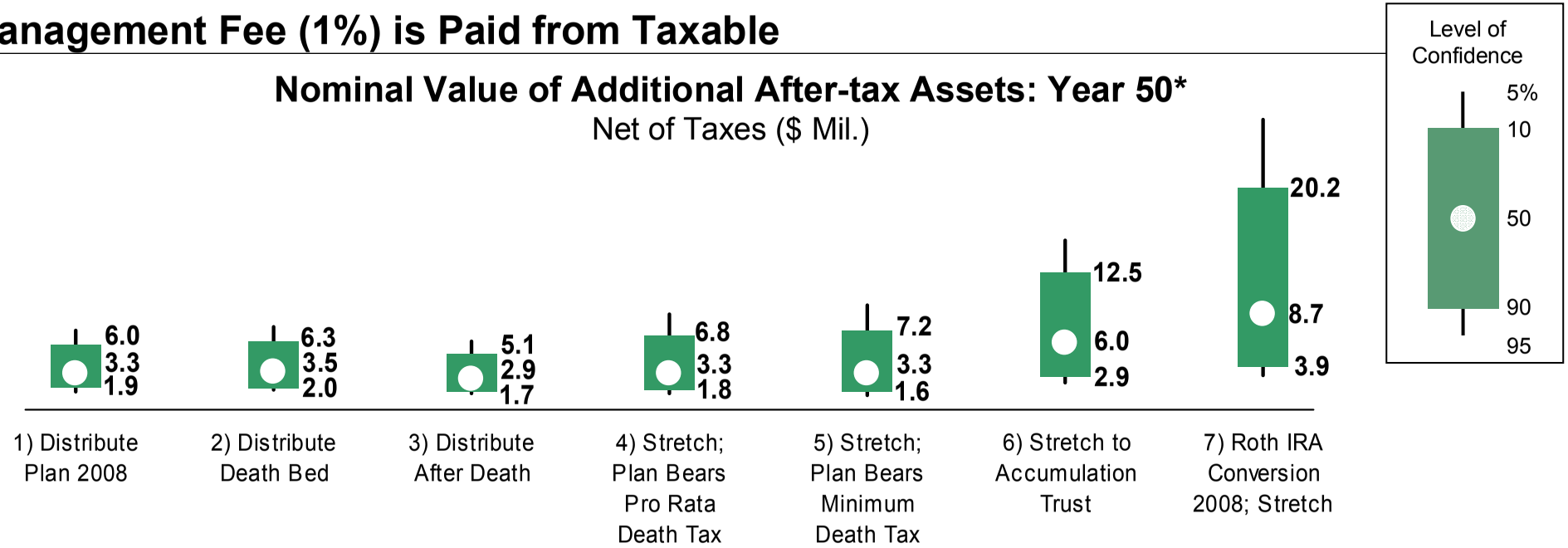
1% Management Fee Scenario

Management Fee (1%) is Paid from Taxable



Best Strategy?

Probability (Including Roth)

<2%	<2%	<2%	<2%	<2%	<2%	>98%

Probability (Not Including Roth)

<2%	2%	<2%	<2%	<2%	98%

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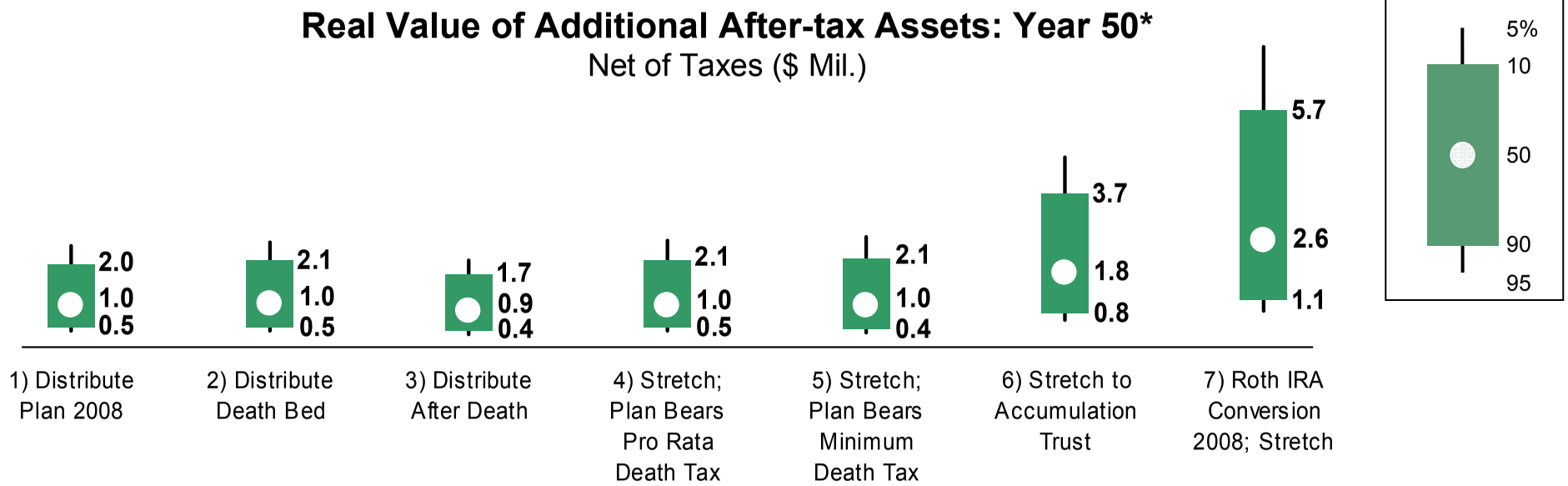
Management Fee (1%) is Paid from Taxable



