

*William D. Johnston
Chairman, Greenleaf Trust*

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Economic Commentary

As you can imagine, recent events such as the US drone attack that killed a top Iranian military commander, Qassem Soleimani, in Iraq has caused many questions from clients and readers of our newsletter. Nick Juhle and his research team have offered their perspectives and advice with respect to the economic and investment implications of increasing military actions between the US and Iran, and I will concentrate on the political origin of the conflict.

While we have referenced the Islamic schism in several previous articles over the past two decades of US military involvement in the Middle East, it is particularly important to refresh that discussion with respect to Iran. Before we get into the historical facts of the Islamic schism between Sunni and Shia, let us accept some fundamentals that apply to all religions throughout the history of our globe.

In every religion, there is a bandwidth of believers and followers. One end of the spectrum begins with those that identify with but do not regularly practice their faith. The polar opposite of that spectrum consists of devout faithful whose practice of their faith consumes their entire being, inclusive of family, social, political and economic selves. To those on this end of the spectrum nothing is compartmentalized, and secular life, or life outside of the faith context, is not acceptable. Their faith is clearly defined, and therefore fundamental in nature to them and dogmatic in application with no tolerance for interpretation. It is their fundamental devotion to the concept that non-believers are a threat to their faith and must either be converted to their interpretation of belief or eliminated. Because there is no tolerance for secularization, belief becomes the need for power and power becomes absolute. Every religious war ever fought has been done so in the thirst for power to control the faithful and to eliminate any secularization.

In AD 632, the death of Islamic prophet Muhammad created a void in the Islamic world order. History has revealed the dispute that occurred after Muhammad's death and the multiple wars fought in the search for the most pure leader of Islam. Those wars resulted in the creation of two major sects of Islam, Sunni and Shia, and the followers of each sect believe their practice to be the most pure devotion to Islam, though both follow the fundamental teachings of the Quran. Globally, the population of Sunni followers represent 85% of

Commentary, continued

“For over two decades, the United States has been politically, economically and militarily involved in the war between Sunni and Shia in the Middle East.”

Muslims while 15% are identified as Shia. Within each sect of Islam are the full spectrum of believers that would be found in any religion.

The two preceding paragraphs are important relative to our understanding of our two-decade-old military intervention and involvement in the Middle East. It is also important to understand that while Muslims identify as either Sunni or Shia there are many smaller sects within each that impact how individuals practice and live out their lives. Neither the Shia or Sunni sects are monolithic in religious, political, social or economic lives. That said, there are fervent fundamentalists in both the Sunni and Shia sects that view their faith role as converting all to their faith view and practice of religious life. For them, their existence is dogmatic purity at all costs.

The major players of the geopolitical life of the Islamic Middle East are Saudi Arabia, Iraq, Iran, Afghanistan, Kuwait, Turkey, Syria, the United Arab Emirates, Bahrain and Qatar.

Over the past two decades, the vast majority of the Middle East Islamic conflict has been focused on Afghanistan, Iraq, Iran, Saudi Arabia and Syria. The source of the conflict is comprised of both secular and political power and the resolution of what Islamic sect will dominate and control that concentration of power.

Sunni dominated countries are Saudi Arabia, Kuwait, Turkey and Afghanistan while Shia populations dominate in Iran and Iraq. Among the dominant political players of these sects of Islam, Saudi Arabia is a monarchy, Iraq and Afghanistan have elected representative democracies and Iran is ruled by Islamic clerics who have ultimate authority over the Iranian elected legislative body and President.

The Taliban, Al Qaeda and ISIS fundamentalists are all Sunni in Islamic sect identification and all require absolute adherence to Sharia law. They differ in origination and goal. Al Qaeda believe all non-Islamic societies are a threat to Islam, and therefore, are enemies to be defeated. ISIS believe that fundamental Sunni Islam governed by Sharia law must return to Levant, a geographical area of Syria and Iraq that pre dates the creation of both of those countries and that geographical return to their Islamic roots will be the Caliphate that will rule all of Islam. The Taliban, while equally adhering to Sharia law, believe in a tribal system of government rooted in their Pashdan cultural lineage. While bound by Sunni sect and Sharia Law adherence, their goals and origins make them both allies and sometimes combatants.

History is important. For over two decades, the United States has been politically, economically and militarily involved in the war between Sunni and Shia in the Middle East. From time to time our interest has been economic (oil). At other times it has been focused on larger issues with Russia (Afghanistan became Russia's Vietnam due to our support of Afghan rebels which evolved into the Taliban). In the last two decades, our interest became

our military intervention to overthrow Saddam Hussein in Iraq, and stabilize Afghanistan to wipe out terrorist threats to the western world.

During our economic and military efforts in the Middle East over these decades, for a variety of specific reasons, the United States became viewed as a defender of Sunni and an enemy of Shia Islamic sects.

