BERNSTEIN

IS THE SECURE ACT PROTECTING YOUR RETIREMENT ASSETS?

Estate Planning Implications and Alternatives for Retirement Accounts

One of the best decisions individuals can make for themselves and their loved ones is to contribute to a retirement plan. These accounts play an important role in wealth accumulation during working years, but they also provide critical support for beneficiaries after the participant's death. It's this dual nature that often leaves plan participants with competing objectives—protecting assets for beneficiaries while seeking to minimize taxes.

Historically, many participants would balance these two goals by leaving retirement plan assets to a conduit trust. However, the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019[1] may be undermining many estate plans. While participants benefit from much of the Act, one aspect—the new post-death required minimum distribution rules—renders many conduit trusts incapable of fulfilling their original intent.

How do the rule changes impact your clients' estate plans? In this paper, we review the practical implications of the SECURE Act on existing estate plans as well as the estate tax implications for retirement accounts and Roth IRA conversions.

MODIFICATIONS TO POST-DEATH REQUIRED MINIMUM DISTRIBUTION RULES

Under the SECURE Act, retirement plans must distribute all assets to designated beneficiaries by December 31 of the year containing the 10th anniversary of the participant's death, unless an exception applies.[2] There are three classes of plan beneficiaries that govern the timing of distributions, as well as exceptions.

Class	Description	Rule
Non-designated beneficiaries	No individual beneficiary designated or the participant designated their estate or other non-individual beneficiary (such as a charity or trust not meeting certain requirements).[3]	The entire retirement account must be fully distributed ○ within five years of the participant's death, if the participant dies before reaching age 72[4] ○ based on the participant's remaining fixed life expectancy at the time of death[5] if the participant dies after age 72
Designated beneficiaries	The participant designates an individual or trust meeting several requirements imposed by Treasury regulations as beneficiary of their retirement account.[6]	The entire account must be distributed by December 31 of the year containing the 10th anniversary of the participant's death, unless the beneficiary is an eligible designated beneficiary.[7]
Eligible designated beneficiaries (EDBs)	There are five types: [8] 1. A surviving spouse 2. Minor child of the participant—10-year rule begins when the child reaches the age of majority.[9] 3. Disabled individuals[10] 4. Chronically ill individuals[11] 5. Individuals that are less than 10 years younger than the participant	The account can be stretched over the EDB's lifetime. At the EDB's death, any remaining assets must be distributed by December 31 of the year containing the 10th anniversary of the EDB's death.[12]

1. Pub. L. 116-94
2. SECURE Act, § 401(a)(1)
3. Reg. §§ 1.401(a)(9)-4, A-5(b), 1.401(a)(9)-4, A-5(a), 1.401(a)(9)-4, A-3. All section references are to the Internal Revenue Code of 1986 (Code), as amended, or the Treasury regulations thereunder, unless otherwise specified.
4. § 401(a)(9)(B)(ii), Reg. § 1.401(a)(9)-3, A-4
5. § 401(a)(9)(B)(i), Reg. §§ 1.401(a)(9)-2, A-5, 1.401(a)(9)-5, A-5(a)(2)
6. § 401(a)(9)(E), Treas. Reg. § 1.401(a)(9)-4, A-1
7. § 401(a)(9)(H)(i)(I)
8. § 401(a)(9)(E)(ii)
9. § 401(a)(9)(E)(ii)(II)
10. Within the meaning of § 72(m)(7). Upon his/her death, the 10-year rule begins.
11. Within the meaning of § 7702B(c)(2). Upon his/her death, the 10-year rule begins.
12. § 401(a)(9)(H)(iii)

LEAVING RETIREMENT ASSETS IN TRUST

Leaving retirement assets in trust instead of outright to an individual, while protective in structure, can have less favorable tax treatment. Therefore, minimizing erosion from income taxes remains paramount. For the most part, only individuals can be designated beneficiaries of retirement accounts.[13] As previously shown, naming an estate or charitable organizations as the beneficiary triggers the "no designated beneficiary" treatment. However, under certain conditions, a trust's beneficiary may be considered the designated beneficiary of a retirement account.