Best Strategy?

Probability (Including Roth)

<2%	<2%	<2%	<2%	<2%	<2%	>98%

Probability (Not Including Roth)

<2%	2%	<2%	<2%	<2%	98%

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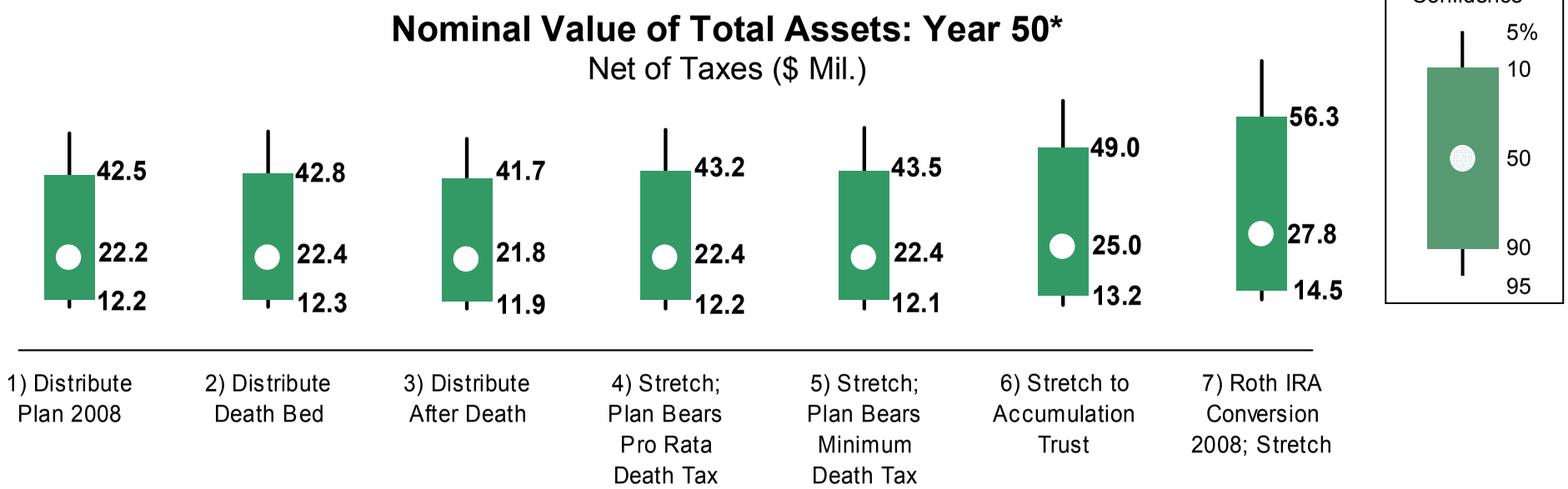