Iran, which is Shia sect dominated and ruled by religious clerics since the Shah of Iran was deposed, has consistently opposed any Middle East involvement by the United States. Our support of Israel and opposition to any nuclear advancement by Iran has amplified their feelings of Shia oppression. The recent multinational coalition to defeat ISIS allowed for increased stabilization of Iraq, but also allowed for increased political advancement within Iraq by Shia politicians who were becoming a larger majority in the Iraq legislative body. While Shia political influence was growing in Iraq, the relationship between the US and Iran continued to destabilize as previously negotiated nuclear agreements became fragmented and coalition-led economic sanctions drastically reduced Iranian GDP growth. With ISIS drastically weakened and United States–Taliban negotiations for Afghan stabilization progressing, Iran was becoming more desperate to be relevant in Middle East leadership while also finding leverage to end the economic sanctions that were increasing internal protests within Iran. Several Iran led and financed military actions aimed at Sunni countries deemed favored by the US, as well as actions taken at US forces in the region resulted in Qassem Soleimani’s death from a US initiated drone strike while he was in Iraq. The reaction thus far from Iran has been as expected. Revenge will be planned. Iraq’s increasingly Shia dominated government is aligning with Iran and requesting all US troops to leave their country. The future, of course, remains unclear. Will the United States solve a war within Islam that dates to AD 632? No, we will not. Will Iran’s religious clerics be able to retain control of Iran’s political leadership? The answer is not clear. What is somewhat clearer is that radical Islam, as practiced by the Taliban, ISIS and Al Qaeda, has been weakened substantially. What we also know is that economically destabilized countries are active breeding grounds for growth in radicalization and extremism.

The Sunni dominated countries within the Middle East are also the most economically stable and advanced countries in the region. They are in a position to continue the modernization and economic growth that limits the power of radicalization. The leadership of that modernization must begin in earnest with Saudi Arabia: a country experiencing its own issues with humanitarian rights. Currently, the standoff between Iran and the US is military in nature, how it progresses is yet to be answered. The diplomatic channels between the US and Iran will be more effective if the diplomatic channels of Iraq, Saudi Arabia, Turkey, Afghanistan and the UAE are actively engaged with Iran. ☑

“Will the United States solve a war within Islam that dates to AD 632? No, we will not.”



*Michael F. Odar, CFA®
President*

“Growth for the sake of growth is a fool’s game. Our growth strategy involves growing deeper and broader in our capabilities in order to serve... clients better.”

Happy New Year

Welcome to 2020 and the start of a new decade! As I sit at my desk writing my first article of the new year, the Kalamazoo office of Greenleaf Trust is relatively quiet. The hustle and bustle of wrapping up end of year matters ahead of year end deadlines has been replaced with a more composed orderly atmosphere. Phones do not ring as much, meetings are not scheduled one after another, there is time for more mindful conversations with different teammates, and opportunities exist to quietly get out a pen and pad of paper and think. I specifically enjoy coming into the office during the end of the holiday season as the activity slows down just enough to get organized for what’s next.

As I alluded to last month, diverse critical thoughts and candid discussions at our Advance led to the construction of a cohesive organizational plan for 2020 focused on four key themes: Workplace Culture, Purposeful Growth, Near Term Projects, and Longer Term Initiatives.

Workplace Culture continues to be one of the most important reasons teammates join Greenleaf Trust and want to spend their careers here serving clients. We strive to hire talented diverse people and provide them with a work environment that challenges, supports, equips, and multiplies their efforts through collaboration. The end result is an engaged team that is inspired to do great work for our clients. In 2020, our focus here will continue to be on talent development through close coaching relationships, building a more diverse and inclusive team, and making sure each team member feels a part of the Greenleaf family as we continue to grow.

Growth for the sake of growth is a fool’s game. Our growth strategy involves growing deeper and broader in our capabilities in order to serve existing and prospective clients better. If we do that successfully, we will be able to serve more clients. When it comes to Purposeful Growth in 2020, we are exploring new markets in Michigan to serve. Specifically, we are looking for talented new leadership in either Lansing, Ann Arbor, Midland, Holland, or St. Joseph. Finding the right talent in one of these new markets will determine which new market we enter first. New lines of service that our clients desire are being developed and opportunistic purchases of adjacent businesses that are culturally aligned are being considered.

We are also building on brand awareness through broader social media exposure and more prolific public relations efforts. We have a longer term next generation view here as well that acknowledges that future generations will most likely use our services very differently than current generations.

Finally, as part of our 2020 vision we have many projects that we are currently working on (near sighted) and just as many initiatives to start working on (far sighted). Workflow solutions, new space planning in every

market we serve, business continuity planning and an evolution of how we interact with participants that use our retirement plan services are all near term projects. Longer term we continue to study industry trends, artificial intelligence implications, cloud expansion and investment platform extension. Whether near or long term, each project is focused on serving our clients more efficiently and effectively.

