GREENLEAF TRUST

Perspectives

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William D. Johnston
Chairman, Greenleaf Trust

Economic Commentary

The March auto sales report sent auto stocks and the market in general to negative territory during the first week of April. Sales as reported declined year over year for the March period by 1.56 million units or 1.6%. The obvious question that analysts, as well as investors, were sorting through was, "is this the plateau or the beginning of a steady decline?" The sales decline was not totally unexpected. Used car prices have been in a decline for three consecutive months due to an imbalance in inventory (too much supply) and auto dealers have recently increased factory incentives to boost sales in certain market segments like full size automobiles. To be fair, the annualized run rate remains at 16.6 million units which, from a historical standard, remains robust. The decline was seen across most brands, both domestic and foreign, with only General Motors posting a small gain at 1.6%. Typical of the multiple year trend, light trucks and SUVs outpaced the car segment which, in the March report, represented only 39% of total sales. Most auto economists within the auto industry predicted that an 18.0 million unit run rate was not sustainable, and that a return to the norm of a 2.0% GDP demand cycle was to be expected, and would not be a concern longer term. The production schedule shifts announced by brands, both domestic and foreign manufactured in the US, reflects decisions to modify production in market segments that reflect both current and future demands. The announced production shifts, as well as plant investments, may run counter to the Trump administration's touting of auto manufacturing jobs being brought back to the US, but the reality is that production will reflect consumer demand regardless of what the political bully pulpit puts forth.

The Conference Board's index released the first week in March for the February reporting period suggests that the consumer is in good shape. The index registered 125.6, which was up from the 116.1 level in January. The present situation index, asking survey respondents to focus on their current circumstances, rose to 143.1 which was an increase over the January level of 134.4. When asked to focus on future expectations, respondents scored a 113.8 result, which grew from 103.9 in January. The Conference Board's household survey is a probability designed random sampling survey

Commentary, continued

produced and conducted by the Nielson Company, and is published during the first week of each month for the previous month. The February results registered the highest level of confidence since December of 2000.

“…our labor participation rate continues to be 63%. The pre-recession labor participation rate stood slightly in excess of 67%.”

There are several factors that contribute to the positive survey results, some of which might be more temporary than sustainable. Certainly the February employment report of 235,000 jobs gained for the period exceeded expectations and sustained a very strong last three month job growth average of 209,000 new jobs. Peeling away at the layers of the report reveals a steady unemployment rate of 4.7%, down from 4.9% a year ago for the same reporting period. Gains were spread across construction, private educational services, manufacturing, health care and mining. Regional Federal Reserve data continues to show tightening of labor markets in specific industries within specific regions of the country. The Atlanta Federal Reserve reveals construction demand imbalance for skilled trades. In Dade County Florida (Miami area), demand exceeds supply by 16,000 jobs classified as skilled trades for residential and commercial construction. Given the tightening of supply, there was some surprise that wage gains remained flat for the period yet are up 4.7% year over year. The Fed is watching wage growth as well as overall employment as they look to further rate hikes. Some stubborn reality data points are that there are still 7.5 million Americans in the labor force unemployed, and the long term unemployed (27 weeks) is unchanged at 1.8 million people, which accounts for 23.8% of those unemployed. While this number has declined by 358,000 year over year, it has been a stubborn number to move in the last quarter as our labor participation rate continues to be 63%. The pre-recession labor participation rate stood slightly in excess of 67%. The average work week remained flat at 34.4 hours, while manufacturing and construction work weeks grew to 40.8 hours with 3.3 hours of overtime. The March report will roll out April 7th, and there is some expectation that the number will be less than 200,000. We have had fewer and less severe winter storms in high population sections of the country, and there is some suggestion that job gains in construction have been pulled forward due to a milder winter and, therefore, won’t be replicated in the March report. That suggestion is not data driven and, thus, we will wait for the March report to confirm whether the last three month trend will remain in place.

While employment numbers have been positive and consumer confidence has increased overall, consumer spending remained flat for the month. Personal savings increased by 10 basis points to 5.6% from 5.5%, and overall household debt declined for the third month in a row.

The PMI (Purchasing Managers Index) fell to 53.4% from 54.2%, the lowest reading since October of 2016, yet still in advance of the 50% level that typifies growth as opposed to recession.

In general the consumer is positive, is employed and has increasing expectations for the forward cycle which should forecast positive, though not necessarily robust, GDP growth for 2017. What are the conditions that would have to change to move the needle of growth from the low 2.0% range to the 3.5% suggested by the new administration? As discussed previously, productivity and output must change. Simply put, demand for goods and services will grow, as will wages and spending power, when output per unit of labor grows. We are three months or one quarter into fiscal 2017, and while there have been talks of regulation reduction and tax policy change there have been zero changes put in place that can impact the economic cycle in the near term. Capital spending by industries can be impacted positively by public policy that incentivizes and rewards such decisions, yet those expenditures don't ramp up productivity or supply chain activity in the near term yet are still important to do. Why don't we see a focus on policies to enhance productivity and grow economic opportunity? It doesn't easily transfer to political capital and the 2018 election cycle and, therefore, doesn't make it to legislative calendars.