Average Share of Additional After-tax Assets

15%	**16%**	**13%**	**16%**	**16%**	**24%**	**32%**

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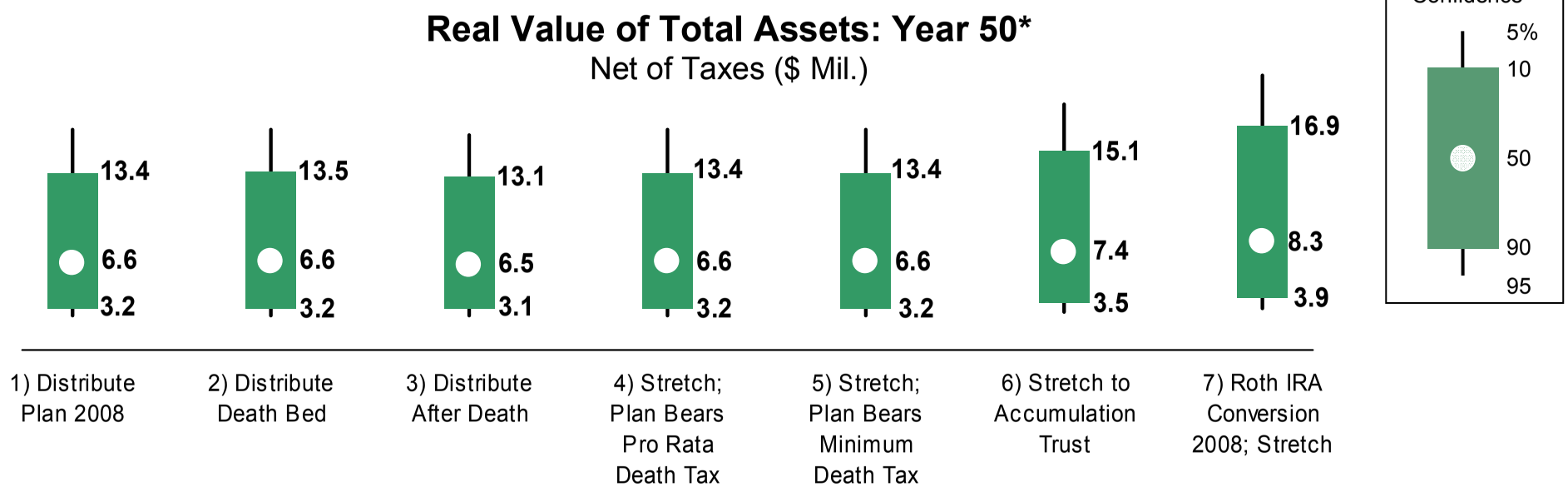
Management Fee (1%) is Paid from Taxable



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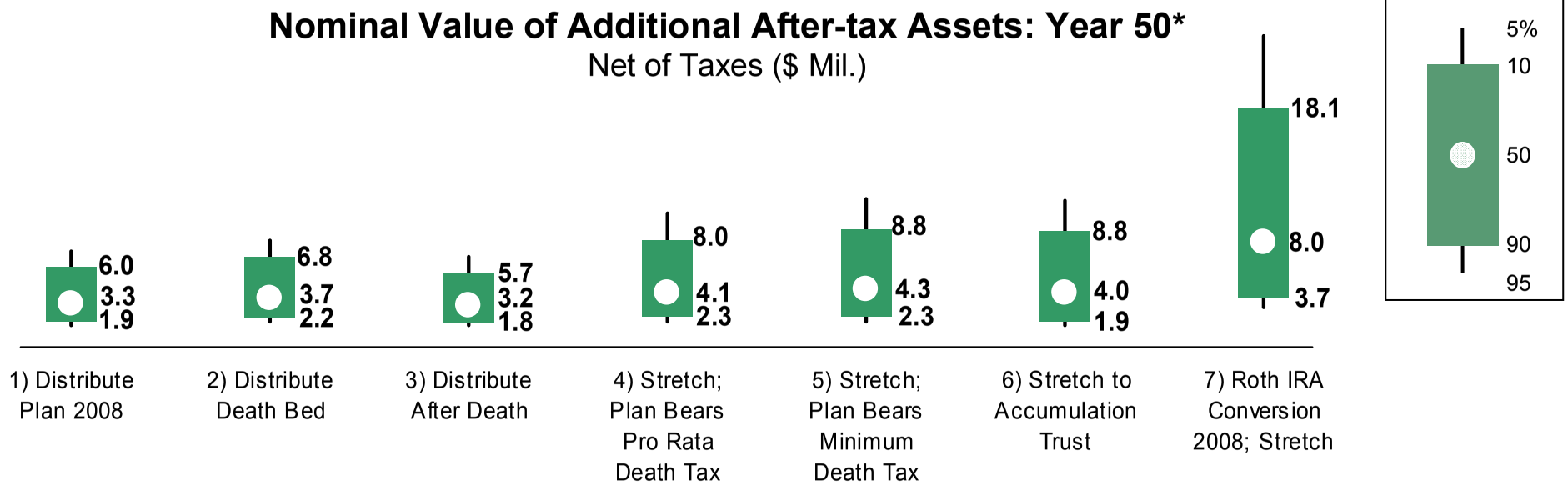
Management Fee (1%) is Paid Ratably



Best Strategy?

Probability (Including Roth)

<2%	<2%	<2%	<2%	<2%	<2%	>98%

Probability (Not Including Roth)