I am excited about the prospects that the new year has to offer. Each one of us at Greenleaf Trust looks forward to serving our clients to the best of our abilities and in new and innovative ways in 2020. ☑

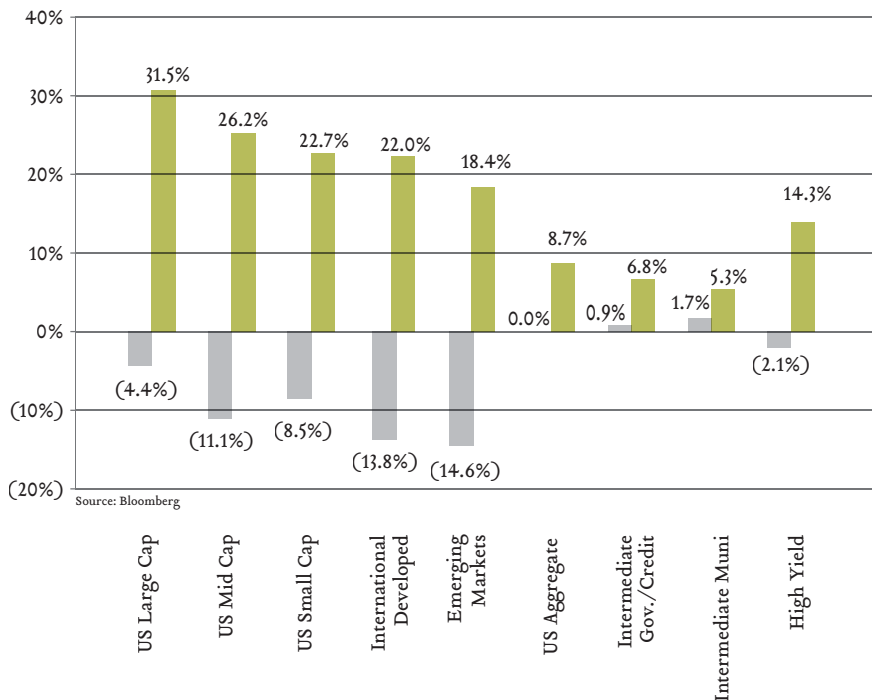
2019 Review and 2020 Outlook

What a difference a year makes. In our 2018 year-end seminar we recapped a period where almost every major asset class posted disappointing returns as investors grew increasingly concerned by the prospect of a global economic slowdown. To the pleasant surprise of most observers, 2019 unfolded as a year characterized by stronger-than-expected returns across most asset classes and a firming economic backdrop heading into 2020.



*Nicholas A. Juble, CFA®
Vice President
Director of Research*

Asset Class Performance
(2018-Light; 2019 YTD-Dark)



“... 2019 unfolded as a year characterized by stronger-than-expected returns...”

2019 Review and 2020 Outlook,
continued

“While many of the economic concerns contributing to the 2018 experience carried into the new year, most asset classes more than recovered in 2019.”

Throughout 2018, but particularly in the 4th quarter, investors became increasingly anxious about the prospect of a recession, reacting sharply to any data point or headline that could signal a slowdown. While many of the economic concerns contributing to the 2018 experience carried into the new year, most asset classes more than recovered in 2019.

- **GLOBAL EQUITIES:** In 2018, global equities declined 9%. Domestic large caps fared “best” (down 4%) while developed international and emerging market stocks posted double-digit declines. In 2019, global equities gained nearly 27% led by domestics (+31%), followed by developed international (+22%), and emerging markets (+18%).

S&P 500 Price



- **FIXED INCOME:** In 2018, key rates spent much of the year above their starting points, resulting in flat to negative returns across most bond indices. In 2019, rates have moved lower. From a starting point of 2.68% on the US 10-year treasury, rates bottomed at 1.46% in early September and closed the year at 1.92%. As a result, core bonds posted returns in the mid- to upper-single digits.

US 10-Year Yield



Key sources of uncertainty in 2018 included Federal Reserve Policy and US/China trade negotiations. Unsurprisingly, these themes carried

significant influence in 2019 as well. These issues, and some new ones, including a presidential impeachment and the 2020 election, will also shape the year ahead.

- **FEDERAL RESERVE:** The Fed raised interest rates four times in 2018 and projected two additional increases in 2019 when the year started. By the end of the first quarter, policymakers reduced expectations from two rate increases to zero, while markets priced in two to three cuts. The markets turned out to be right as the Fed moved to accommodate cutting rates three times (25 bps each in July, September and October) in a “mid-cycle policy adjustment.” In December, the Fed held rates steady - maintaining the range of 1.50%-1.75% - and signaled intentions to maintain the range through 2020 citing economic strength and a healthy labor market.
- **TRADE POLICY:** Evolving trade policy escalated into an all-out trade war between the US and China in 2018. In May 2019, a trade deal between the world’s two largest economies seemed imminent when officials unexpectedly moved to increase tariffs, derailing talks. Negotiations progressed in October, resulting in plans for a three-phased agreement. Both sides came to terms on phase one in early December, just in time to avoid additional tariffs. Progress (or deterioration) on the US/China trade front will continue to influence the market narrative in 2020. Visibility into future phases remains limited, but we continue to believe each country’s economic interests favor a fully negotiated deal.
- **IMPEACHMENT:** In 2019, the markets seemed to shrug off impeachment proceedings of President Trump. In September, House speaker Nancy Pelosi announced a formal impeachment inquiry, which led to approval of two articles of impeachment in December for which the Senate will try the President in January. Given the partisan nature of the issue, a Republican majority in the Senate makes it a foregone conclusion that President Trump will be acquitted and we are not expecting significant investment implications from the process.
- **PRESIDENTIAL ELECTION:** Looking ahead to the 2020 election, there is no shortage of bold market predictions based on potential election outcomes – and this is nothing new. Several well-known hedge fund managers have described the market swings that could occur if Warren, or Sanders, or Trump, or [pick your candidate] wins. We view all such predictions with a great deal of skepticism as there is very limited data to suggest that one individual (even the president of the United States) will single-handedly move the markets dramatically higher or lower. See our piece from the December Perspectives newsletter: “Vote With Your Ballot, Not Your Portfolio” for a deeper dive on investing in election years.

