TAXES: WHAT A DRAG

EXECUTIVE SUMMARY

Investment returns need to be measured not by what you make, but by what you keep or spend after taxes—not just annually, but over the investment's entire lifecycle. Yet not all taxable investors are the same. There is more than one way to arrive at after-tax returns, but the "right" metric for you depends on your ultimate use for the funds.

While the goal of investing is to generate gains, several types of "drags" can detract from returns. Risk is a drag. Fees are a drag. And taxes are a drag.

As you accumulate wealth, you'll find the annual drag from taxes summed up on your tax return. Taxes are incurred on income such as interest and dividends but also on capital gains from rebalancing or repositioning holdings throughout the year. But your annual taxes don't tell the whole story. Most portfolios contain embedded appreciation that investors will realize, and pay taxes on, upon selling securities.

If you're planning to spend from your portfolio someday, annual taxes are just a starting point. You should also consider the tax liability when liquidating appreciated securities to raise cash or reposition holdings. This is the difference between deferral and avoidance. Many conflate the two—a costly error. Deferral pushes the tax cost out to a later date. Avoidance, on the other hand, remains quite difficult and requires great flexibility on the part of the asset owner.

The combined drag of annual taxes plus liquidation taxes is called post-liquidation return. Investors who don't spend from their portfolios and plan to leave assets to children or charity may never pay taxes on embedded appreciation. In that case, focusing on returns after annual taxes—known as after-tax returns—makes sense.

Taxes will not go away. And a deferred liability may cost more in the future, assuming tax rates increase over time. But investors can take steps to grow wealth and avoid as much tax as possible by adopting an "after-tax" returns perspective.

Taxes create a headwind for wealth building over the long run, but the strength of that headwind depends on where you are going. In this paper, we outline the tax characteristics of investment returns and describe various methods taxable investors can use to evaluate them. We conclude that different long-term wealth goals should dictate which after-tax return metrics should be used to measure success.

Keep in mind, our focus here is capital gains and income taxes on investible assets, not estate planning. As such, we have made the broad assumption that legacy assets are entitled to a step-up in cost basis,[1] which eliminates any embedded capital gains at death. Estate planners need to consider the interaction between income and estate taxes, particularly when utilizing trusts. We discuss some of these issues in **The Portability Paradox**. In addition, while we discuss tax deferred accounts, **Is the Secure Act Protecting Your Retirement Assets?** and **A Window of Opportunity** provide a more in-depth look at some of the benefits and considerations of those vehicles. Finally, the examples in this piece only consider federal income taxes. Investors subject to state income taxes in higher-tax jurisdictions may experience different after-tax and after-liquidation return outcomes, but the concepts discussed will still apply when state income taxes are included.

1 Under current law, estates receive a cost basis adjustment to fair market value commonly known as the "step-up." Assets can also be stepped down if market value has declined. A number of politicians have proposed changing these rules, but for the purpose of this paper we assume they remain in place in some form.

HOW INVESTMENTS ARE TAXED

When looking at "total return" on investments, you must measure two components: (i) taxable income[2] and (ii) appreciation, both unrealized and realized. Quite simply, income is taxable when earned while appreciation becomes taxable when an asset is sold—in other words, when the capital gain is realized. The US federal tax system provides many tax breaks, or benefits, for specific sources of income or capital gains.[3] In contrast, two things make an investment tax inefficient: highly taxed income and high rates of turnover. We'll explore each in turn.

In general, the federal system categorizes investment income based on the source of the return and taxes each differently (**Display 1**).

Two things make an investment tax inefficient: highly taxed income and high rates of turnover.

