GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

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William D. Johnston
Chairman, Greenleaf Trust

Economic Commentary

For those who were unable to attend our "Year in Review and 2017 Forecast" seminars the week of January 9th, this month's commentary serves as a recap of the information and perspectives that we shared during those presentations. It is important to spend some time on where we currently are with respect to our GDP growth rate and where we think conditions that impact growth will lead us to in 2017.

When our recovery from the great recession began in 2008, we focused our attention first on the slowing of job losses and then, as importantly, the growth of jobs and resulting reduction in unemployment.

2016 recorded another strong year in unemployment reduction by adding an average of 188,000 jobs per month, thereby reducing the reported unemployment rate to 4.6%. Adding to that positive trend was the first consistent wage growth since the recovery, registering 3.9% annualized through November. U-6 unemployment remained stubbornly high at 9.3%; however, the spread between U-6 and recorded unemployment is narrower now than at any other point in the eight year recession recovery period, but remains at levels that suggest there is still a large number of people employed part time that desire full time work. Although duration of unemployment fell to 26.3 weeks, the reality is that it is still six months and, when placed on a historical perspective, is at a higher level than any period from the 1950s to the beginning of the great recession.

As we have written on several occasions previously, consumption fueled by consumer demand represents more than 70% of the growth in economic output — which is how we measure, in large part, the health of our economy. The confidence of the consumer is, to a large degree, driven by their employment status. It is hard to be confident if you are unsure of your next paycheck. Currently, consumer confidence as measured by the Conference Board through Nielsen increased to 113.7 in the December survey from November's increased result of 109.4.

Economists generally agree that there are two primary drivers of economic growth, and they are growth in labor force and labor force productivity growth. In general, if there are more people working, more

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Commentary, continued

goods and services will be produced — and if they can increase their individual productivity the result will amplify the results produced.

With the above in mind, let's look at labor force growth. Immediately after World War II, the United States experienced a large growth in births. By 1980, this "baby boomer" population was in their 30s and helped propel the strong economic growth that we experienced in the 1980s and 1990s. Today, that very same generation comprises seventy five million people who are approaching retirement age. In fact, census data reveals that 10,000 people per day are turning 65 in the United States. It will be difficult to generate strong labor force growth organically (without immigration) in the near-term future, which could play a part in slowing economic growth in the next five to ten years.

"… census data reveals that 10,000 people per day are turning 65 in the United States. It will be difficult to generate strong labor force growth organically (without immigration) in the near-term future…"

The lack of productivity growth is concerning with respect to output because, with limited prospects of increasing the labor pool, GDP expansion will more heavily rely upon increased worker output per hour of labor to satisfy growth opportunities. To an extent, the demographic of the labor pool can explain some of the lack of productivity growth and, coupled with reduced capital investment since the great recession, technology related productivity impact has been more muted than needed to change the growth rate of GDP.

The release of the third quarter's GDP results, +3.5%, brought a positive sigh of relief after disappointingly low Q1 and Q2 results, yet the annual rate for the entire 2016 will likely rest at or near 2.2%, and that assumes that the adjusted Q4 numbers match the reported Q3 results.

As we do annually, we focus on what appear to be factors that could weigh or detract from economic growth and factors that could boost or accelerate our GDP growth. Those major themes are as follows.

DRAGS ON THE ECONOMY	BOOSTS TO THE ECONOMY
Political Uncertainty	Consumer Confidence
International Trade Rhetoric	Expansionary Fiscal Policy
Fed Rate Hike	Business Capital Investment
Strong US Dollar	Housing/Construction
Demographic Trends	Accelerating Wage Growth
High Debt Levels (Deficit)	Leading Indicator Strength
Slow Expected International Growth	Employment Stability
Length and Duration of the Recovery	Wealth Factor/Real Estate Price Recovery
Length and Duration of Capital Market Price Recovery	

Given the current GDP growth rate and the above factors, it is challenging to describe a growth forecast significantly above the 2.5% range that we have been locked into during the recovery. As you can observe in the drags on the economy list shown above, there are several that are strongly related to new or changing public policy that most likely will occur in some, or even many, forms with the new administration and the 114th Congress.