“...there is very limited data to suggest that one individual (even the President of the United States) will single-handedly move the markets dramatically higher or lower.”

*2019 Review and 2020 Outlook,
continued*

“Having crossed the ten-year mark in June, the current economic expansion is officially the longest on record.”

Having crossed the ten-year mark in June, the current economic expansion is officially the longest on record. Exiting 2018, we were perplexed by markets that seemed to anticipate immediate recession despite data that portrayed a healthy economic backdrop. We monitored key recession indicators throughout 2019 and believe we are entering 2020 on solid footing.

- **YIELD CURVE:** An inverted yield curve (short-term yields exceed longer-term yields) has historically been a useful indicator of future economic growth. The yield curve inverted 4-24 months prior to each of the last seven recessions – there were also two false positives (inversions without recessions). In March of 2019 the yield curve inverted, triggering this indicator for the first time since the great recession. The curve is not currently inverted, thanks in part to accommodative policy adjustments from the Fed.
- **UNEMPLOYMENT:** The labor market is another indicator of recession risk as rising unemployment can foreshadow economic contraction. The unemployment rate has historically bottomed an average of nine months before the onset of a recession. Unemployment currently stands at a 50-year low of 3.5%. It is difficult to identify a trough in real time, but it appears that the labor market remains strong and in position to support continued consumer spending heading into 2020.
- **REAL RETAIL SALES:** Consumer spending makes up the majority of US GDP, so real year-over-year declines in retail spending can indicate that a recession is near. In December 2018, real retail sales declined 0.3% triggering this indicator, but growth rebounded in 2019 averaging +1.6%. Further, US shoppers reportedly spent 3.4% more this holiday season in spite of the fact that the traditional holiday shopping season was six days shorter than in 2018.

All in, real US GDP will likely have grown 2.3% in 2019, compared to 2.9% in 2018. This outcome is consistent with the expectations of 2.0%-2.5% we detailed this time last year – slower than 2018, but not unhealthy and far from a recession. Looking ahead to 2020, we expect growth to decelerate modestly to a likely range of 1.5%-2.0%. As we approach the twelfth year of the current economic expansion, GDP growth of 1.5%-2.0% represents return to a normalized and sustainable level of economic growth.

As for the market experience going forward, we share our updated capital market assumptions below. These forecasts represent our expectations for average annualized returns for each asset class over the next ten years. Over the next decade, there will be years where returns exceed our expectations and years where returns trail our expectations. We believe short-term market-timing strategies are unlikely to improve

long-term outcomes. Said another way, we encourage our clients to stay disciplined in years like 2018 so as not to miss out on years like 2019.

Asset Class	10 Year Expected Return (Dec 2019)	10 Year Expected Risk (Standard Deviation)
US Large Cap	4.5%	14.0%
US Mid Cap	6.3%	16.0%
US Small Cap	7.0%	19.0%
Developed International Equities	6.0%	17.0%
Emerging International Equities	8.0%	22.0%
Core Fixed Income	2.5%	4.5%
Non-Core Fixed Income	3.8%	10.0%
Diversified Alternatives	4.3%	7.5%
Cash	1.8%	0.5%

Source: Greenleaf Trust, as of 12/31/2019

We continue to recommend most of our clients hold a full weight to global equities in accordance with their individualized risk profile and we remain marginally more constructive on international equities. Concurrently, we are less constructive on the outlook in fixed income markets and believe a modest underweight in favor of an allocation to diversifying strategies (alternative assets) remains prudent.

Despite an ever-changing landscape, our disciplined approach and long-term orientation serve us well in our quest to create comprehensive investment solutions that help our clients reach their financial goals. Investment decisions are made in alignment with our documented investment philosophy and always with the intention of serving our clients' best interests. Happy New Year and thank you from everyone on the investment research team for allowing us to serve on your behalf. 

“... we encourage our clients to stay disciplined in years like 2018 so as not to miss out on years like 2019.”



*Dan J. Rinzema, CFA®, CFP®, CTFA
Chief Client Officer*

“We not only want to know if we are delivering on our promises, but we also crave candid feedback on ways in which we can better serve our clients.”

Survey Says...

Continuous improvement is one of Greenleaf Trust’s core values – it is a pillar of our culture and has become part of our DNA. Every tangible improvement we have made on behalf of our clients stems from a disciplined review of our practices. As we look for opportunities to serve our clients better, we begin by listening to those that matter most – our clients.

Our annual personal trust and wealth management client satisfaction survey is designed to gauge Greenleaf Trust’s collective efforts from our clients’ perspective. We not only want to know if we are delivering on our promises, but we also crave candid feedback on ways in which we can better serve our clients. Analyzing the results helps us more closely align the voice of our client with our daily impact, and better understand how our clients feel about Greenleaf Trust’s personalized service and customized solutions. The aim is to listen to client comments and suggestions so that we can enhance the services provided on their behalf. Simply put: when our clients speak, we listen.