We have written before about the political capital evaporation process and how quickly it escapes the hands of the victors. The current status of tax and health care reform, as well as confusion with respect to import and export futures, suggest that 2017 will be more, rather than less, similar to 2016. The current status of commodity prices, domestically as well as globally, affirms it as well.

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Michael F. Odar, CFA
President

Highest Standards

Whether or not the Department of Labor's Fiduciary Rule will go into effect as scheduled on April 18th remains a question. A question that puzzles me. The Department of Labor's Fiduciary Rule basically expands the definition of a fiduciary to include any financial professional that makes a recommendation or solicitation and says they would be legally obligated to put their client's best interest first, rather than simply finding "suitable" investments. What? Isn't that what they are supposed to be doing?

We were founded as a fiduciary and will always be a fiduciary that acts in our clients' best interests. Client's side of the desk, no conflicts of interest, and fiduciary excellence are core values of Greenleaf Trust. Being a fiduciary is so much a part of the fabric of who we are that we make sure it's a part of our company's Strategic Plan and a part of each teammate's development plan. Beyond making sure integrity is a foundational talent theme for every teammate at Greenleaf Trust, each of their development plans builds on their integrity and professional excellence.

For example, our Wealth Management team has seven advisors with the Certified Financial Planner™ designation (CFP®). To achieve that designation, each advisor must master curriculum in areas such as financial planning, insurance planning, employee benefits, taxation, educational planning, etc. The designation is recognized as the standard of excellence for competent and ethical personal financial planning and mandates adherence to the CFP Board Code of Ethics and Professional Responsibility, requiring CFP professionals to act in their clients' best interests.

"We were founded as a fiduciary and will always be a fiduciary that acts in our clients' best interests."

In addition to the eight attorneys on our Trust Relationship Officer (TRO) team, we also have ten Certified Trust and Financial Advisors (CTFA's). The certification helps to build expertise in fiduciary and trust administration, financial planning, investment management, tax law, and tax planning. The CTFA is also the only certification that focuses on the fiduciary responsibilities of a personal trust professional and requires adherence to a strict code of ethics.

Within Greenleaf Trust is the largest concentration of Chartered Financial Analysts (CFA®) in West Michigan. The CFA® designation is considered the highest distinction in the investment management profession. In addition to deep knowledge of advanced investment analysis and portfolio management, charter holders are required to uphold the Code of Ethics and Standards of Professional Conduct, which are the ethical benchmark for investment professionals.

A fiduciary is best described as a person with a legal and ethical relationship with another party and is required to act in the best interest of that party whose wealth they are managing. Being a fiduciary is what we do as a company, who we are as people, and what we pledge to be as part of our professional growth. Whatever happens on April 18th, I know our clients' best interests are first with us.

Designated Funeral Representatives: A Start in the Right Direction

George F. Bearup
Senior Trust Advisor

Last year Michigan adopted its Funeral Representative Designation Act to add more clarity as to who possesses responsibility to make funeral and burial decisions. Prior to the adoption of this Act there was considerable confusion with regard to who held the authority to make funeral decisions upon an individual's death. Generally, the earlier law provided that the decedent's next-of-kin possessed the authority to make decisions with respect to a decedent's burial or cremation. This meant that the decedent's surviving spouse would be first in line to make these decisions, but if the decedent was unmarried, then the next-of-kin would be the decedent's children. But a volatile situation arose in second marriages where the surviving spouse was step-parent to the children from the decedent's first marriage and they disagreed on burial decisions. Or if surviving children possessed equal priority to make final decisions with regard to the decedent's funeral and disposition of bodily remains, and the children disagreed, often a trip to the probate court was required to resolve that impasse. Conferring these sensitive decisions on the decedent's next-of-kin was not particularly helpful, and often seemed to exacerbate the emotional trauma that survivors endured upon the death of a loved one. Unsaid, too, was the potential disagreement among the decedent's survivors as to how much to spend on a funeral, or if cremation was favored over burial merely as a cost savings measure. To the rescue, at least to a limited extent, is Michigan's new Funeral Representative Designation Act, which is intended to identify which individual is entitled to make funeral and burial decisions, and from whom funeral directors can comfortably take directions. But this Act is far from perfect.