Since the recession began, the Federal Reserve has been the activist in economic stimulation while Congress has attempted to keep a check on deficit expansion. If campaign rhetoric and "Bully Pulpit" pontification mean anything, the previously described roles will most likely change. The Fed has not only signaled that higher rates are on the horizon, they have acted as well, with the first rate hike in eight years. This action suggests that the expansion impact of low interest rates enacted by the Fed will not help the forward growth period. Conversely, president-elect Trump has signaled strongly that he expects to spend his political capital with lower tax rates and significant infrastructure spending. The details of Mr. Trump's tax and infrastructure plans will matter immensely to our assessment of the potential impact on growth, inflation and the deficit.

"…there are several [drags on the economy] that are strongly related to new or changing public policy…"

2017 will indeed be an interesting year in many respects. The geo-political landscape is as fragmented and disruptive as ever. Our domestic political and public policy environment is more unknown than at any time in several decades. Combined, both of these elements represent risk to a slow growth economy within a country that appears divided along many demographics. As more detail is delivered, and as the lens that we are viewing as "policy talk" becomes clearer, we will gain more or less confidence in the pathway ahead. Within weeks we will have yet another peaceful transition of power in our country. The test ahead for the institutions that have been responsible for the making of public policy is about to be tested at levels not seen in recent history. It is all of our best interests that the test is passed successfully.

Allow me to express my sincere appreciation to our research team, led by Nick Juhle, that includes Chris Burns, Ali Fahs, Dan Haines, Michael Henke, Charles Knoll, Seth Kritzman, Dave Mange, Lucas Mansberger, Sam Riethman and Mike Storms, for researching and developing all of the material and data used in the creation of our year in review and forecast seminars.

Michael F. Odar, CFA
President

2017 Strategic Initiatives

In October, our Executive Leadership Team (ELT) emerged from our 2016 Advance with a unified and comprehensive strategic plan for 2017. Our plan contains strategic initiatives that serve to focus our efforts and guide our decision making. Our 2017 Strategic Initiatives again reflect our unwavering desire to provide top of mind holistic wealth management and fiduciary services for our clients in perpetuity through scalability, sustainability, and sophistication. For 2017, our Strategic Initiatives are Culture, Structure, Sophistication, and Purposeful Growth.

Culture

In our annual corporate Strategic Planning Questionnaire, our culture and our clients are consistently what our teammates rank as most important to them. We consider our culture to be the behaviors and beliefs that are alive within our workplace environment. We work hard to develop and strengthen our culture every day for good reason. With a vibrant culture focused on talent development, inter-office connectivity, the client experience, communities and families, we have a high performance work environment that engages and inspires our team to do great work for our clients.

“… we are purposely taking actions to continue to grow our presence, talent, and capabilities…”

Structure/Scaling Up

Our objective is to ensure excellence is spread throughout the organization with the recognition that what got us to where we are today may not necessarily get us to where we want to go in the future. Continuous improvement is vital to the growth and betterment of our organization and 2017 will be no exception. We have created a holding company, Greenleaf Financial, which as part of a restructuring and out of state charter application will allow us to more comprehensively meet client fiduciary and governing tax needs.

Sophistication

Additional investments in technology, systems, and people will enhance capabilities and help us do more for clients at a higher level. In 2017, we are set to launch our new web-based client interface that will help clients view, analyze, organize, and more collaboratively work with their Client Centric Team on planning solutions. We have also developed a more extensive and sophisticated investment platform that provides the ability to offer more portfolio management solutions to clients, including access to more and different types of investment opportunities. Thought leadership and subject matter expertise will continue to grow internally and be sourced externally for the benefit of clients.

Purposeful Growth

Finally, our end goal has never been about growth for the sake of growth. Different geographic markets present opportunities to expand our presence in addition to the breadth and depth of services for our clients. In 2017, we are purposely taking actions to continue to grow our presence, talent, and capabilities in all of the markets we serve.

A Fresh Perspective

Nicholas A. Juhle, CFA
Vice President, Director of Research

Sometimes introducing a fresh perspective is the surest course to an improved outcome. I believe our president, Mike Odar, had this idea in mind when he asked me to take over leadership of our Research division this past June. In contrast to just ten years ago, let alone 40 or 50 years ago, the proliferation of talent, technology, and resources applied in the investment industry has dramatically altered the landscape in which we compete. As Greenleaf's Director of Research, it is my job to ensure that our resources are focused on the investment decisions that will be most effective for our clients in the context of today's environment. Indeed, the investment environment has changed and it is incumbent on us to change with it.