As an example, looking back at recent years’ survey results, it was revealed that the format of our investment performance reporting could be improved to better meet the individual needs of our clients, as only 84% of respondents found the report meaningful in our 2013 year-end survey. Given this feedback, we made it our goal to provide more customized, relevant and meaningful performance reporting. We heard what our clients wanted and responded with updated performance reports tailored to their specific needs. As a result, satisfaction with our quarterly investment performance report format jumped to 97% the following year and sits at 99% as of 2019’s survey. Similarly, the 2014 survey revealed that many clients wanted consolidation of monthly statement packaging. We listened and responded quickly by consolidating statement packaging starting the following January and the corresponding statement satisfaction score registered at 98%. Similarly, themes from write in comments in 2015 and 2016 centered around our investment platform and online client portal. We took these comments to heart and not only enhanced our investment offering with 99% of clients now reporting that we are successful in meeting their investment needs, but we also rolled out our revolutionary online portal called [@mywealth](#) by Greenleaf Trust, which allows our clients to view their holistic wealth through a safe and secure personal financial website bringing their entire financial picture together in one place like never before. Similarly, last year’s survey revealed a desire for an increased frequency of economic and financial market updates from our in-house research team. We recognized this as a shortcoming and put a plan in place to improve. This included the introduction of a weekly “Market Snapshot” intended to provide a weekly recap of market movements as well as provide an overview of events to pay attention to in the week ahead.

When sending the 2019 survey, we again asked for candid responses. Our clients answered in kind with survey participation not only hitting record levels, but also registering at more than four times the industry average. Thank you to those that took the time to respond - we truly value your feedback. The following is a summary of what we heard you, our clients, say:

2019 Client Satisfaction Survey Results:
Personal Trust & Wealth Management

99% find their client centric team members to be easily accessible

99% feel their questions and concerns are answered in a prompt and satisfactory manner

97% are satisfied with the frequency of contact

99% feel as though they are treated as a very important client


100% believe we listen to and understand their unique goals and objectives

100% believe their accounts are tailored to meet their unique financial goals and objectives

99% believe we are successful in meeting their investment needs

Satisfaction scores with our account statements, performance reports, newsletters and seminars uniformly exceeded 98%

While we are pleased with the generally high marks received, we recognize there is always room for improvement. So in order to enhance the value of our relationship with our clients and to achieve our standing goal of 100% client satisfaction on all fronts, we will intently focus on the specific suggestions and comments received. Two initiatives already under way as a result of the recent survey include additional year-in-review seminar venues as well as a campaign to commence in early 2020 to connect with those clients that volunteered to share their Greenleaf Trust experience in more detail with the goal of improving the services we provide.

Again, thank you to all of our clients that took the time to respond to our recent client satisfaction survey. The overall response rate was gratifyingly high and the comments overwhelmingly positive. My colleagues and I are always receptive to your suggestions, and we hope you will never hesitate to share your candid opinions with us - when you speak, we listen. Thank you for allowing Greenleaf Trust the continued privilege of serving on your behalf. 

“While we are pleased with the generally high marks received, we recognize there is always room for improvement.”



*Lorey L. Matties
Participant Services Specialist*

“... 401(k) and 403(b) [contribution] limits are up, traditional IRA contribution limits stay the same, and almost all other numbers are up as well.”

Higher Retirement Plan Contribution Limits for 401(k)s and More in 2020

The Social Security Administration (SSA) announced cost-of-living adjustments to the maximum amount of earnings that are subject to the Social Security tax, as well as a 1.6% increase to monthly Social Security and Supplemental Security Income benefits. This is good news for the nearly 69 million Americans receiving benefits, though this is a modest number compared with last year’s 2.8% increase. In comparison, the average cost-of-living adjustment (COLA) over the last decade has been 1.4%. The Social Security Wage Base will increase in 2020 from \$132,900 to \$137,700.

The Treasury Department also published inflation-adjusted figures for retirement account savings effective January 1, 2020: 401(k) and 403(b) limits are up, traditional IRA contribution limits stay the same, and almost all other numbers are up as well.

The amount you can contribute to your 401(k) or similar workplace retirement plan goes up by \$500 to \$19,500. The 401(k) catch-up contribution limit – for employees turning 50 or older anytime in 2020 – will be \$6,500, up from \$6,000. This is the first increase since 2015. The contribution amount for individual retirement accounts (IRA’s) remains the same for 2020 at \$6,000, with a \$1,000 catch-up limit if you’re 50 or older.