<2%	15%	<2%	<2%	60%	25%

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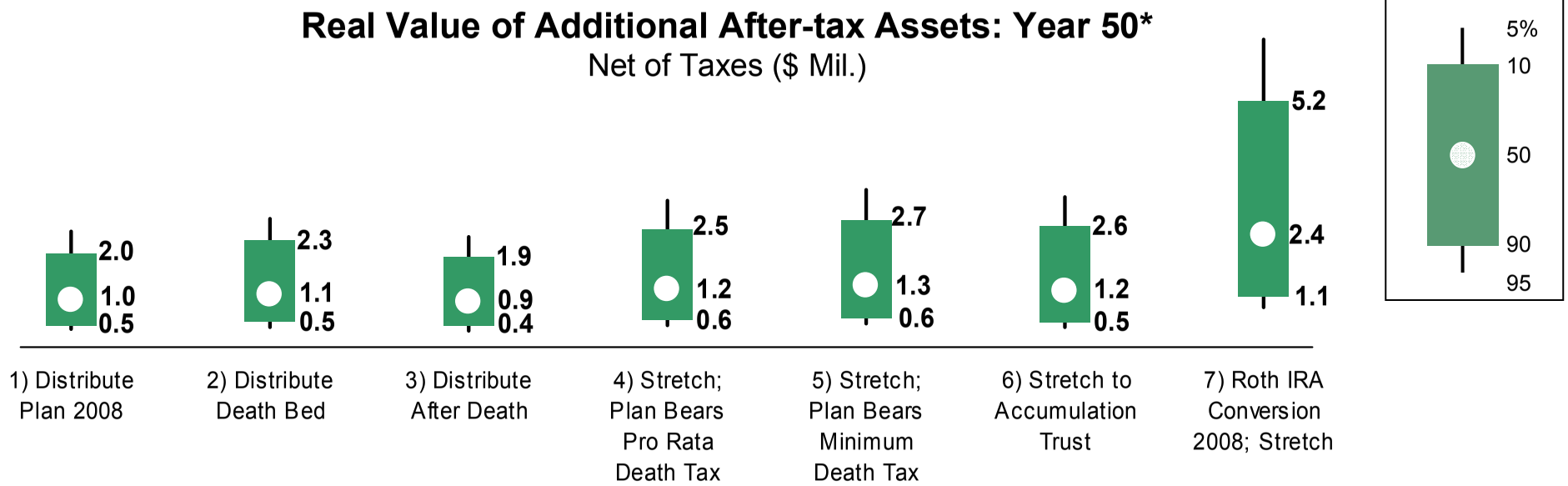
Management Fee (1%) is Paid Ratably



Best Strategy?

Probability (Including Roth)

<2%	<2%	<2%	<2%	<2%	<2%	>98%

Probability (Not Including Roth)

<2%	15%	<2%	<2%	60%	25%

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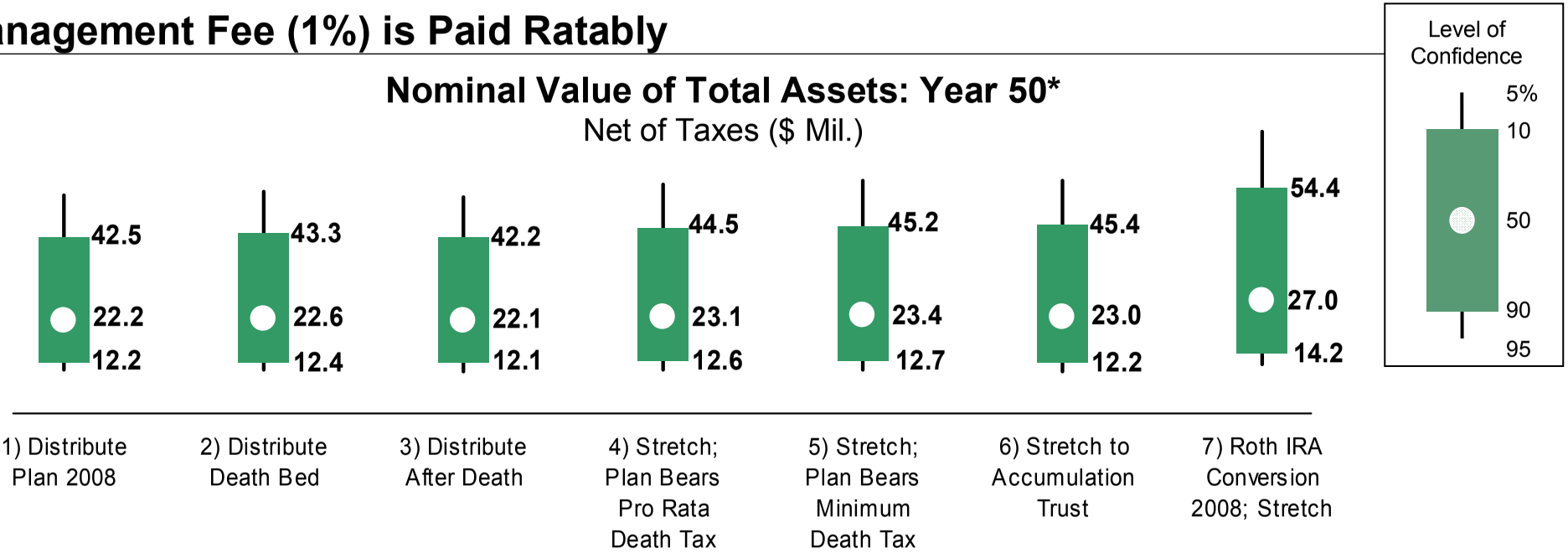