Consider the see-through trust. In this instance, the trust's individual beneficiaries are viewed as designated beneficiaries of the inherited retirement account.[14] Not every trust qualifies as a see-through trust, though—it needs to meet four criteria:[15]

- The trust is a valid trust under state law or would be but for the fact that there is no corpus.
- The trust is irrevocable or will, by its terms, become irrevocable upon the death of the participant.
- The beneficiaries of the trust who are beneficiaries with respect to the trust's interest in the participant's benefit are identifiable from the trust instrument.
- The documentation is timely provided to the plan administrator.

Of these requirements, the third can be the most difficult. Separating mere successor beneficiaries from those who count often presents challenges but remains vital to ascertain whether the trust qualifies as see-through.[16] To distinguish mere successor beneficiaries, trusts can be divided into two types—conduit or accumulation:

Conduit trust

- The trustee cannot accumulate retirement account distributions but instead must immediately distribute any distributions from the retirement account to the individual trust beneficiary.
- Guaranteed to qualify as a see-through trust[17]
- Can be stretched over the eligible designated beneficiary's lifetime (if the conduit beneficiary is an EDB)
  - At the eligible designated beneficiary's death, the retirement account must be distributed by December 31 of the year containing the 10th anniversary of the EDB's death.[18]

Accumulation trust

- The trustee can be given the power to accumulate distributions from retirement accounts; not required to fully distribute.
- The trust is not guaranteed to qualify as a see-through trust because all successor beneficiaries must be considered, and it can be difficult to figure out who to disregard as mere potential successors.[19]
- Unlikely to qualify as an eligible designated beneficiary since all the trust's beneficiaries must be considered. An exception is granted if the trust is for the exclusive benefit of disabled or chronically ill beneficiaries during their life.[20]

When a see-through has been the primary objective, conduit trusts have traditionally been more popular for retirement accounts because they guarantee see-through trust status. And before the SECURE Act, stretching required minimum distributions over the designated beneficiary's lifetime meant distributing only a relatively small amount from a conduit trust each year. But the SECURE Act turns this on its head. Now the trustee of a conduit trust may be required to distribute the entire trust to the beneficiary within 10 years of the participant's death. Alternatively, the participant could leave the retirement account in an accumulation trust, which allows the trustee to make discretionary distributions to the beneficiary when and if needed.

13. § 401(a)(9)(E)(i), Reg. § 1.401(a)(9)-4, A-1
14. Reg. § 1.401(a)(9)-4, A-5(a)
15. Reg. § 1.401(a)(9)-4, A-5(b)
16. Reg. § 1.401(a)(9)-5, A-7(c)
17. Reg. § 1.401(a)(9)-5, A-7(c)(3)
18. § 401(a)(9)(H)(iii)
19. Reg. § 1.401(a)(9)-5, A-7(c)
20. §401(a)(9)(H)(iv)

TRUST INCOME TAX CONSIDERATIONS

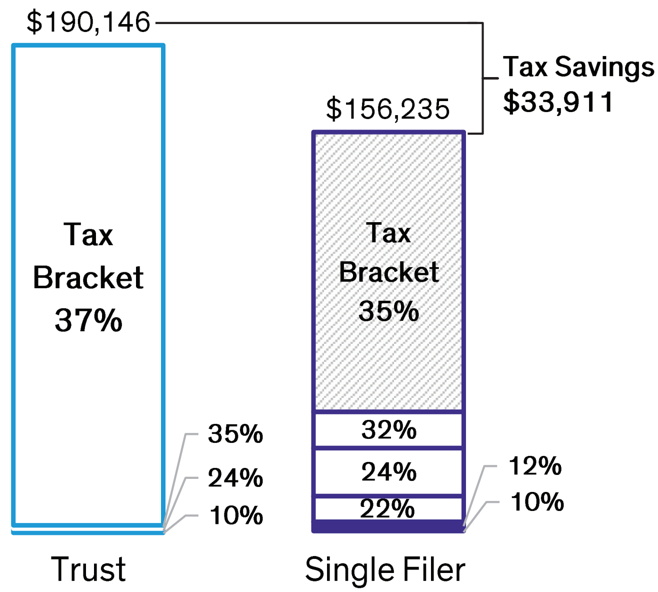
Taxes can also impact the "accumulate versus distribute" dilemma. In general, conduit trust assets are distributed and taxed to the individual beneficiary instead of the trust, making it more tax efficient than an accumulation trust. That's because individuals have wider tax brackets than trusts to do. When retirement account distributions are retained in trust, the distributions are taxable to the trust, which has a more compressed tax bracket than individuals do. For example, trusts reach the top marginal tax rate of 37% with only $12,950 of retained income, whereas an individual would not reach the top bracket until their income exceeds $518,400.