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An individual, called a declarant under the Act, can name any person to act as their funeral representative to make post-death decisions. The declarant does not have to follow the old next-of-kin priority. Successor funeral representatives can also be named. The funeral representative must be at least age 18. Only a few exceptions exist as to who cannot be named as a funeral representative: excluded are owners, agents or employees of either (i) the funeral establishment that will provide services to the declarant: (ii) a cemetery where the declarant's remains will be interred; or (iii) a health facility that serves the declarant.

The designation of a funeral representative can be in any type of written document, such as part of a will, a durable power of attorney for health care decision-making, or as a separate 'stand-alone' document. The declarant's signature must be witnessed by two individuals and notarized where the attestation is that the declarant is of sound mind and does not act under fraud, *Funeral Representatives, continued*

duress, or any undue influence. The funeral representative must also sign the document as well to formally accept their appointment. Although, the funeral representative does not have to sign the acceptance at the same time as the declarant signs the document.

The Act re-prioritizes who is entitled to make funeral decisions. Absent a declaration or designation, the statutory priority is: (i) Department of Defense, if the declarant was an active service member at the time of death; (ii) the named funeral representative; (iii) the declarant's surviving spouse; (iv) the declarant's children; (v) the declarant's grandchildren; (vi) the declarant's parents; (vii) the declarant's siblings; and (viii) descendants of the declarant's deceased parents, e.g. nephews and nieces.

"If the funeral representative fails or refuses to exercise his or her authority within 48 hours of being notified of the declarant's death, the next individual... steps in to make the funeral decisions... this is not much different from the 'old days...'"

If the funeral representative fails or refuses to exercise his or her authority within 48 hours of being notified of the declarant's death, the next individual either named in the document or in the statute's chain of priority steps in to make the funeral decisions. Admittedly this is not much different from the 'old days' when next-of-kin were granted the authority. And like the problems encountered when individuals in the same next-of-kin category were given the authority to make funeral and burial decisions, the Act does not eliminate the problem when multiple children or grandchildren are all given the same authority to make decisions, and a disagreement exists among them.

The duties assigned to a funeral representative are fairly predictable, but with a couple of ambiguities. The Act gives to the funeral representative the right and power to: (i) make funeral arrangements; (ii) decide cremation or burial; and (iii) identify who will possess the decedent's remains. The Act does not direct how those duties must be carried out. The Act also implies that the declarant can provide specific directions, yet it is silent as to what happens if the designated funeral representative refuses to follow the declarant's specific directions. The Act does not expressly state that the funeral representative must abide by the declarant's specific directions left as a part of their designation, which seems to be a glaring omission. A probate court might order an acting funeral representative to follow the declarant's instructions, but isn't the whole point of the Act to avoid disputes and eliminate expensive and emotional trips to the probate court?

The Act expressly makes a funeral representative a fiduciary. The logical question then is: to whom are those fiduciary duties owed? The Michigan Funeral Directors Association, which was instrumental in the passage of the Act, believes that the funeral representative's fiduciary duties extend to the decedent's surviving family or next-of-kin, and it would be those persons who would possess the right to pursue claims against a funeral representative who in some manner did not carry out their assigned fiduciary duties. In contrast, attorneys who prepare funeral representative designations for their clients believe that the funeral representative's fiduciary duties are to the deceased client for whom they prepared the designation; consequently, attorneys assert that the personal representative of the deceased client's estate would be the correct party to pursue any claims for breach of the funeral representative's fiduciary duties.

One surprise is that the Act also imposes on the funeral representative the obligation to ensure the payment of the funeral costs and the disposition of the declarant's remains. Moreover, if that payment is not ensured, then the funeral representative will be individually responsible for those costs. When the funeral representative signs his or her 'acceptance' to serve, that acceptance indicates that the funeral representative is familiar with these duties and that he or she intends to comply with them, which includes the obligation to ensure payment, possibly as a personal expense. The implication is that the funeral representative can incur funeral, burial, or cremation costs and demand payment from the decedent's estate, but it begs the question whether payment or reimbursement will actually be made by the estate's personal representative, especially if the personal representative disagrees with the funeral or burial expenses the funeral representative incurred. Consider a declarant who has purchased a prepaid funeral contract, yet the funeral representative chooses to incur more expense in the declarant's ultimate funeral or burial than the prepaid funeral contract amount. But the estate's personal representative has his or her own fiduciary duty to the estate's creditors and beneficiaries to preserve and enhance the size of the decedent's estate. The personal representative could very well refuse to pay the funeral bill, and thus leave the funeral representative personally responsible for that additional expense.