Average Share of Additional After-tax Assets

15%	**17%**	**14%**	**18%**	**19%**	**18%**	**30%**

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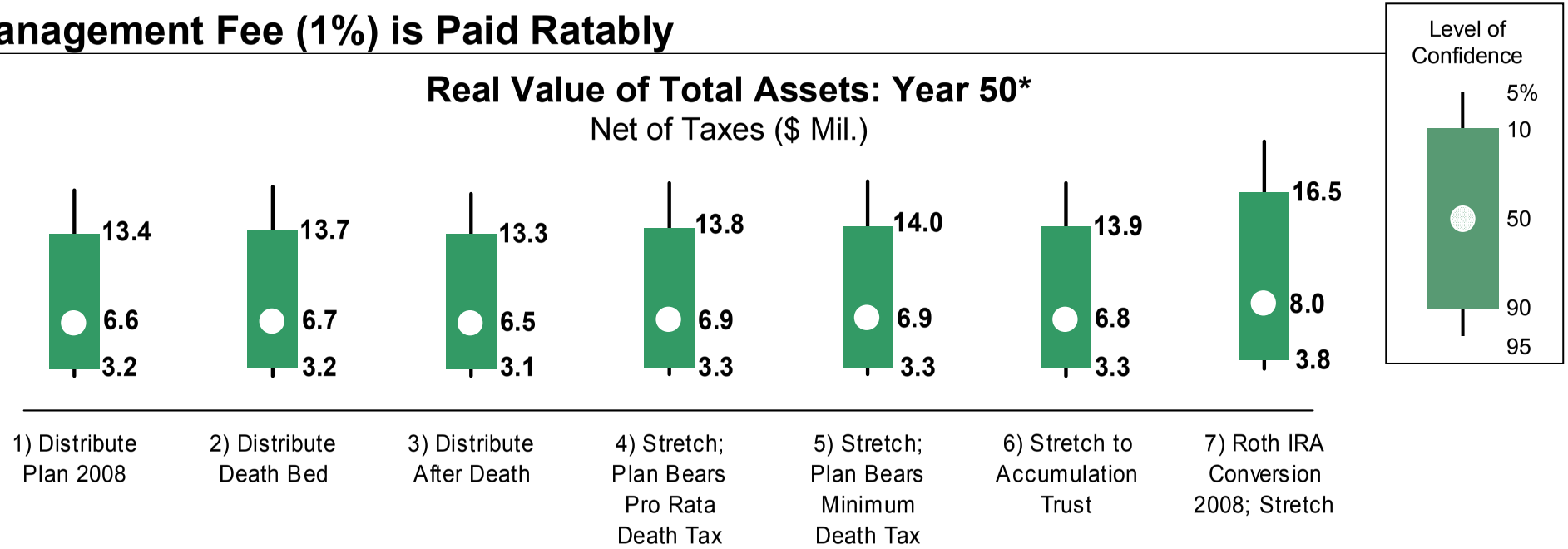

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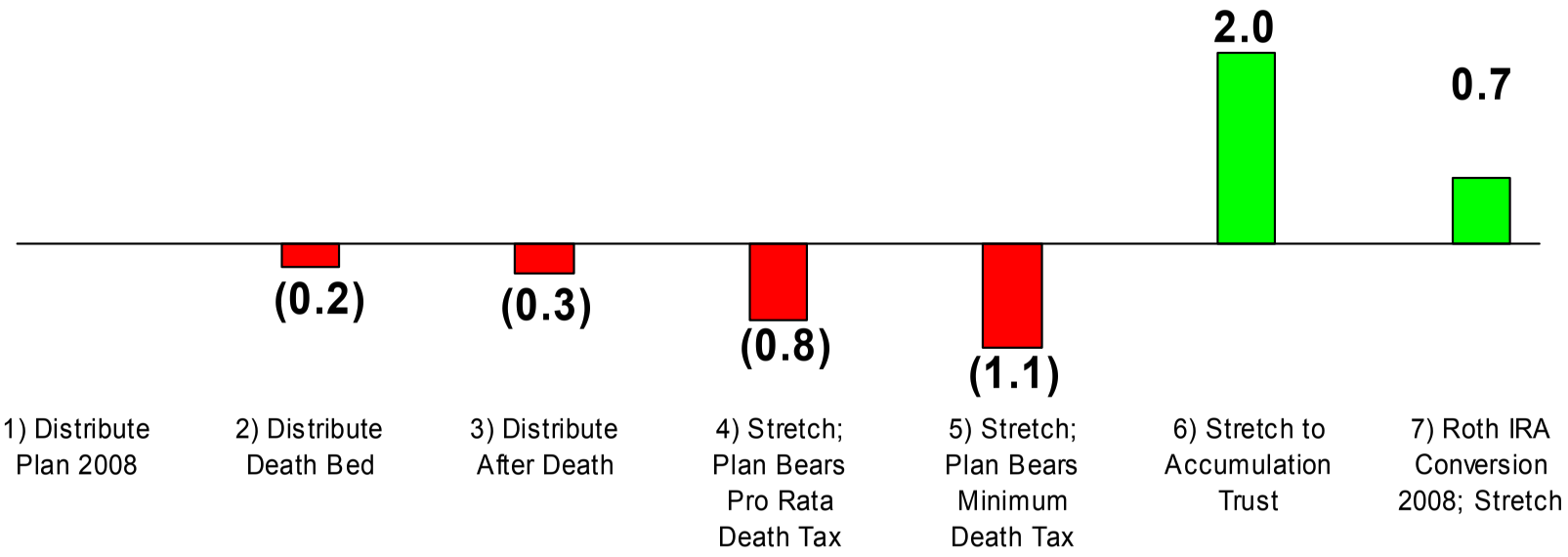
Management Fee (1%)