Ultimately, if assets and other income are retained in the trust rather than distributed, higher taxes will likely be levied. The effect can be significant. A full bracket run for a single filer can be worth as much as $33,911, which represents the tax liability on the $518,400 taxed at trust rates versus running the taxable income through each of the tax brackets for a single tax filer (**Display 1**). Increases in future tax rates as proposed by former Vice President Joe Biden and others on the left would make a bracket run even more valuable.

Of course, whether the beneficiary is considered an EDB also plays an important role. As previously noted, leaving the retirement account directly to the EDB or a conduit trust for an EDB, allows it to stretch over the beneficiary's life expectancy. Leaving the retirement account to an accumulation trust will likely trigger the 10-year payout rule even if the beneficiary is an EDB, which results in less favorable income tax treatment. However, despite the less favorable income tax treatment, accumulation trusts can be much more efficient when estate taxes are factored in.

DISPLAY 1: INDIVIDUAL VS. TRUST TAX BRACKETS

Value of Bracket Run (Single Filer)
$518,400 Income (Real)



Source: IRS and AB

For clients with taxable estates, it is important to weigh the income tax savings created by leaving a retirement account to an EDB outright or in a conduit trust versus any estate tax savings an accumulation trust could provide. For instance, leaving a retirement account directly to a spouse instead of a credit shelter trust could result in significant income tax saving, but forgoing a credit shelter trust may result in much higher estate tax. Let's examine this trade-off in more detail by comparing a spousal IRA rollover to leaving an IRA to a credit shelter trust.

SPOUSAL IRA ROLLOVER VS. CREDIT SHELTER TRUST

Estate plans for married couples are often designed to defer the payment of estate taxes until the second death. How do they accomplish this? By leaving the maximum estate-tax-free amount to non-spouse beneficiaries, while directing the remaining assets to the surviving spouse or a trust that qualifies for the estate tax marital deduction.[21]

For instance, in a traditional credit shelter trust plan, the decedent's assets (up to their applicable exclusion or state exemption) are left to the trust rather than directly to children or grandchildren. This ensures the surviving spouse has access to the assets during his or her lifetime. With the introduction of portability in 2010,[22] married couples now enjoy additional options for estate tax deferral. Portability allows the surviving spouse to tap the unused portion of their predeceased spouse's applicable exclusion (DSUE) amount.[23]

In some cases, a married couple may have combined assets above the applicable exclusion, but insufficient assets outside of a retirement account to fund a credit shelter trust (CST). In that case, should they use the retirement accounts to fund it? Doing so generally means giving up significant potential income-tax deferral, and often taxing account distributions at higher rates.

21. Such as a Qualified Terminable Interest Property (QTIP) Trust under § 2056(b)(7); Reg. § 20.2056(b)-7.
22. Portability was first introduced as a temporary provision of the Tax Relief Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312. Portability became "permanent" under the American Taxpayer Relief Act of 2012, Pub. L. No. 112–240.
23. § 2010(c)(4)

An alternative could be to leave the retirement assets to the surviving spouse and make a portability election to preserve the DSUE amount.[24] When a spouse is the sole designated beneficiary of a retirement account, she can elect to treat her interest in the retirement account as her own.[25] The benefit? The retirement account can stretch over her lifetime using the Uniform Lifetime Table with required minimum distributions beginning at age 72.

The surviving spouse is also considered an EDB and therefore, could elect to stretch the inherited IRA over her lifetime. While the RMD factor remains less favorable than if she elects to treat the retirement account as her own, since the account is treated as a beneficiary IRA, distributions prior to age 59½ are not subject to the additional 10% penalty (a bonus if distributions are needed earlier).

The decision seems to be an easy one. The lifetime stretch allowed by the spousal rollover provides $2.8 million more wealth over 20 years relative to the accumulation trust (**Display 2, left side**). When viewed from this perspective, it seems a spousal rollover—rather than the credit shelter accumulation trust—should always be the destination for a retirement account.