Consider one asset class, domestic equities, for instance. Market inefficiencies present 50 years ago offered analysts focused on this space a greater opportunity to generate excess returns through security selection. There were informational advantages to be gained based on who you knew and where you set up shop. Inefficiencies will of course be exploited, especially when there is money to be made, and the investment industry is no exception. As time passed, the endeavor attracted significant talent in the form of economists, quants, CFAs, MBAs, and PhDs all trying to gain, or maintain, an informational advantage over one another. Additionally, significant investments were made in technology in the form of Bloomberg terminals, Factset Licenses, computer models, algorithms and connectivity – all items that once constituted a competitive advantage, but now represent standard equipment. As if talent and technology hadn't done enough to erode informational inefficiencies, the introduction of Fair Disclosure rules by the SEC now dictate that publicly traded companies must disclose material information to all investors at the same time – effectively making informational imbalances illegal. So how does one win? In my opinion, the solution lies not in redoubling efforts where decisions are increasingly less likely to add value, but by focusing on the decisions that offer the greatest opportunity for value-add in today's environment.

Our Research team is strong – we have 11 dedicated people boasting a laundry list of credentials and decades of experience. Likewise, our technology budget would more than support the assertion that we have the tools we need to be competitive. In concert

> "… the proliferation of talent, technology, and resources applied in the investment industry has dramatically altered the landscape in which we compete."

Fresh Perspective, continued

with the Client Centric Team, we are tasked with creating comprehensive investment solutions to help our clients reach their financial goals. We believe portfolio level outcomes are what truly impact our clients and we balance risk and potential reward through thoughtful allocation to a range of asset classes.

"At its core, an investment portfolio is really a basket of decisions that we, as a Research team, are responsible for making."

At its core, an investment portfolio is really a basket of decisions that we, as a Research team, are responsible for making. Those decisions include allocation across asset classes (stocks, bonds, alternatives, cash), allocation within asset classes (across such characteristics as cap size, sector, style, or geography for stocks or issuer, duration, credit quality, and sector for bonds), strategic and tactical positioning based on long-term and near-term capital market assumptions, and finally implementation, including the selection of vehicle type and/or specific securities. In any given period some of our decisions will help portfolio level performance and some will not. We will be successful if good decisions more than offset not-so-good decisions over time, but in order for that to happen, we must use the talent and tools at our disposal as effectively as possible. This means taking a hard look at the realities of today's investment environment and honestly answering the questions: "What decisions are most deserving of our time?" and "Where do we have a high likelihood of making decisions that add value?"

Heading into 2017, the answers to these questions will spur some changes that manifest in the ways we seek to add value in client portfolios. Some of these changes will be small, while some may garner more attention. Rest assured, your Client Centric Team and I will be there to provide color on the decisions we make and the approaches we take. I see a meaningful opportunity to improve our effectiveness by further aligning our talent and resources with the opportunities presented in today's investment environment and I am both excited and honored to do so on behalf of our clients.

Pitfalls of Appointing a Non-Corporate Trustee

Thomas I. Meyers, Esq., CTFA
Vice President
Trust Relationship Officer

In Paradee v. Paradee (Oct. 5, 2010) a Delaware Chancery Court found the trustee of a second-to-die life insurance trust and a non-fiduciary family member liable to the beneficiary of the trust. The trustee was apparently more interested in pleasing the grantors of the trust, with whom he had a pre-existing business relationship, than in his duty of loyalty to the beneficiaries. This case provides an object lesson on how not to choose a trustee, and how the intentions of a trust's grantor may be frustrated by the wrong choice.

The grantor and his first wife had two children and a grandson. Approximately a year after the grantor's first wife died, he married his second wife ("Eleanor") who was 17 years his junior. This caused a rift between the grantor and his son. Despite the estrangement of father and son, the grantor and his grandson remained close.

In December 1989, the grantor created a life insurance trust for the benefit of his grandson. The life insurance agent was appointed initial trustee of the trust. The life insurance agent "generated significant business" from the grantor's oil company. He handled the company's retirement plan, brokered its health insurance plan, and sold life insurance to numerous employees. The trust was funded with contributions in the amount of $183,019 from the grantor and $183,000 from Eleanor. The initial trustee used the funds to purchase a single-premium second-to-die insurance policy on the lives of the grantor and Eleanor. If the policy performed as expected, no additional premiums would be required, and the policy eventually was expected to be self-sustaining. The undisputed intent of the trust, according to the Court, was to provide insurance proceeds to the grandson (who was a minor when the trust was formed and had no knowledge of the trust or policy). Under the terms of the trust, the grandson had the power to remove the existing trustee and appoint himself as trustee once he turned thirty. But his 30th birthday would come and go without him ever learning about the trust's existence. The grandson eventually was notified about the trust in 2009, when he was forty years old.