DISPLAY 1: TYPES OF INVESTMENT INCOME

Income Source	Federal Tax Type	Top Tax Rate	Expected Mean Income[4]	After-Tax Income*
Bank Interest	Ordinary investment income	40.8%, plus state income taxes	1.0%	0.6%
US Treasury Bond Interest	Ordinary investment income	40.8%, exempt from state income taxes	2.0%	1.2%
Municipal Bond Interest	Not taxable, with some exceptions	0%, not state taxable if issued by state of residence or certain US territories	1.7%	1.7%
Corporate Bond Interest	Ordinary investment income	40.8%, plus state income taxes	3.4%	2.0%
Common Stock Dividends	Qualified dividends are taxed at the long-term capital gains rate	23.8%, plus state income taxes	1.7%	1.3%
Preferred Stock Dividends	Qualified dividends are taxed at the long-term capital gains rate	23.8%, plus state income taxes	–	–
Rental Income	Ordinary investment income, may be mitigated by depreciation deductions	40.8%, plus state income taxes	7.6%	4.6%
REIT Dividends	Ordinary investment income	40.8%, plus state income taxes	3.9%	2.3%
Asset-Backed Leasing Income	Ordinary investment income, may be mitigated by depreciation deductions	40.8%, plus state income taxes	6.0%	3.5%

*Note that after-tax income differs from total return. The latter includes any potential appreciation/depreciation, along with realized gains/losses. Income is only one component of total return. Bank interest includes interest on cash deposits and CDs. US Treasury bond interest includes T-bills and Treasury bonds issued by US government and certain federal agencies. Municipal bond interest includes bonds issued by state and local governments and certain US territories. Corporate bond interest includes bonds issued by corporations. Both common stock dividends and preferred stock dividends include regular or extraordinary dividend distributions. Rental income includes income from leasing real estate. REIT dividends include income generated by underlying REIT holdings and passed through to the investor.
Source: IRS

Clearly, taxes have a material impact on ordinary income. For instance, assuming a top marginal tax rate, we'd expect municipal bonds to provide more after-tax income than Treasuries and almost as much as corporate bonds.

Taxes on appreciation, on the other hand, vary depending on the length of time you hold the asset: less than one year incurs a short-term gain, greater than one year incurs a long-term gain. Plus, realized gains on appreciation may be offset by losses realized within the same year or previous tax years. This system helps mitigate a current-year tax bite, but ultimately does not eliminate the embedded appreciation—and potential future taxation—from a portfolio (see sidebar on page 5: Loss Harvesting Defers but Does Not Eliminate Tax).

2 Income from most municipal bonds is exempt from federal taxes.

3 For example, sale of a personal residence is entitled to an exclusion of up to $250,000 of gain for an individual owner; $500,000 of gain for a couple. We are focused on the federal tax benefits most applicable to investment returns—additional federal breaks as well as individual state taxes are beyond the scope of this paper.

4 Income projections based on AB's estimates of the range of returns for the applicable capital markets over the next 10 years as of December 31, 2020. Data do not represent past performance and are not a promise of actual future results or a range of future results.

We use "turnover" to measure what percent of a given portfolio's holdings are sold every year at a potential gain. A high-turnover manager (one approaching 100% or more, per year) is more likely to incur short-term capital gains. In practical terms, this means that the manager sells the entire portfolio every year, finding new names as replacements, only to repeat the process the following year.

Stocks can also be viewed through the lens of tax efficiency. Based on our 10-year forecast, we expect US large-cap equities to deliver an average annual total return of 5.5% with 1.7% annual income.[5] In a high-turnover portfolio that generates half short-term capital gains and half long-term capital gains, this return drops to 3.6% after taxes. But by constraining turnover to 30% per year and shifting all gains to long-term, the after-tax return increases to 4.8%—a significant boost in a low-return environment!

In contrast, the high-turnover manager would need to outperform the index by at least 2.1% net of fees to generate any alpha on an after-tax basis.

Ultimately, good performance is terrific. Good performance coupled with low turnover is even better. But good performance with low turnover and a bias to harvest losses when appropriate represents the most compelling trifecta (see sidebar on page 5: Loss Harvesting Defers but Does not Eliminate Tax).

WHAT'S MY TAX RATE?

Determining your tax rate can be complex, as there are several components to the formula. For instance, short-term capital gains stemming from assets held for less than a year are taxed on the same progressive rate scale as ordinary income. Long-term capital gains are also taxed progressively, but beginning at a marginal level determined by the ordinary income you've earned. This means that your marginal capital gains rate doesn't always begin at zero.