But it's not that simple: this analysis does not account for the substantial embedded deferred income tax liability in the spousal IRA. In order to make a fair comparison, we should adjust for taxes. Doing so reduces the wealth gap—the spousal rollover results in only $400,000 more wealth over 20 years compared to the accumulation trust after adjusting for income taxes (**Display 2, right side**).

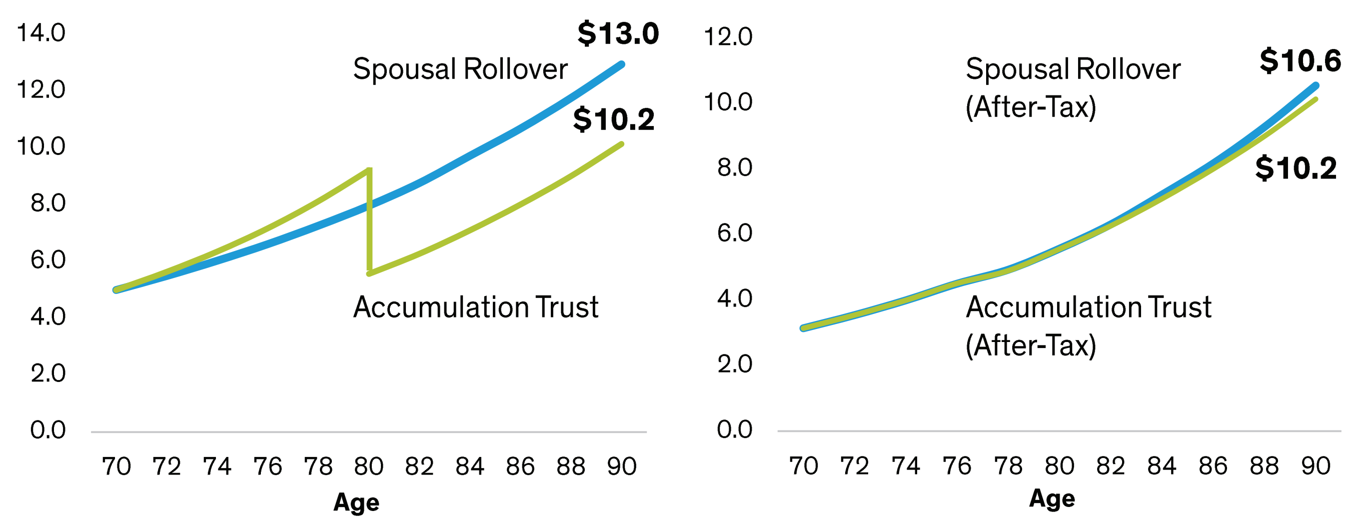
CASE STUDY: PUTTING IT INTO PRACTICE

Consider a 70-year-old married couple with a combined estate over their remaining applicable exclusions. Assume the first spouse to die has an estate consisting entirely of a $5 million qualified retirement account and a remaining applicable exclusion of $5 million after making prior lifetime gifts. The 70-year-old surviving spouse receives the retirement account and must decide between making a spousal rollover IRA election or disclaiming her interest so that it passes to a credit shelter trust.

- If she elects to roll the proceeds into her own IRA, she will begin taking normal required minimum distributions at age 72. In addition, the $5 million IRA and all its growth—now part of her estate—will be subject to estate taxes upon her death. Assuming she made the portability election at her spouse's death, she will have a $5 million DSUE available to use during life or at death.
- If the retirement account goes into a credit shelter trust structured as an accumulation trust, then the entire account would need to be distributed and taxed to the trust by December 31 of the 10th anniversary of the participant's death. But the assets, including all of the growth, will not be subject to estate tax at her death.