Three years after creating the trust, grantor and Eleanor instructed the insurance agent trustee to revoke it and deliver the cash value back to them. The Court found that Eleanor was the driving force behind it.

The initial trustee consulted the attorney who drafted the trust, who advised Eleanor that

"The trustee was apparently more interested in pleasing the grantors of the trust, with whom he had a pre-existing business relationship, than in his duty of loyalty to the beneficiaries."

Pitfalls, continued

"irrevocable" meant "irrevocable," and that she could not access the policy's cash value by revoking the trust. Although Eleanor was stymied in this attempt to terminate the trust, she nevertheless made several other attempts to do so in the succeeding years.

The initial trustee then decided that there was no reason not to lend out a portion of the policy's cash value to Eleanor. He did point out that the interest, if unpaid, could cause the policy to lapse. The loan then eventually was funded by means of a $150,000 loan on the policy. But the initial trustee made no effort to actually collect the interest.

In 1998 Eleanor told the initial trustee that she could not pay the interest on the trust loan and she wanted the policy surrendered for its then cash value of $155,000 and the proceeds used to make a different investment. The initial trustee, who was clearly conflicted about his dual roles vis a vis the family, consulted his attorney, who advised him that he risked personal liability if he agreed to Eleanor's latest request.

In July 1998, the grantor passed away. Under the terms of the trust loan, the trust had the right to recover the principal and interest due at any time after the earlier of the death of the grantor or Eleanor. The initial trustee made no effort to collect.

Following a serious confrontation with the grandson, Eleanor contacted the initial trustee to find out the current face value of the policy, whether it was paid up, and whether there was "anything we can do about it." The initial trustee again advised her that the policy would lapse if the interest on the trust loan was not paid.

In April 2003, the insurance agent initial trustee died. Eleanor knew that the grandson could serve as his own trustee now that he was over 30 years old. Eleanor nevertheless failed to notify the grandson of the trust and appointed herself as successor trustee. Eleanor continued to fail to pay the interest due on the trust loan. No payments were made and unpaid interest began to be capitalized and added to the outstanding loan balance. In 2005, with a total outstanding loan balance of $185,203.94, the policy, which originally had a death benefit in excess of $1 million, lapsed.

The attorney advised Eleanor on numerous occasions that she had a duty to notify the grandson about the trust, was obligated under the trust to pay income to the grandson, and should use trust assets to maintain the policy. Eleanor did none of these things. She instead attempted to collapse the policy and access its cash value.

The Court concluded that "Eleanor consciously, intentionally, and vengefully refused to take any

"... most of the circumstances surrounding this case, not to mention the subsequent litigation, could have been avoided..."

action to protect or preserve the policy because she did not want [the grandson] to benefit after her death."

In July 2005, after the policy lapsed, Eleanor resigned and appointed her handyman, "Smith," as the successor trustee. Smith was not financially sophisticated and did not understand his duties as trustee. However, in 2007, Smith came to understand the grandson's interest in the trust and told the attorney that he wanted "to do what is right." It took another two years to notify the grandson of his rights because, speculated the Court, "[the attorney] knew litigation would result and was not in a hurry to set it in motion."

In August 2009, after finally receiving a letter from the attorney, the grandson promptly exercised his right to become successor trustee and demanded that the trust loan be paid. In September 2009 Eleanor paid the trust $340,389.04, comprising $150,000 in principal and $190,398.04 in interest.

The Court determined that Eleanor, though not technically a trustee of the trust during most of its existence, aided and abetted the insurance agent initial trustee in breaching his fiduciary duties by making the trust loan. To prove aiding and abetting, the grandson had to (and did) demonstrate: (1) the existence of a fiduciary relationship; (2) that the fiduciary breached his duty; (3) that the non-fiduciary defendant knowingly participated in the breach; and (4) damages resulting from the concerted action of the fiduciary and the non-fiduciary.

Since Eleanor knowingly participated in the insurance agent initial trustee's breach, she was deemed to be equally culpable. Eleanor also breached her own duty of loyalty upon becoming trustee when she did not inform the grandson about the trust or his rights thereunder.