Short-Term Capital Gains and Ordinary Income

Rate	Single Filer	Joint Filer
10%	Up to $9,950	Up to $19,900
12%	$9,951 to $40,525	$19,901 to $81,050
22%	$40,526 to $86,375	$81,051 to $172,750
24%	$86,376 to $164,925	$172,751 to $329,850
32%	$164,926 to $209,425	$329,851 to $418,850
35%	$209,426 to $523,600	$418,851 to $628,300
37%	Over $523,600	Over $628,300

Long-Term Capital Gains

Rate	Single Filer	Joint Filer
0%	Up to $40,400	Up to $80,800
15%	$40,401 to $250,800	$80,801 to $501,600
20%	Over 250,800	Over 501,600

Source: IRS

Ordinary income earned serves as the starting point for determining your tax bracket for long-term capital gains. Once established, progress through the brackets as you would with ordinary income. For example, assume a single filer who earns $200,000 in salary also has $100,000 in capital gains from her portfolio. She will begin paying long-term capital gains taxes at 15% and will continue paying taxes into the 20% bracket. That's because she straddles two brackets once her salary is factored in. Her first $50,000 in gains fall into the 15% bracket, while the next $50,000 pushes her into the higher one. Plus, she will incur the 3.8% tax on net investment income imposed on taxpayers with greater than $200,000 in modified adjusted gross income. The addition of this tax means that her long-term capital gains will be taxed at 18.8% and 23.8% at the federal level.

5 Ibid.

LOSS HARVESTING DEFERS BUT DOES NOT ELIMINATE TAXES

With the stock market near an all-time high, a portfolio invested earlier in the cycle will realize gains when selling stocks, rebalancing an asset allocation, or withdrawing funds for spending. Tax-loss harvesting can help minimize the tax impact of realizing gains in the current year. To harvest a loss, an investor sells a security that has fallen below its purchase price, in order to offset a gain booked elsewhere in the portfolio.

Let's suppose you sold Stock A at a gain of $50 and want to offset that gain. You also hold Stock B, with a cost basis of $100 and a current value of only $50. Selling Stock B today will generate a $50 loss. You could then reinvest the $50 proceeds in something else, or—if you still believe in Stock B's potential—repurchase it after 31 days to avoid a wash sale.[6] If you repurchase Stock B 31 days later for the same $50 sale price, your basis in Stock B goes from $100 to $50. In effect, you "borrowed" some of the original basis of Stock B to offset the gain realized on Stock A.

Note that using losses to offset gains only defers gains; it does not avoid them—a fact that taxpayers often misunderstand. If at some future date, you sell Stock B, the capital gain recognized will be that much larger, assuming the stock eventually recovers.

A portfolio that has been aggressively loss harvested for a prolonged period would continually need fresh capital to identify new loss-harvesting candidates. Otherwise, the only new purchases would be those funded by dividend coupons from its holdings. In this case, the deferral sets the portfolio up for a very expensive liquidation.

Deferral can work hand in hand with charitable gifting as gifting appreciated shares to charity allows one to avoid the payment of capital gains taxes. And if you can defer taxes over a very long horizon—the end of your life—your estate will receive a step-up (or step-down) in cost basis under current law. This means that unrealized gains are eliminated at the end of life and heirs will inherit the full value of the assets. However, as a tax mitigation strategy, this only works once.

[Deferral pushes the tax cost out to a later date. Avoidance, on the other hand, remains quite difficult and requires great flexibility on the part of the asset owner.]

6 Under these rules, if an investor sells a position at a loss and purchases the same, or substantially the same, security within 30 days, he cannot recognize the loss until he sells the replacement security.

TAXATION AND INVESTMENT VEHICLES

There are several ways to invest in public market securities: separately managed accounts (SMAs), mutual funds, exchange-traded funds (ETFs), and partnerships (LPs).

Many investors consider separately managed accounts the most straightforward vehicles. With an SMA, an investor purchases securities directly, establishes cost basis at the time of purchase, and incurs any income those securities generate. The drawback is that investing in foreign markets and using certain hedging strategies can become expensive when done through an SMA. That is why some strategies are offered in comingled vehicles: mutual funds, ETFs, and partnerships.

Mutual fund investors buy shares of a fund that holds a portfolio of securities. Shares are priced daily at a net asset value (NAV). The investor establishes cost basis in the fund at the time of purchase, but the underlying fund may hold securities at either an embedded loss or gain. Any gains realized over the course of the year must be distributed equally among shareholders—regardless of when the shareholder started investing in the fund. This implies that funds with high embedded appreciation may be more tax inefficient; otherwise, gains triggered by turnover would have already been passed along. Despite the mandate to distribute gains, mutual funds do provide certain tax advantages: fees and expenses are deducted from income and capital gains received by the fund before they are distributed to shareholders. This way, fees and expenses are not subject to income taxes.