DISPLAY 2: THE 10-YEAR RULE APPEARS VERY COSTLY FOR BENEFICIARIES… COSTS MODERATE CONSIDERABLY AFTER ADJUSTING FOR DEFERRED TAX LIABILITY

$5 Million Beneficiary IRA, Median Pretax Accumulation, Spousal Rollover vs. Accumulation Trust, 70-Year-Old Spouse
70% Stocks, 30% Bonds—Nominal (USD Millions)



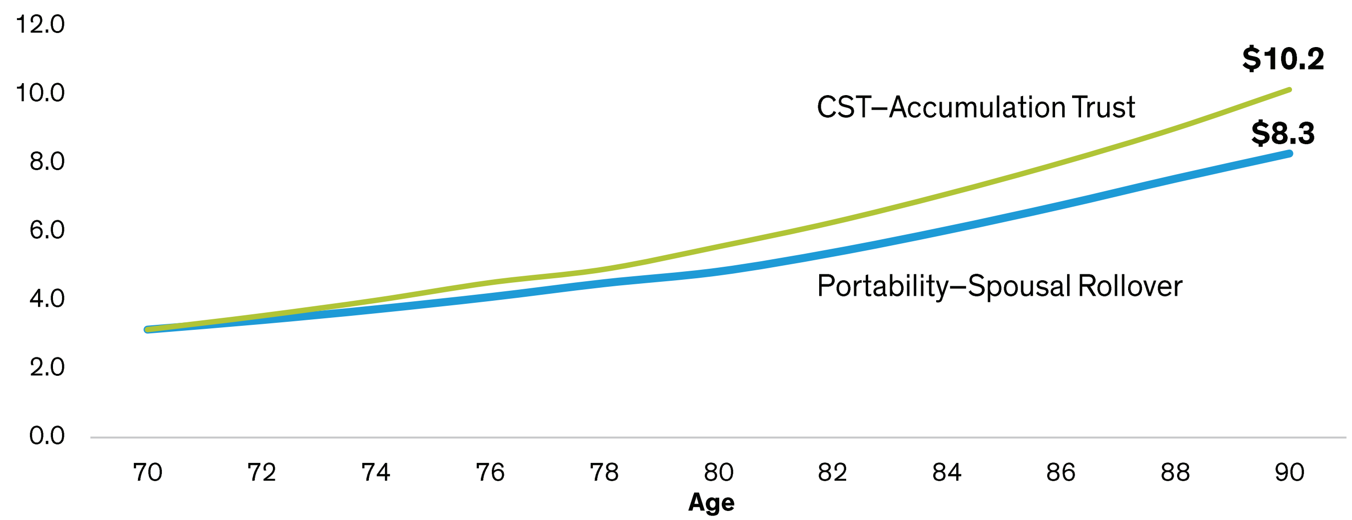
IRA values are displayed pretax. This applies only to the "Spousal Rollover" in the chart on the left. All distributions from the IRA are taxed at top marginal federal tax rates with after-tax proceeds reinvested 70% stocks and 30% bonds. "Spousal Rollover" illustrates pretax wealth assuming a lifetime stretch. "Accumulation Trust" illustrates pretax beneficiary wealth assuming a lump sum distribution from the beneficiary IRA at the end of the 10th year. Projections 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 Wealth Forecasting System for further details.

24. §2010(c)(5)(A); Reg. §20.2010-2(a)(2)
25. However, the spouse must be sole beneficiary as of September 30 of the year after the year of the participant's death (this is the beneficiary finalization date); it is possible to remove other beneficiaries through disclaimers, distributions, or establishing separate accounts by the beneficiary finalization date.

The prior analyses consider only the impact that income taxes have, but estate taxes also come into play. Under current law, very few estates are large enough to be subject to federal estate taxes. While the federal applicable exclusion stands at $11.58 million per person today, it will revert back to $5 million, indexed for inflation at the end of 2025, significantly increasing the number of taxable estates. Furthermore, presidential candidate Joe Biden, among others, are calling for estate taxes to return to 2009 levels,[26] which would equate to a $3.5 million exclusion. Once again, we compared leaving the retirement account to a credit shelter trust (CST) structured as an accumulation trust versus a spousal rollover with a portability election (**Display 3**).

DISPLAY 3: ESTATE TAX SAVINGS CAN OVERCOME LOST INCOME TAX DEFERRAL

$5 Million Beneficiary IRA, Median Pretax Accumulation, Spousal Rollover vs. Accumulation Trust, 70-Year-Old Spouse
70% Stocks, 30% Bonds—Nominal (USD Millions)



"Portability–Spousal Rollover" assumes a $5 million DSUE amount. Any value in excess of $5 million is taxed at a 40% estate tax. In addition we have included the benefit of an I.R.C. § 691(c) deduction where appropriate. IRA values are displayed after-tax. All distributions from the IRA are taxed at top marginal federal tax rates with after-tax proceeds reinvested 70% stocks and 30% bonds. "CST–Accumulation Trust" illustrates after-tax beneficiary wealth assuming a lump sum distribution from the beneficiary IRA at the end of the 10th year. Projections 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 Wealth Forecasting System for further details.