Retirement Plan Limitations	2020	2019
Annual 401(k), 403(b) and 457 deferral limit	\$19,500	\$19,000
401(k), 403(b) and 457 contribution catch up limit	\$6,500	\$6,000
Annual contribution limit “415 limit”	\$57,000	\$56,000
Annual compensation limit	\$285,000	\$280,000
Highly Compensated employee definition	\$130,000	\$125,000
Key employee definition for top-heavy plan	\$185,000	\$180,000
Income subject to Social Security (wage base)	\$137,700	\$132,900
Annual IRA contribution limit	\$6,000	\$6,000
Annual IRA catch up contribution limit	\$1,000	\$1,000

The Saver’s Tax Credit for low-to-moderate income workers will reflect modest adjustments as well. The Saver’s Credit is a tax break that’s available to many people with modest incomes, offering a way for savers to make their money work harder for them. The credit is between 10-50% of the individual’s eligible contribution up to \$2,000. The limit for 2020 is \$32,500 for singles, \$48,750 for head of household, and \$65,000 for married couples filing jointly.

Should you have any questions regarding the various limitations that apply to retirement plans, including some that are not included in the above table, please contact our retirement plan services team. ☒

A FAST Track to Keeping the Family Together

A significant amount of time is spent with clients focusing on their current wealth plan and discussing strategies for passing wealth to the next generations. Often, the more challenging conversations center on identifying clients' qualitative goals for passing family values over generations and keeping the family together after the oldest generation dies.

Our Senior Trust Officer, George Bearup, recently highlighted a planning tool to address the challenge of keeping the family together for generations. The concept is a *Family Advancement Sustainability Trust* or FAST. This trust is used to focus on identifying and preserving family values as part of a comprehensive estate planning process. This reference to family values, or goals, is intended to implement senior family members' desire to not only to prepare their estate for their heirs, but also to prepare their heirs to responsibly receive, manage, and maintain that estate. In some respects, a FAST may also be viewed as a device to preserve the family as a family. To that end, a FAST is intended to fill the family leadership vacuum that often results on the death of the oldest generation.

A FAST serves as an estate plan enhancement without causing a major disruption in the individual's established estate plan structure. A FAST functions as a directed trust, which allows decision-making to be divided among separate co-trustees, advisors, and trust directors. This enables some family members to participate in the governance of the trust. Like any directed trust, these divided functions can be allocated among an administrative trustee, an investment committee, and a distribution committee. Yet a FAST has a fourth decision-making committee, one that is charged with participating in and taking accountability for, the carrying on of the family's legacy. This last committee is principally charged with making the ultimate goal of the FAST the promotion of the family itself. A FAST can be funded using liquid family assets, or a life insurance policy can be put in place, e.g. an LLC owned life insurance policy, which acts as the funding mechanism. How important the patriarch and matriarch believes preservation of family values are will dictate the amount that is dedicated to funding the FAST.

With many families, on the death of the patriarch or matriarch, once the estate is settled and decedent's assets are distributed to their heirs, the heirs have little reason to stay in touch with one another. A FAST is intended to address the 'gone to the four winds' result of a conventional estate plan. A FAST is used to: (i) set aside funds to pay for best practices learned from successful family such as retreats, travel, and family



Lauree K. VanderVeen, CTFA
Vice President
Senior Trust Relationship Officer

“In some respects, a FAST may also be viewed as a device to preserve the family as a family.”

“The purpose of a FAST can be accomplished with any trust with the retention of assets after the settlor’s death as a continuing trust share from which all family members benefit.”

education; and (ii) put in place a leadership structure to assure that these family enrichment activities actually take place. Instead of simply distributing assets to the heirs with hopes that they will use part of their inheritance to remain in touch with other family members, a FAST is funded and used to incent family members to regularly meet and pass along family wisdom and experiences to younger family members.

The purpose of a FAST can be accomplished with any trust with the retention of assets after the settlor’s death as a continuing trust share from which all family members benefit. A stand-alone FAST might better communicate to the settlor’s heirs the importance of the family continuing to gather over several generations to preserve and carry on the family legacy.

If you are interested in learning more about this type of trust, we recommend you visit with your Greenleaf Trust client centric team or other legal advisors to learn how FAST may be incorporated into your estate plan and ultimately benefit your family for generations. ☑

Talk to Your Patient Advocate!

A durable power of attorney for health care, sometimes called an advance directive, is an important instrument that assures patient autonomy and ensures that a patient's wishes with regard to their health care decisions and treatment will be followed. Overlooked, and sometimes misunderstood, is the right of autonomy of medical providers not to provide treatments either that they consider, in their medical judgment, to be futile, or for which the perceived harm to the patient outweighs the benefits. Between these two rights of autonomy stands the designated patient advocate (for ease of reference, the advocate) who may fully understand neither their responsibilities to the patient nor the medical treatment options that they are presented by the patient's medical providers.

Unlike other states, Michigan does not yet have a family consent statute. Consequently, without an advance directive where an advocate is identified to speak on the patient's behalf, the long 'legal' option is to seek the appointment of a legal guardian which requires a probate court finding of incompetency.

As a brief background, an advocate is an individual designated to exercise powers with regard to another individual's care and medical or mental health treatment. An advocate may even be granted the power to make anatomical gifts on the patient's behalf. Successor advocates can be named if the first person named as advocate does not accept that appointment, is incapacitated, resigns, or is occasionally is removed from that role.

Two physicians, or a physician and a licensed psychologist, must initially determine after their examination of the patient whether the patient is unable to participate in their own medical treatment decisions. This inability to participate is the standard that is used before the medical providers can look to the advocate for decisions with regard to the patient's care and medical treatment.