ETFs are holding companies that purchase a basket of securities, typically tracking the value of an index. An investor essentially buys a share of the holding company, which trades continuously at a price that's theoretically equal to the basket of securities the company holds. The ETF structure enjoys specific tax advantages that allow it to avoid making capital gains distributions. This enables the investor to realize gains only when selling shares. Some income-focused ETFs do distribute to investors, but that is of their own accord.

Finally, partnerships are typically used for alternative investments—investors in this structure are LPs or limited partners. The partnership acts as a pass-through, meaning income and gains incurred in the fund are passed along to investors. This structure has some benefits. For example, partnerships (unlike mutual funds and ETFs) can allocate realized losses to partners. In addition, partnerships may be able to deduct investment expenses if they make certain elections. And lastly, when investing in partnerships, an investor does not inherit the cost basis of underlying securities for prior investors. Instead, a new cost basis is established, thereby eliminating any inherited liability as with a mutual fund.

> Ultimately, good performance is terrific. Good performance and low turnover is even better. But good performance with low turnover and a bias to harvest losses is the trifecta.

CHARTING A COURSE

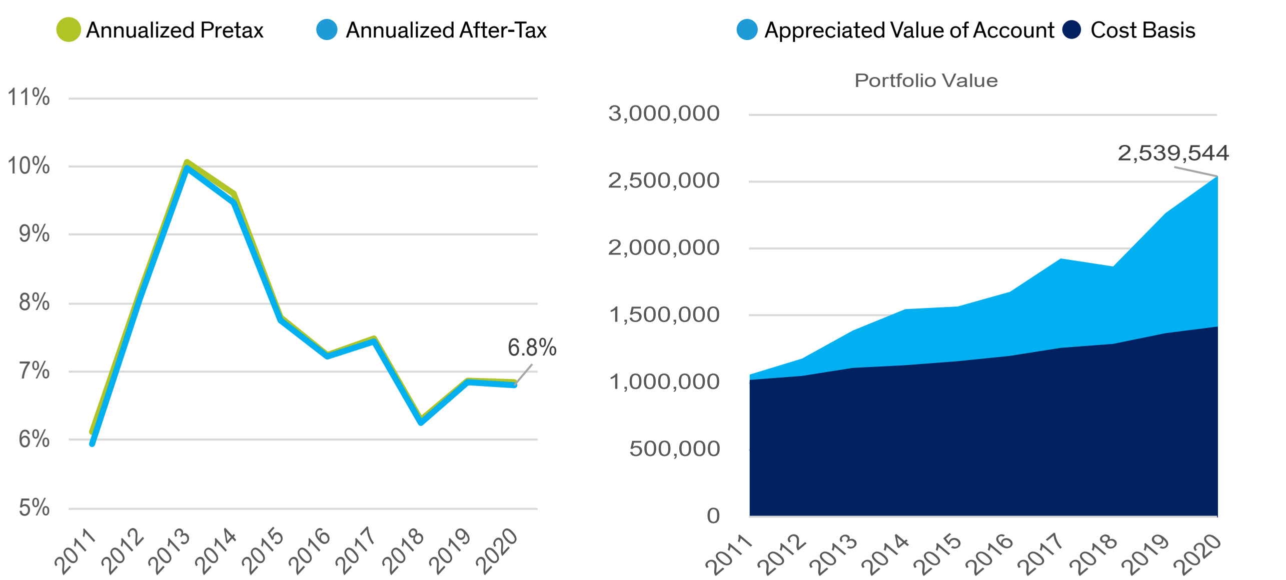
The solution to the tax conundrum seems simple: avoid investments with high turnover or tax-inefficient income that results in immediate taxation. Over the past couple of decades, many investors began following this path by investing in no/low-turnover passive ETFs that pay only dividends.[7]

Consider one such investor with $1 million, allocated 60% to an S&P 500 ETF and 40% to a municipal bond ETF that is rebalanced annually for the last 10 years, ending in 2020. Her tax bills have been extremely low, as evidenced by her annual pre- and after-tax returns over the last decade—there has been virtually no perceptible tax drag (**Display 2, left side**).