Over 20 years, the CST saves nearly $1.9 million after accounting for the lost lifetime stretch. The CST outperforms over the long term because its growth is not subject to estate tax at the surviving spouse's death. In our example, the $5 million IRA is invested in a balanced portfolio of stocks and bonds, with annual returns of 6.6%[27] in the median case, while the $5 million DSUE amount remains fixed. Therefore, all the appreciation is subject to a 40% estate tax. In contrast, none of the appreciation in the CST is subject to estate tax. For married couples with estates that may be vulnerable to future estate taxes, funding a credit shelter trust upon the first spouse's death represents an attractive option, even when a qualified retirement account is the sole asset funding the trust.

What if the surviving spouse isn't sure which option would best meet her needs? While wading through her options, the CST—if provided through a disclaimer plan—designates the surviving spouse as a primary beneficiary of the qualified retirement account, and the credit shelter trust as a contingent beneficiary. This option gives the surviving spouse nine months after the participant's death to choose between a spousal rollover or allowing the account to pass to a CST.[28]

ROTH CONVERSIONS CAN INCREASE LEGACY

Another strategy that can enhance after-tax wealth is a Roth conversion. A fundamental aspect of a Roth IRA is the absence of participant RMDs. Since RMDs reduce the growth rate of the participant's wealth over time, Roth IRAs represent a better choice than a traditional IRA for those who don't need distributions.

For example, a 72-year-old participant taking his first RMD in 2021 would need to distribute just over 3.6% of his traditional retirement account under the new Uniform Lifetime Table factors published by the IRS in November of 2019.[29] However, this relatively modest distribution rate grows to nearly 9.3% by age 92. In fact, we find that a Roth conversion by a 72-year-old participant can result in as much as 15% more after-tax wealth by age 92. And that figure jumps to 27%, should the participant live to age 102.

26. The estate tax exclusion in 2009 was $3.5 million, but the lifetime gift tax exclusion was only $1 million. In addition, the estate tax rate was 45% which was higher than today's rate of 40%.
27. 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 or a range of future results.
28. § 2518(b). The person disclaiming must not have "accepted" interest in the account except for the required minimum distribution from the decedent's IRA for the year of the death.
29. See REG-132210-18, 2019-48 I.R.B. 1232

ESTATE TAXES CAN ENHANCE THE ROTH ADVANTAGE

Factoring in estate taxes further underscores the benefits of a Roth conversion. This often holds true even if beneficiaries are eligible for an income-tax deduction for federal estate taxes paid on traditional IRA assets.[30] This deduction–income in respect of a decedent ("IRD" deduction)—was subject to phaseouts for taxpayers with high incomes through 2017,[31] but the Tax Cuts and Jobs Act (TCJA) repealed such limitations through 2025 when the law sunsets.[32]

However, the deduction is available only for federal estate taxes paid; state estate or inheritance taxes are not deductible for federal income tax purposes. Most importantly, the IRD deduction tends to be used over time—rather than all at once—as the beneficiaries draw money from traditional retirement accounts. Cashing out the traditional IRA would allow the beneficiaries to use the full deduction right away, but that would defeat the purpose of owning tax-deferred assets.

The IRD deduction appears to put the traditional IRA and the Roth on equal footing. But that's generally not the case, unless we simplify as follows: immediately upon converting the assets, the investor passes away and the assets are quickly distributed.