Before an advocate, or a successor advocate, can act on behalf of the patient, he or she must be provided a copy of the proposed advance directive and must then sign an acceptance of their patient advocate designation. Patient advocate acceptance forms contain the formal acknowledgements that:

- (i) the designation of the advocate is not effective until the patient is unable to participate in decisions with regard to the patient's own medical or mental health;
- (ii) the advocate's powers with regard to the patient's care, custody, medical or mental health treatment cannot be exercised if the



*George F. Bearup, J.D.
Senior Trust Advisor*

“Between these two rights of autonomy [the patient and the medical provider] stands the designated patient advocate...”

“... Michigan’s law also requires that the advocate must take reasonable and affirmative steps to follow the patient’s desires, instructions or guidelines...”

- patient himself or herself could not have exercised those powers on their own behalf;
- (iii) the decision to withhold or withdraw the patient’s treatment cannot be made if the patient is pregnant;
 - (iv) the advocate can receive no compensation for making decisions; however, the advocate can be reimbursed for actual and necessary expenses incurred on the patient’s behalf;
 - (v) the patient may revoke the designation, at any time, or in any manner that is sufficient to indicate an intention to revoke the advocate’s authority e.g. a verbal revocation by the patient;
 - (vi) the patient can waive his or her right to revoke the advocate designation with regard to the power to make mental health treatment decisions; if waived, the patient’s right to revoke that waiver can be delayed 30 days;
 - (vii) as a fiduciary, the advocate must act in accordance and consistent with the patient’s best interests; the known desires that have been expressed while the patient was able to participate in their own medical or mental health treatment decisions are presumed to be in the patient’s best interests; and
 - (viii) the advocate’s authority to withhold or withdraw treatment that will allow the patient to die will be permitted only if that grant of authority is expressed in a clear and convincing manner, and the patient acknowledges that such a decision could, or would, lead to the patient’s death.

Consistent with the advocate’s formal acknowledgment of these limitations on their authority, Michigan’s law also requires that the advocate must take reasonable and affirmative steps to follow the patient’s desires, instructions or guidelines given while the patient was able to participate in their own medical or mental health decisions.

Only a few court cases addressed an advocate’s authority under an advance directive. One court held that a medical provider must be presented with the actual durable power of attorney for health care before its terms can be implemented, before the decisions made by the advocate can be relied upon by the medical providers. If the patient, even without capacity to make medical treatment decisions on his or her own, communicates an intent to revoke the advocate’s designation, medical providers must not rely upon the advocate’s assertion of authority. Another court suggested that a third party should not rely on the advocate’s authority when a question exists whether the patient has regained their ability to participate in their own medical treatment decisions, which often happens during the end-of-life journey, which can be very difficult to navigate. In yet another decision, the court suggested

that medical providers could face personal liability if they rely on an advocate's assertion of authority if a court subsequently determines that no such authority actually existed, although by statute physicians are protected who follow the directions of someone who they reasonably believe is a patient advocate.. These court decisions clearly respect the patient's autonomy, but they provide little guidance to medical personnel with respect to the advocate's authority when the patient's mental condition waxes and wanes during their treatment.

This focus on an advocate's authority stems from my personal involvement on a hospital's bioethics resource committee that provides consultation to families, physicians and nurses that try to honor the patient's autonomy, rely on an apparently valid advocate's designation, and respect the professional medical judgment of those providers who treat the patient. Challenging situations that regularly come before that committee include:

1. Inconsistent Directives: The patient clearly states one thing in their advance directive signed 10 years ago, e.g., "I want all treatment options exploited by medical providers to their fullest extent possible" which contradicts a much more recent verbal, and lucid, statement made by the patient to their physician – "I no longer want, nor can I tolerate, any more chemotherapy." What controls and guides the advocate: the written word of an old medical directive or the patient's current reality as communicated to their physician? Old durable powers of advance directives need to be regularly updated to accurately reflect the patient's most current wishes and clearly address their most recent health conditions, treatments, and prior reactions to procedures and treatments that may present more burden (e.g., pain) than benefit (e.g., extend the patient's life 3 days).
2. Futility: The advocate directs that a feeding tube be administered to the patient (a painful treatment) yet the patient's physicians have concluded that the patient's condition is terminal, and installing the tube will be futile and will not alter the patient's impending death. Often the advocate's decision is made with considerable emotion, and sometimes even guilt. Does the advocate's decision advance the patient's best interests, or does the advocate substitute their own judgment for what they think is best for the patient? The line between the two is frequently not clear. The patient needs to talk directly to the advocate with regard to their wishes, well before their admission to the acute care setting, to assure themselves that the advocate is prepared to follow the patient's directions, even if those directions are inconsistent with the advocate's own personal views, or in some cases, contrary to the advocate's religious beliefs.

“...the advocate [should be] prepared to follow the patient's directions, even if those directions are inconsistent with the advocate's own personal views, or in some cases, contrary to the advocate's religious beliefs.”

“A situation that is often not addressed in an advance directive is when the advocate’s own mental frailty impedes their understanding of either the patient’s medical or mental condition, or the treatment options presented to the advocate for guidance.”