However, an embedded gain has been building in the portfolio (**Display 2, right side**) such that each dollar in the portfolio has a 55% cost basis. That means before accessing any dollar needed for spending, capital gains taxes must be paid on $0.45 of it first.

Assuming all holdings are long-term, each dollar of spending incurs $0.11 of tax. While that may not seem like much, imagine funding a $100,000 expense. Because you can only spend 89 cents per dollar withdrawn, you need to sell $112,360 worth of securities—incurring approximately $50,000 of gains—to meet your needs.

DISPLAY 2: ETFs MINIMIZE NEAR-TERM GAIN, BUT SET UP FUTURE TAXES



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Source: AB, Bloomberg

7 An ETF is a company holding a basket of securities that issues shares and trades on an exchange. ETFs can be tax efficient because investors incur gains when they sell the ETF, unlike a mutual fund which must distribute gains to shareholders annually.

In this case, the total tax bill was mitigated by rebalancing from stocks to bonds over time. But what if instead of holding a balanced portfolio of 60% stocks and 40% bonds, our investor held 100% equities using the same assumptions? Her portfolio would have had a 37% cost basis over a decade-long time horizon, which means she would have incurred nearly $75,000 in capital gains to net $100,000 in spending.

Would this situation differ if she replaced the ETF with a tax-efficient, low-turnover portfolio delivering comparable performance? We define this portfolio as one with a 15% annual turnover rate on bonds and a 30% annual turnover rate on stocks while assuming the manager avoids short-term gains by holding securities for at least one year.

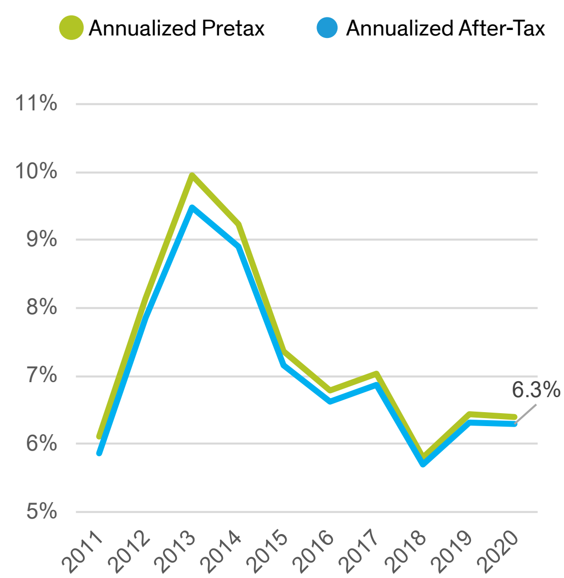
At first glance, turnover reduces the after-tax compound return of the overall allocation. Over 10 years, our investor would earn 6.3% after annual taxes instead of 6.8% (**Display 3**). However, by turning over the portfolio and refreshing the cost basis over time, she remains in a much better position should she need to raise cash to fund expenses. Now the portfolio has an 82% cost basis at the end of year 10, which means she'll pay just $0.04 of tax for each dollar spent. To meet $100,000 in expenses after taxes, she would only need to sell $104,170 worth of securities.

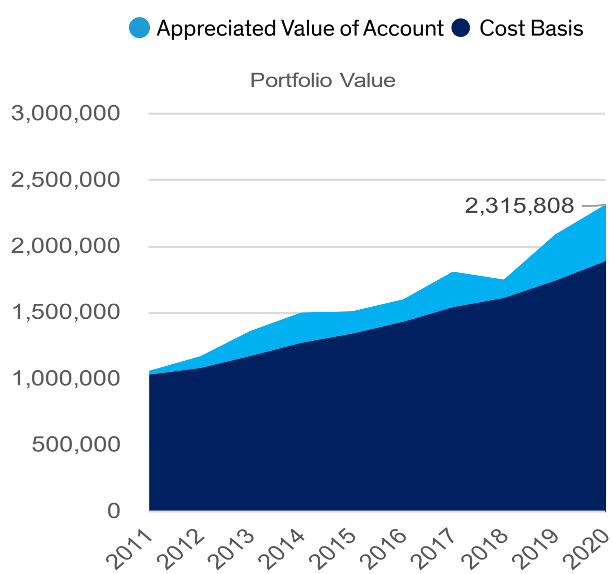
But what if we translate the entire portfolio into spendable dollars and compare the wealth on a post-liquidation basis? If we converted both portfolios to cash, the ETF would be worth $2,260,194 in spendable dollars while the tax-efficient, low-turnover portfolio would total $2,223,175. Yes, the latter's annual tax drag results in less nominal wealth than the tax-deferred ETF portfolio. Put another way, the ETF portfolio delivered an annualized return of 2.34% on an after-tax, post-liquidation basis over 10 years compared to 2.04% for the tax-efficient, low-turnover portfolio. In effect, the liquidation lowers the gap between the returns from 50 bps on an after-tax basis to 30 bps on a post-liquidation basis.