Difference in Nominal Wealth of Additional After-tax Assets: Year 50[1]*

Net of Taxes ($ Mil.)



[1] Median Value when Paying Management Fee From Taxable Assets minus Median Value when Paying Management Fee Ratably

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Treasury Department regulations are ambiguous regarding which trust beneficiary, if any, is treated as the designated beneficiary of an IRA payable to the trust, and which trust beneficiaries, if any, may be disregarded as "mere potential successors" to an interest in the IRA. See Treas. Reg. § 1.401(a)(9)-5, A-7(c). In Scenario 6 (Stretch to Accumulation Trust) of this analysis, we assume, consistent with Mr. Trytten's assumption, that the Beneficiary qualifies as a designated beneficiary of the IRA for purposes of the minimum required distribution rules.

Bernstein Findings*

Not surprisingly, relative to the other six scenarios, a Roth conversion with stretch planning (Scenario 7) maximized the amount of Retirement Assets and Total Assets in the vast majority of our capital markets trials, regardless of the amount or source of any investment management fee.** This strategy tended to maximize income tax deferral across the widest range of circumstances. Despite paying the tax cost of conversion out of his taxable assets, the Participant generally did not need to tap into his Roth IRA to pay expenses during his lifetime. Had the Participant's expenses been larger or the tax cost of conversion been greater, the conversion strategy may have been less effective, especially in poor markets.

If the Roth conversion had not been available or practical, the next best option tended to be stretch planning with the IRA bearing no estate taxes upon the Participant's death. Interestingly, neither making the benefits payable directly to the Beneficiary (Scenario 5) nor making them payable to an accumulation trust (Scenario 6) was the clear winner in every situation. Direct payment to the Beneficiary tended to be the better strategy when either (i) no investment management fee was payable or (ii) that fee was imposed ratably on taxable and IRA assets. Payment of benefits to an accumulation trust (which we assumed qualified for "see through" treatment under the applicable Treasury regulations) tended to be the better alternative when investment management fees were payable entirely from taxable assets because the trust could take maximum advantage of the deductibility of those fees, whereas the Beneficiary (who usually was in the AMT or a low regular income tax bracket) generally could not. In very poor markets, however, making the benefits payable to an accumulation trust tended to be one of the worst seven alternatives—sometimes the single worst of the seven—when either no fee was imposed or the fee was imposed ratably on taxable and IRA assets. This anomaly appears to be attributable to a combination of high regular income tax rates for trusts, a reduced income tax deduction for investment management fees paid, and poor market returns.

Across a wide range of capital market futures, paying estate taxes first out of taxable assets (Scenarios 5 and 6) produced better results than paying those taxes ratably out of taxable and IRA assets (Scenarios 3 and 4). Higher investment management fees tended to mute this advantage, but only slightly.

*Based on Bernstein's estimates of the range of returns for the applicable capital markets over the periods analyzed. Data do not represent past performance, and are not a promise of actual future results or a range of results. See Appendix at the end of this presentation for further details. Bernstein does not provide tax, legal, or accounting advice. In considering the applicability of these materials to any particular circumstance, you should consult with tax, legal, and accounting professionals, as appropriate, before making any decisions.

**Consistent with Mr. Trytten's assumptions, we assume that investment management fees paid in connection with a Roth IRA are nondeductible, regardless of source of payment.