3. **Hard Choices:** A child named their parent’s advocate can be torn between two different medical treatment options: e.g., either a regimen of powerful antibiotics or the amputation of the patient’s infected limb. The latter choice will adversely affect the patient’s future quality of life, but it may be more effective, long-term, than the antibiotics. Add to the dilemma conflicting voices of other children also standing around their parent’s bedside. Is the advocate emotionally capable of making the difficult decision? Can the advocate withstand the pressures of others expressing contradictory views of acceptable treatment? Simply naming the patient’s oldest child may not always be the best choice. The patient needs to assess whether their advocate candidate is fully capable of making the tough emotional decisions, such as authorizing a treatment that will definitely cause the patient considerable pain or one that will affect the patient’s quality of life. On the other hand, most challenging of all, is the advocate capable of directing the withdrawal of the patient’s life support? Choosing an advocate is never a ‘one-and-done’ decision. The selection of an advocate should be periodically revisited, or challenged, to confirm that the advocate is emotionally prepared to make the ‘hard decisions.’
4. **Advocate’s Diminished Capacity:** A situation that is often not addressed in an advance directive is when the advocate’s own mental frailty impedes their understanding of either the patient’s medical or mental condition, or the treatment options presented to the advocate for guidance. Consider a married couple is in their mid-80’s. The wife is admitted to the hospital with a traumatic brain injury due to a fall at home. Her husband is named as her advocate. Her husband is showing early signs of dementia and thus he has questionable decisional capacity. Consequently, the husband struggles to comprehend the physician’s proposed various treatment options for his wife. The reality in this situation is that the wife is the physician’s patient, not the husband. Must the physician follow the directions of the husband when the physician has legitimate concerns about husband’s own cognitive ability to understand and make best interest decisions on his wife’s behalf? Consider imposing a precondition of competence on the advocate’s exercise of authority. Example: “My advocate shall possess the following powers so long as my advocate, in the opinion and judgment of my treating physician, is capable of understanding both my medical condition and the medical treatment options that my treating physician presents to my advocate. If in the medical opinion of my treating physician my advocate is incapable of meeting this condition of comprehension, then my treating physician shall then consult with and shall follow the directions of my successor

patient advocate named in this instrument, subject to the same condition.”

5. **Against Medical Advice:** Should an advocate be authorized to direct the patient’s discharge from a hospital setting against medical advice? Removing the patient from hospital setting could further jeopardize the patient’s health. The decision to remove the patient from the hospital against medical advice is probably not in the patient’s best interests, at least in the absence of providing reasons for the decision to remove the patient from the acute care setting. Often the advocate’s decision take the patient from the hospital is made out of a fear of the cost of hospitalization. Most advance directives do not discuss the facts or circumstances that would warrant a patient’s discharge against medical advice. This, too, is a topic that the patient should discuss at length with their advocate.

Due to the recent opioid crisis upon us, Michigan recently modified its laws to permit a patient to ‘opt-out’ of being administered opioids to relieve their pain. If declining the administration of opioids is sufficiently important, an immediate conversation with the advocate is warranted. More importantly would be the need to obtain an updated, or refreshed, durable power of attorney for health care where those non-opioid directions are spelled out. That then provide a timely opportunity to review the choice of advocate and address some of the challenging situations that regularly occur in an in-patient hospital setting where both the advocate and the health care providers struggle to made decisions in the patient’s best interests.

Durable powers of attorney for health care are a common document in most estate planning ‘packages.’ An existing durable power of attorney for health care should be closely read every two or three years to determine if the directions are sufficiently clear, the document reflects the patient’s ever-changing health conditions, and if the designated advocates are still capable and ‘up to the challenge’ to follow the patient’s directives. Once updated, the durable power of attorney for health care can then be given to their preferred hospital so that it becomes a part of the patient’s medical record.

Estate planning, whatever it consists of, is never a one-time event; it is an on-going process throughout one’s life. 

“ An existing durable power of attorney for health care should be closely read every two or three years to determine if the directions are sufficiently clear...”

Stock Market Pulse

Index	Total Return		P/E Multiples	12/31/19
	12/31/19	Since 12/31/2018		
S&P 1500	740.69	30.89%	S&P 1500	21.7x
Dow Jones Industrials.....	28,538.44	25.34%	Dow Jones Industrials.....	19.6x
NASDAQ.....	8,972.60	36.74%	NASDAQ.....	33.6x
S&P 500.....	3,230.78	31.48%	S&P 500.....	21.6x
S&P 400	2,063.02	26.17%	S&P 400	22.2x
S&P 600	1,021.18	22.74%	S&P 600	25.8x
NYSE Composite	13,913.03	25.74%		
Dow Jones Utilities.....	879.17	27.30%		
Barclays Aggregate Bond.....	2,225.00	8.72%		

Key Rates

Fed Funds Rate	1.50% to 1.75%
Tbill 90 Days	1.49%
T Bond 30 Yr	2.39%
Prime Rate	4.75%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	740.69	21.7x	1.81%
S&P 500.....	3,230.78	21.6x	1.82%
Dow Jones Industrials....	28,538.44	19.6x	2.23%
Dow Jones Utilities.....	879.17	22.8x	2.91%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.58%

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