The above scenario assumes tax rates hold steady. But what if they drift higher? Assuming they increase over time, taking incremental gains periodically to avoid a deferred liability becomes more compelling. Because gains are continually harvested at lower rates, the math favors the slightly turned portfolio. The value of the deferral remains positive for as long as an investor can defer, though the cost of liquidation increases dramatically.

The low-turnover portfolio offers another advantage over an ETF that our analysis has not yet captured: the potential for active tax management. If you hold a portfolio of stocks and bonds (instead of several ETFs), there may be more opportunities to "cherry pick" stocks at a loss or a minimal gain when raising cash to cover living expenses. Investment managers can weigh, "What will cost my client the least amount of tax dollars?" when making portfolio decisions, managing cash flows, and rebalancing along the way.

DISPLAY 3: MORE EFFICIENT PORTFOLIO, SLIGHTLY LOWER RETURN; LOWER TAX





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Source: AB, Bloomberg

THE FRAMEWORK

In our view, the push-pull of long-run tax efficiency versus eventual access to capital argues for rethinking your approach. We'd suggest two constructs: building a portfolio for what you require during your lifetime as well as what you will leave as a legacy. Start by sizing each category, while recognizing the need for an intentional liquidity reserve that is easily accessed for near-term expenses. Determining this amount depends on your individual circumstances, weighing access to cash against the opportunity cost of forgoing investing.

Beyond this liquidity reserve, invest to generate returns for long-run expenses and legacy. Lifetime assets will eventually need to be converted into "spendable dollars"—which are subject to tax at liquidation. We call the amount of spendable dollars in this bucket "core capital." Core is the amount of assets you'll need to accumulate to sustain your lifestyle—grown with inflation—over the course of your life. Using our proprietary Wealth Forecasting System, we calculate core capital to withstand high inflation and challenging market conditions over a long life expectancy. Core assets must strike a balance between returns and taxes. You may wish to pay some taxes along the way in exchange for generating liquidity with a lower tax burden later.

Amounts above core are considered surplus capital and available for legacy planning. Surplus in this framework can be considered "step-up dollars," amounts left in your estate to family members or donated to charity. Under current laws, your estate receives a "step-up" of cost basis at death which eliminates embedded gains. And donors do not recognize capital gains when giving appreciated assets to charity. With surplus capital, tax deferral can maximize legacy wealth. Asset pools earmarked for future generations should be managed for the lowest possible tax costs, ensuring that the basis that will be stepped up is the lowest possible.

SO WHAT DO I DO NOW?

An ideal approach marries the need to fund spending with the underlying tax character and risk of the investment. If engineered correctly, you can retain maximum flexibility. But the task requires careful monitoring.

Once an investment plan has been crafted that treats pre-liquidation and post-liquidation investments differently, the focus shifts to asset allocation—and importantly—asset location. It's much easier to align the asset allocation and asset location of your portfolio when applying the pre- versus post-liquidation framework than to adjust an asset allocation that failed to contemplate the assets' use from the outset.

Start with the near- and medium-term liquidity demands. A high likelihood of drawing on this portion of your allocation at some point in the next three years has two implications: (i) it should be liquid and accessible and (ii) it should not be invested for breakneck gains. If you're constantly trimming appreciated securities for lifestyle spending, you will feed the government's war chest at the expense of your own.