The Court also found that the handyman trustee breached his obligations as trustee by failing to notify grandson about the trust, by not making distributions of trust income to the grandson, and by not managing the trust principal and instead treating it as simply another of Eleanor's accounts.

To remedy all of these breaches, the Court awarded damages to the trust, as follows:

1) The value of the policy's death benefit ($1,150,700), for which Eleanor alone was determined to be liable.
2) Losses relating to the incremental shares of stock that the trust should have received in the demutualization of the life insurance company and stock split, for which Eleanor alone was also determined to be liable.
3) Losses attributable to the failure to sell the life insurance shares at their optimum value.

"Although it would be improbable (bordering on impossible) for the

"... had the grantor chosen a more truly independent trustee, such as a bank trust department or a trust company, to administer the trust..."

Pitfalls, continued

trust to have sold precisely at the top of the market, the faithless fiduciary must bear that risk, not the innocent beneficiary."

4) The Court also noted that, in allowing the policy to lapse, the defendants caused the trust to lose the favorable income tax treatment that is accorded to death benefits under §101 of the Internal Revenue Code. Eleanor was therefore required to pay an additional amount equal to the income tax, if any, on the portion of the damages award attributed to the lost policy value.

5) The Court also ordered the payment by Eleanor of the grandson's and the trust's attorneys' fees. Attorney's fees are rarely awarded for breaches of fiduciary duty, but, in this case, Eleanor's pre-litigation actions were "so egregious" as to justify the award.

What is most notable is that most of the circumstances surrounding this case, not to mention the subsequent litigation, could have been avoided had the grantor chosen a more truly independent trustee, such as a bank trust department or a trust company, to administer the trust for the benefit of his grandchild. In effect, the office of trustee (including such office in connection with a life insurance trust) is not an empty one; it carries within its parameters a serious potential liability, the existence of which can be disregarded by a non-professional, non-independent trustee only at his peril.

Health Savings Accounts for Retirement Savings

Chris A. Middleton, CTFA
Executive Vice President
Director of Retirement Plan Division

By now most people have heard of high-deductible health plans (HDHP). Most are also familiar with the Health Saving Accounts (HSAs) that are generally established with these HDHPs to pay the upfront costs of higher deductibles each year. Some might not realize that, in addition to providing nontaxable reimbursements for withdrawals due to medical expenses, HSAs can also be used as a way to build tax deferred retirement savings.

There are significant advantages of traditional HSA usage, which is to accumulate tax-free monies for reimbursing out-of-pocket medical expenses. The seemingly unending rise of healthcare costs combined with increased healthcare cost sharing practices by employers have made HSAs a valuable tool for participants. The advantages of these accounts are considerable once the qualification requirements are met.

To maximize the benefits of an HSA, it is important to understand the qualifications and restrictions. In order to qualify for an HSA, an individual must be part of a HDHP. For 2017, the qualifications include plan deductibles of $1,300 for single and $2,600 for family plans, with $6,550 and $13,100 single and family coverage out-of-pocket maximums. Additionally, a taxpayer cannot be claimed as a dependent on someone else's return, have other health coverage, or be enrolled in Medicare in order to be eligible.

The maximum contribution amount into an HSA for 2017 is $3,400 for single and $6,750 for family coverage. Individuals over the age of 55 may contribute an additional $1,000 in "catch up" contributions and spouses are also eligible to fund a catch up contribution, which must be into their own HSA. Contributions are tax deductible to the individual up to 100% on Form 1040.

There are multiple ways to use HSA dollars. Withdrawals to pay for qualified medical expenses are tax-free. Before age 65, withdrawals for anything other than medical benefits are subject to a 20% penalty. The unique retirement savings opportunity arises once the individual turns age 65, at which point withdrawals for non-medical expenses are no longer subject to a penalty, but rather just ordinary income tax. This sounds like an IRA because it is treated in the exact same fashion as an IRA after account owners turn age 65.

Fully funding the HSA for years leading up to retirement provides a substantive benefit

> "This sounds like an IRA because [an HSA] is treated in the exact same fashion as an IRA after account owners turn age 65."