For example, a $1 million Roth conversion would reduce the gross taxable estate by $370,000 (assuming top marginal federal income tax rates), resulting in federal estate tax savings of $148,000. Similarly, the IRD deduction reduces the income-tax expense on the traditional IRA; in either case, beneficiaries would wind up with the same amount—$1 million—after estate and income taxes:

	Roth Conversion	No Conversion
Taxable Assets	$1,036,667	$1,036,667
Traditional IRA	--	1,000,000
Roth IRA	1,000,000	--
Income Tax on Roth Conversion (37%)	(370,00)	--
Total Assets Remaining Before Death	**1,666,667**	**2,036,667**
Federal Estate Tax (40%)	(666,667)	(814,667)
Assets After Estate Tax	**1,000,000**	**1,222,000**
Income Tax on Remaining Assets	--	(222,000)*
Total Assets After Estate and Income Tax	**$1,000,000**	**$1,000,000**

*Income tax on remaining assets = $222,000 = ($1,000,000 [income] - $400,000 [IRDD] 37% x)

However, this only holds true when the traditional IRA is liquidated immediately after the participant's death. For example, a 10%[33] annual return over the first year following the participant's death results in approximately 1.4% more wealth in the Roth conversion scenario. This translates to approximately 12.7% over the full 10-year deferral period, assuming a 10% annual return:

	Roth Conversion	No Conversion
One Year After Death		
Beginning-of-Year Value	1,000,000	1,222,000
10% Compound Annual Return	100,000	122,200
End-of-Year Value Pre-Income Tax	1,100,000	1,344,200
Income Tax on Remaining Assets	--	(259,000)*
Total Assets After Income Tax (One Year After Death)	1,100,000	1,085,200

10 Years After Death		
Beginning-of-Year Value	1,000,000	1,222,000
10% Compound Annual Return	1,593,742	1,947,553
End-of-Year Value Pre-Income Tax	2,593,742	3,169,553
Income Tax on Remaining Assets	--	(868,722)†
Total Assets After Estate and Income Tax (10 Years After Death)	$2,593,742	$2,300,831

*Income tax on remaining assets = $259,000 = ($1,100,000 [income] - $400,000 [IRDD] 37% x)

† Income tax on remaining assets = $868,722 = ($2,593,742 [income] - $400,000 [IRDD] 39.6% x)

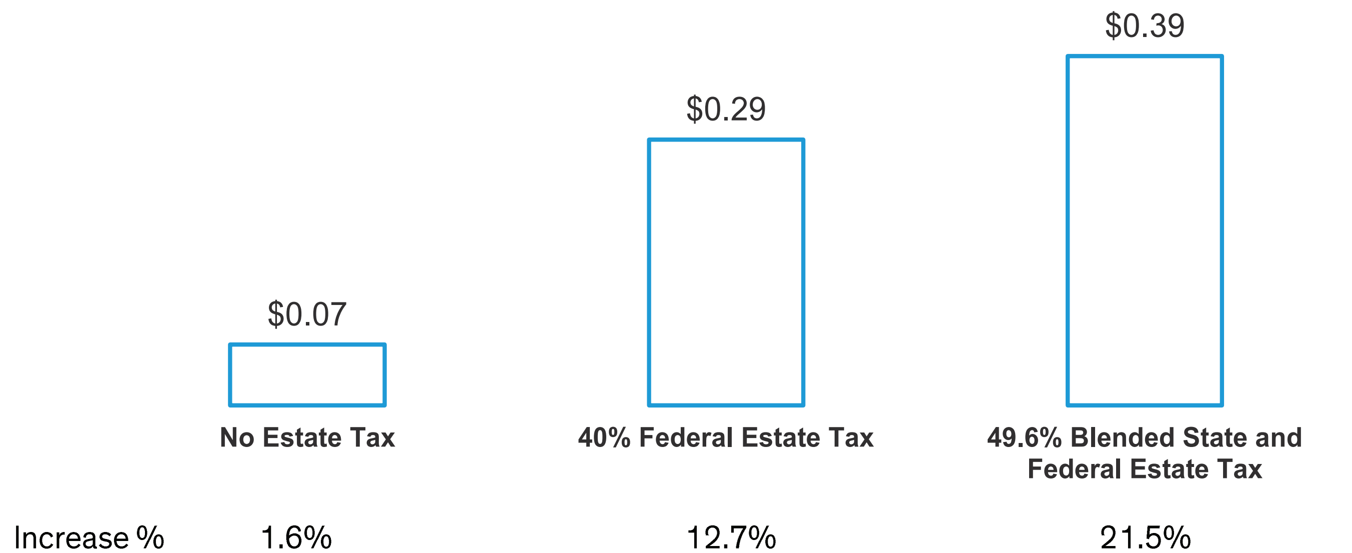
30. § 691(c), Reg § 1.691(c)-1
31. § 68(a)
32. § 68(f)
33. Hypothetical investment return for illustrative purposes only.