That does not mean investors should avoid growth-oriented investments as fuel for future spending. Rather, it calls for a plan for replenishing short-term accounts through winnings, and importantly, "losses." Some view taking a capital loss as a failure. However, when managed correctly, losses have an economic value that can improve taxable investors' outcomes.

Equity tax-harvesting strategies can replenish spending accounts by systematically sweeping realized losses into "spendable" cash. In other words, embrace the ebb and flow of equity markets to capture losses when available without selling so much in large downturns that you erode returns over a cycle. Take advantage of stable markets and surplus capital to add back to equities in order to create a portfolio that consistently generates losses—but also enjoys solid returns. The efficacy of any tax-loss-harvesting strategy is diminished when cash flow leaves the portfolio. Adding funds back to the strategy over time ensures that there will be different acquisition prices to support the ongoing realization of losses.

Once you fortify the first line of defense with reliable shorter-term obligations, you can finesse the timing of their replenishment and take advantage of different markets to more optimally source funding for future cash needs. This interim buffer between high returning taxable assets and a funding account allows you to control the timing and magnitude of any taxable gains.

Dimensioning the spending needs of an investment portfolio allows investors to calibrate their "core" and "surplus" metrics. When evaluating a core portfolio, consider post-liquidation results. In contrast, investment results for a surplus portfolio should be viewed through a pre-liquidation prism.

Weighing the costs of accessing a given stream of returns for spending purposes can enhance asset allocation decisions. However, the prevailing market environment also plays a role. There are times when markets will dictate an allocation that may run counter to the guidance above.

For instance, when markets are depressed and likely to rebound, allocating medium-term capital to equities may prove wise—even though spending those equity winnings will cost tax dollars. Despite this, post-liquidation return calculations will support such an allocation when expected returns remain high. Conversely, when faced with allocating capital to fixed income during a period of low expected returns (due to low interest rates that are poised to move higher), consider other alternatives to drive a higher expected return.

During extraordinary markets, taxable investors should place a premium on flexibility. This will allow them to take steps that yield the highest pretax returns—knowing that even when accounting for taxes, the post-liquidation value of their portfolio will be sufficiently enhanced so as to support their positioning.

Other important points for consideration:

- "***Cash is not always king.***" While all investors should maintain a modest buffer for spending for ultra-short time periods (0–6 months), an allocation to cash carries costs and benefits. Maintaining a long-term allocation to cash sacrifices return since cash will rarely beat markets over a period longer than a year or two. While spending cash will not create a tax drag, cash cannot keep pace with markets long term. Additionally, interest on cash is taxed at the highest ordinary income tax rate.
- "***Give credit where credit is due.***" Municipal bonds produce income that is federally tax free. Many investors evaluate municipal bond yields without comparing them to a taxable equivalent. To determine the attractiveness of municipal debt, calculate the level of pretax yield you would need to generate to match the after-tax income stream of a municipal bond. The tax-free nature of municipal bond income should not be understated.
- "***How can it be wrong when it feels so right?***" For years, conventional wisdom held that highly appreciating investments belonged in retirement accounts (IRA, 401k, etc.). This way, investors would avoid taxes as these assets appreciated in a tax-exempt environment. However, if the highly appreciating investments were managed in a tax-efficient fashion, you could be underutilizing the tax-exempt nature of the retirement account. Instead, first set an overall asset allocation before drilling down to asset location. It may make more sense to house strategies that produce taxable income or trade for short-term capital gains in a retirement account while relegating tax-efficient investments—even highly appreciating ones—to an after-tax account.

CONCLUSION

Examining your asset allocation through the lens of taxes isn't easy—but it's often necessary to achieve your long-term goals. Examining pretax returns represents an important step, but understanding a portfolio's turnover rates may prove equally impactful.

Deferring taxes is not the same as avoiding taxes, and deferral strategies benefit different investors in different ways. The risk of tax rates increasing should make a taxable investor more willing to accept near-term taxes to prevent the bill from a sizable deferral strategy coming due during a higher tax-rate period. This averts the erosion—or potential disappearance—of the deferral's benefit due to higher prospective tax rates.

Viewing your wealth from the standpoint of what's needed for lifetime spending, versus what's considered legacy assets, can help pinpoint whether tax-efficient liquidation or long-run tax deferral is the goal.

The Bernstein Wealth Forecasting System^{SM} 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.

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