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HSAs, continued

"... it's important to consider maximizing contributions to qualified retirement plan(s)... before maximizing an HSA."

that grows tax-free. However, it's important to consider maximizing contributions to qualified retirement plan(s) and/or IRAs first and not forgoing funding into these types of accounts, if eligible, before maximizing an HSA. Once taxpayers enroll in Medicare, they are no longer eligible to fund an HSA. As medical costs continue to soar, it's important to consider that the savings within an HSA may be needed to actually pay medical expenses.

Barring substantial medical costs incurred in retirement years, it may be best to consider looking at the HSA as a retirement savings vehicle. Predicting the future is pretty tough and foreshadowing medical costs for any one person is even tougher. Regardless, if increasing tax deferred savings to expand your retirement plan nest egg sounds interesting, an HSA is a tool worth considering.

Survey Says...

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

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 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 our shortcomings. 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.

"Our annual client satisfaction survey is designed to gauge Greenleaf Trust's collective efforts from our clients' perspective."

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. Additionally, 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%.

When sending the 2016 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 triple the industry average. Thank you to those that took the time to respond – we truly value your feedback. The following pages show a summary of what we heard you, our clients, say.

Survey, continued

2016 Client Satisfaction Survey Results: Personal Trust & Wealth Management

100% find their Client Centric Team members to be easily accessible

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

99% are satisfied with the frequency of contact

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

99% believe we listen to and understand their unique goals and objectives

97% believe their accounts are tailored to meet their unique financial goals and objectives

95% believe we are successful in meeting their investment needs

93% say they would refer an individual to Greenleaf Trust

Satisfaction scores with our account statements, performance reports and newsletters uniformly exceeded 97%

Only 76% of respondents were satisfied with their online account access

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

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. This includes individual client requests ranging from a more interactive online experience, to more focused investment seminars on our outlook regarding financial markets, to improved performance in general. On the performance front, we are revisiting our research process in light of the changing investment climate and have added additional resources to facilitate value add decisions in your portfolios.

Most notably, however, online account access was flagged as a major area of client concern, as shown above. We have heard your collective call for an updated online interface, and I am pleased to report that we are on track for a mid-year 2017 roll-out of a new cutting-edge online platform. We believe this secure portal will revolutionize account access through our website as well as provide you with a suite of optional financial planning tools. Stay tuned as you will be hearing more about this in the coming months.

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.

"... we are on track for a mid-year 2017 roll-out of a new cutting-edge online platform."

If you'd like to join us in our efforts to conserve natural resources and create a greener environment, you may choose to save paper by receiving email notifications to view your statement online. Simply give us a call at 269.388.9800 and ask to speak with a member of your client centric team.

Stock Market Pulse

Index	12/31/16	Total Return Since 12/31/15
S&P 1500	521.04	13.03%
DJIA	19,762.60	16.50%
NASDAQ	5,383.12	8.87%
S&P 500	2,238.83	11.96%
S&P 400	1,660.58	20.74%
S&P 600	837.96	26.56%
NYSE Composite	11,056.90	9.01%
Dow Jones Utilities	659.61	18.18%
Barclays Aggregate Bond	108.06	2.41%

P/E Multiples	12/31/16
S&P 1500	19.1x
DJIA	18.8x
NASDAQ	22.4x
S&P 500	18.8x
S&P 400	21.2x
S&P 600	22.3x

Key Rates

Fed Funds Rate	0% to 0.25%
T Bill 90 Days	0.48%
T Bond 30 Yr	3.05%
Prime Rate	3.75%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	521.04	19.1x	2.00%
S&P 500	2,238.83	18.8x	2.07%
DJIA	19,762.60	18.8x	2.38%
Dow Jones Utilities	659.61	NA	3.43%

Spread Between 30 Year Government Yields and Market Dividend Yields: 1.05%

MAIN OFFICE:
211 South Rose Street
Kalamazoo, MI 49007
office: 269.388.9800
toll free: 800.416.4555

TRAVERSE CITY OFFICE:
125 Park Street, Suite 495
Traverse City, MI 49684
office: 231.922.1428

GRAND RAPIDS OFFICE:
25 Ottawa Avenue SW, Suite 110
Grand Rapids, MI 49503
office: 616.888.3218

BIRMINGHAM OFFICE:
34977 Woodward Ave., Suite 200
Birmingham, MI 48009
office: 248.530.6202

PETOSKEY OFFICE:
331 Bay Street
Petoskey, MI 49770
office: 231.439.5016

GREENLEAF TRUST

e-mail: trust@greenleaftrust.com
www.greenleaftrust.com