Bernstein Findings*

Of the three “non-stretch” scenarios, a death bed, lump-sum distribution of the IRA assets to the Participant (Scenario 2) outperformed both a current lump-sum distribution to the Participant (Scenario 1) and a post-death, lump-sum distribution to the Beneficiary (Scenario 3) in virtually all markets. Interestingly, if a Roth conversion were not an option, the death bed distribution tended to be the second best choice in poor markets. When investment management fees were payable entirely from taxable assets and markets were below average, the death bed distribution lagged stretch planning with an accumulation trust (Scenario 6), but outperformed stretch planning with the Beneficiary individually (Scenario 5). On the other hand, when markets lagged and investment management fees were payable ratably from taxable and IRA assets, the opposite was true—the death bed distribution lagged stretch planning with the Beneficiary individually, but outperformed stretch planning with an accumulation trust. This surprisingly strong performance in poor markets appears to be attributable to at least two factors: (i) the reduction of total estate taxes payable in the death bed strategy combined with (ii) the nonavailability of a Section 691(c) income tax deduction for state (as opposed to federal) estate taxes paid. Unlike the miscellaneous itemized deduction for investment management fees, the Section 691(c) deduction is available for AMT purposes.

Somewhat surprisingly (and perhaps counter-intuitively), paying investment management fees ratably out of taxable and IRA assets tended to produce marginally greater total wealth in most scenarios, regardless of market performance. On the other hand, paying those fees out of taxable assets first produced substantially more total wealth (on the order of 7 to 10% more wealth over the full 50-year period of the analysis) in the accumulation trust (Scenario 6) and Roth conversion (Scenario 7) scenarios. In the accumulation trust scenario (Scenario 6), the trust was not subject to the AMT and therefore able to take greater advantage of the deductibility of investment management fees. In the Roth conversion scenario (Scenario 7), those fees were nondeductible, but paying fees out of taxable assets maximized tax-deferral inside the Roth account. In the other five scenarios, the taxpayers generally were subject to the AMT, and therefore got no income tax deduction benefit from paying those fees, but derived some benefit from paying a portion of the fees using pre-tax dollars in the IRA.

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Appendix

Minimum Required Distributions from Traditional IRAs

The law does not permit funds to remain in a tax-deferred account indefinitely. Beginning in the year in which an IRA owner or participant in a "qualified retirement plan"—a 401(k) plan, for example—turns 70½, he must withdraw a minimum amount from the account each year.* This amount is known as the "minimum required distribution" (MRD). The MRD rules are complex and, in some cases, even uncertain. A description of the rules that apply in the most common situations follows:

a. During an Account Owner's Lifetime: The MRD for a given year is the value of the account at the end of the preceding year divided by a distribution period determined using an IRS table called the "Uniform Lifetime Table" for the account owner's age.**

Example: Assume that an IRA owner turns 75 in 2007, and that the value of his IRA at the end of 2006 was $2,000,000. Under the Uniform Lifetime Table, the applicable distribution period for a 75-year-old is 22.9. Accordingly, his MRD for 2007 is $2,000,000 ÷ 22.9 = $87,336.24.

b. After an Account Owner's Death:

■***Spouse:*** If an account owner designates his or her spouse as his beneficiary, a special rule applies: A spouse may "roll over" an inherited IRA into an IRA in his or her own name. The spouse becomes the account owner for purposes of the MRD rules. As a result, MRDs during his or her lifetime are based on the Uniform Lifetime Table, just as if he or she had established the account.

■***Child:*** If the account owner names his or her child as the beneficiary, the MRD for the year after the original owner dies is the value of the account at the end of the year in which that owner died divided by the child's remaining life expectancy under the IRS's Single Life Expectancy Table. In each subsequent year, the divisor is simply reduced by one.

Example: Assume that an IRA owner dies in 2006 and that the value of his IRA at the end of that year was $2,000,000. The beneficiary of the IRA is the account owner's child, who turns 50 in 2007. Under the Single Life Expectancy Table, the life expectancy of a 50-year-old is 34.2. Accordingly, the MRD for 2007 is $2,000,000 ÷ 34.2 = $58,479.53. Now assume that at the end of 2007, the IRA is again worth $2,000,000. The MRD for 2008 is $2,000,000 ÷ 33.2 = $60,240.96. In 2009, the divisor will be 32.2, and so on.

■***Non-Individual:*** If a "non-individual" is the beneficiary of the account (e.g., the owner's estate), MRDs depend on whether the owner died before or after his or her "Required Beginning Date" (RBD), (which is typically April 1 of the year following the year in which the owner turns 70½. If the owner dies after his or her RBD, distributions are based on the owner's remaining life expectancy (determined as described above). However, if the owner dies before his or her RBD, the entire account must be distributed no later than the end of the fifth year after the year in which the account owner dies.

Note: Under certain circumstances, if a trust is named as the beneficiary, the beneficiaries of the trust (and not the trust itself) will be treated as having been designated as beneficiaries of the account for purposes of determining MRDs. Investors should always consult their legal and tax advisors on any issues relating to MRDs.

*If the account owner wishes, he or she can delay the distribution for the year in which he or she turns 70½ until April 1 of the following year. In addition, in certain cases, a participant in a qualified retirement plan (but not an IRA owner) can delay distribution until April 1 of the year after the year in which the participant retires, even if he or she continues to work past age 70½.