STATE ESTATE TAX

Roth conversion may prove even more compelling for participants residing in one of the 18 states that still impose an estate or inheritance tax.[34] That's because state estate or inheritance taxes are not deductible for federal income-tax purposes, rendering the IRD deduction less valuable for estates subject to both federal and state estate taxes.

Using our earlier example, we now assume the estate is subject to a 16% marginal state estate tax, resulting in a blended state and federal estate tax of 49.6% after factoring in a deduction for state estate taxes paid.[35] Under this scenario, the Roth conversion would result in 22% more wealth than the no-conversion scenario over 10 years, assuming a 10% return (**Display 4**).[36]

DISPLAY 4: ESTATE TAXES CAN INCREASE THE ROTH ADVANTAGE
Initial $1 Mil. IRA and $1 Mil. Taxable Portfolio (USD Millions, Nominal)
Additional "After Estate and Income Tax" Wealth from Roth IRA
Compound Annual Return of 10%



For illustrative purposes only. Data do not represent past performance. Actual returns may be higher or lower than projected. The chart displays the additional accumulated wealth, after income taxes and estate taxes, resulting from a Roth conversion. In the no conversion scenario, the initial IRA value is $1 million and the initial taxable portfolio is $1.04 million. In the conversion scenario, the initial Roth IRA value is $1 million and the initial taxable portfolio is $0.7 million. The taxable portfolio is then reduced by an estate. In the estate tax scenarios, we have assumed the taxpayer has an estate larger than the applicable exclusion and in the no conversion scenarios that the beneficiary receives a $400,000 IRC Section 691(c) deduction in year 10 when the traditional IRA is distributed. We have assumed the participant and beneficiary are subject to top marginal tax rates. Assumes a 10% compound annual return for illustrative purposes. Based on Bernstein's estimates of median returns for applicable capital markets.
AB is not a legal, tax, estate, or insurance advisor. Investors should consult these professionals as appropriate before making any decisions.
Source: AB

What if an estate is subject to state, but not federal, estate taxes? Roth conversions remain advantageous—they can push an estate under the exemption level. For example, in New York, the applicable state credit phases out for estates between $5,850,000 and $6,142,485 in 2020. For estates falling into or just above this window, the New York state estate tax savings can completely offset the tax costs of a Roth conversion.

Consider a $6.4 million New York estate with a state estate tax due of approximately $561,200. Because the estate is only $550,000 over the New York state estate tax exemption of $5,850,000, the participant could close the gap by converting at least $1.3 million in IRA assets (assuming a 45.8%[37] combined federal and state income tax rates). This is possible in New York because as the estate approaches 105% of the basic exclusion amount, the applicable credit phases out.[38]

In general, states have graduated estate tax brackets as opposed to a "flat" rate like the 40% federal estate tax rate. A Roth conversion can reduce the effective state estate tax rate by shrinking the size of the estate, leaving fewer taxable assets at the higher end of the state bracket.

34. See: ACTEC State Death Tax Chart; https://www.actec.org/resources/state-death-tax-chart/
35. § 2058(a)
36. Hypothetical investment return for illustrative purposes only.
37. New York state income tax of 8.82% plus federal income tax rate of 37%.
38. N.Y. Tax Law § 952(c).

SECURING WEALTH

Retirement assets serve as the backbone of household wealth for many retirees and their beneficiaries. Yet without a flexible estate plan, they can suddenly be at risk. As we've seen, nuances within legislation—whether the SECURE Act or newly proposed tax bill—can create a fine line between wealth creation and loss. Retirement plan participants should review their current estate plans and designated beneficiaries to ensure their plan design remains optimal while balancing income tax savings against estate tax obligations. Otherwise, stale estate plans may undermine the best intentions for attaining financial security.

The Bernstein Wealth Forecasting System

The Bernstein Wealth Forecasting System℠ uses a Monte Carlo model that simulates 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 for the future. Instead, the forecasts (1) are based on the building blocks of asset returns, such as inflation, yields, yield 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 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.

BPWM-137940-2020-08-28