**If an account owner is married to a spouse who is more than 10 years younger than the account owner, and the owner designates his or her spouse as the sole beneficiary of the account, the account owner's MRDs will be smaller than the MRDs computed using the Uniform Lifetime Table.

Notes on Wealth Forecasting

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

2. Retirement Vehicles
Each retirement plan is modeled as one of the following vehicles: IRA, 401(k), 403(b) or Keogh. One of the significant differences among these vehicle types is the date at which mandatory distributions commence. For 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.

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

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 assets or indexes below were used in this analysis to represent the various model classes.

Asset Class	Modeled As…	Annual Turnover Rate
Intermediate-Term In-State Municipals	AA-rated in-state municipal bonds with maturity of 7 years	30%
Intermediate-Term Taxables	Taxable bonds with maturity of 7 years	30%
US Value	S&P/Barra Value Index	15%
US Growth	S&P/Barra Growth Index	15%
Developed International	MSCI EAFE Unhedged	15%
Emerging Markets	MSCI Emerging Markets Index	20%

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 Analysis is based on a number of technical assumptions regarding the future behavior of financial markets. Bernstein's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the condition of the capital markets as of September 30, 2007. Therefore, the first 12-month period of simulated returns represents the period from September 30, 2007, through September 30, 2008, and not necessarily the calendar year of 2007. A description of these technical assumptions is available on request.

Notes on Wealth Forecasting

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
Bernstein's Wealth Forecasting Analysis has used the following tax rates for the **Participant's** taxable portfolios in this analysis:

Scenario	Start Year	End Year	Tax Method Type	Federal Income Tax Rate	Federal Capital Gains Rate	State Income Tax Rate	State Capital Gains Tax Rate
1 and 7	2008 2009	2008 2017	Top Marginal AMT	See Below	See Below	9%	9%
2	2008 2017	2016 2017	AMT Top Marginal				
3, 4, 5 & 6	2008	2017	AMT				

Bernstein's Wealth Forecasting Analysis has used the following tax rates for the **Beneficiary's** taxable portfolios in this analysis:

Scenario	Start Year	End Year	Tax Method Type	Federal Income Tax Rate	Federal Capital Gains Rate	State Income Tax Rate	State Capital Gains Tax Rate
1, 2, 4, and 5	2008 2018	2017 2057	Effective Rate AMT	15% See Below	See Below	9%	9%
3	2008 2018 2019	2017 2018 2057	Effective Rate Top Marginal AMT	15% See Below See Below			
6 & 7	2008 2018	2017 2057	Effective Rate Effective Rate	15% 28%			

9. Tax Rates (continued)
Bernstein's Wealth Forecasting Analysis has used the following tax rates for the **Accumulation Trust** portfolio in this analysis:

Scenario	Start Year	End Year	Tax Method Type	Federal Income Tax Rate	Federal Capital Gains Rate	State Income Tax Rate	State Capital Gains Tax Rate
6	2008	2057	Top Marginal	See Below	See Below	9%	9%

When the Alternative Minimum Tax applies (see List of Exceptions, item 4, above), we assume a $45,000 annual exemption and a flat tax rate of 28%. When the regular federal income tax applies (see List of Exceptions, item 5, above), we assume that the tax on all ordinary taxable income is computed either at a flat Effective Rate or a flat Top Marginal rate, and that the tax on all long-term capital gain income is computed at a flat capital gain tax rate. For this purpose, we assume that (i) the Effective Rate is either 15% or 28%, as indicated in the table above; (ii) the Top Marginal Rate is 35% for the years 2008 through 2010, and 39.6% for the years 2011 through 2057; and (iii) the capital gain tax rate is 15% for the years 2008 through 2010, and 20% for the years 2011 through 2057.

10. Capital-Markets Projections

	Median 50-Year Growth Rate	Mean Annual Return	Mean Annual Income	1-Year Volatility	50-Year Annual Equivalent Volatility
Intermediate-Term In-State Municipals	4.4%	4.6%	4.4%	4.6%	5.5%
Intermediate-Term Diversified Taxables	5.3	5.6	5.2	5.8	7.0
US Value Stocks	8.0	9.9	2.9	18.2	11.8
US Growth Stocks	8.0	10.2	1.6	20.0	13.8
Developed International Stocks	7.8	10.8	2.9	22.2	13.1
Emerging Markets Stocks	6.4	11.4	2.6	27.7	21.3
Inflation	2.4	2.5	N/A	1.6	7.0

Based on 10,000 simulated trials, each consisting of 50-year periods. Reflects Bernstein's estimates and the capital-markets conditions as of September 30, 2007. Does not represent any past performance and is not a guarantee of any future specific risk levels or returns, or any specific range of risk levels or returns.