While the Funeral Representative Designation Act is a welcome clarification of the earlier law with regard to identifying who possesses the authority to make decisions about a decedent's funeral, burial, cremation, and the disposition of bodily remains, e.g. who gets the decedent's ashes. Yet the Act still comes up short when it does not: (i) compel the funeral representative to follow the declarant's specific funeral or burial instructions; (ii) expressly identify to whom the funeral representative's fiduciary duties are owed; or (iii) address how disputes between equally situated heirs on whom authority is granted in the Act's priority scheme are to be resolved, short of going to probate court. Naming a funeral representative is an important step in a comprehensive estate plan. Purchasing a prepaid funeral contract is also a good way in which to communicate to survivors how much the decedent believes should be paid for their funeral, burial or cremation. If you agree to accept a designation to act as a funeral representative, be mindful of the personal financial obligation that goes along with that fiduciary role. The statute is a good start, but it still needs some work.

> "While the Funeral Representative Designation Act is a welcome clarification of the earlier law… it still needs some work."

Adam J. Suwyn
Wealth Management Associate

"… much of the work we do at Greenleaf Trust revolves around other significant life transitions. Retirement and working toward retirement, marriage, selling a business, sending kids to college, switching jobs, or moving from a lifelong home…"

Navigating Life's Transitions

As I write this article, my wife and I are one week away from the due date of our first child. Although I am assured that this will be one of the most exciting times of my life, I can't help but imagine that it will be a significant transition! No amount of preparation could give me the confidence to know that the next few weeks will go smoothly - and yet, the transition will come nonetheless. I take comfort in the fact that I have had the past 9 months to prepare myself physically, emotionally, and mentally for such an abrupt change in lifestyle.

In thinking about this stage in my own life, it strikes me that much of the work we do at Greenleaf Trust revolves around other significant life transitions. Retirement and working toward retirement, marriage, selling a business, sending kids to college, switching jobs, or moving from a lifelong home can all become significant transitional moments in our lives. Although we can plan for many of these transitions, they often leave us feeling unsettled and anxious.

In the case of retirement, many people come to Greenleaf with a definite idea of when they want to retire, but not what retirement looks like for them. Oftentimes, they have spent many years building their careers, sending their kids to college, saving from their income, and retirement simply seems like the logical next step. They begin their retirement with anticipation, but the honeymoon phase wears off, and they soon realize that something is missing. This feeling isn't limited to retirement either. Many parents have a similar experience when their kids go off to college, or when their kids move out after college. What you thought would be a liberating experience turns out to be something you wish you could have back.

For some, a "traditional" retirement may be exactly what you have been working towards. For others, retirement may need to be reinvented to fit your lifestyle. For example, to an active business-owner, the idea of gardening and other household activities may seem more like a chore than a retirement. For someone heavily involved in their local community, retirement doesn't seem like a good reason to stop being involved, but rather to become more involved in other causes. One spouse may dream of golf, while the other is bored by the thought. For many who spent the majority of their lives focusing on kids or building careers, creating a new identity may be required.

At Greenleaf Trust, it's our job not only to help you meet your goals, but to help you discover what those new goals may be as life changes. We want to walk with you before these changes occur, to help you be ready for whatever life brings your way. Are we addressing what's most important to you? What do you really want your wealth to do for you in future years? What do you want your legacy to be? Do you want an abrupt retirement, or is a gradual shift into part-time work more suitable? How can we help your kids get on their feet post-graduation? These life transitions are a perfect time to review your goals with your advisors and make sure we are moving in the right direction. Lifestyles change, and your goals should follow suit. If we are helping you pursue a goal that's no longer important to you, we may end up leading you in the wrong direction.

For those of you contemplating retirement (or any other life goal): try it out! Find ways to test your new life before jumping in. Do you think you want to travel more? Take a week-long cruise with your spouse as a test, making sure to leave your work and kids behind. Do you want to become more involved in the community in retirement? Find a local cause that you support and begin volunteering now to find a good fit for you. If you are a lifelong learner, attending local community center or community college classes may help you discover a hobby that both you and your spouse enjoy together. For those of you actively involved in your careers, consider working part-time for a trial run, if possible.

Remember, any change in your goals may require changes to your financial plan. Many people think of changing asset allocation or investment decisions as they near retirement, but insurance and estate planning are two other areas that may need adjustment as your life transitions. At Greenleaf Trust, we want to walk with you through these important moments in your life.

Remember, your goals are exactly that: yours. Don't get caught up in the idea of a traditional retirement. What's right for many families may not be right for you and yours. As for my wife and I, we will continue to read all the baby books we can get our hands on, and babysit our nephew for a trial run. We know that our little blessing will change our lifestyle from what it is now, and that's something we're becoming more and more excited about every day.

"Remember, any change in your goals may require changes to your financial plan."

Carlene R. Korchak, CTFA
Vice President
Trust Relationship Officer

Tax Reform is Next: IRAs and Potential Tax Changes

Retirement plan assets in the US total $25 trillion, and of those assets $7.8 trillion are held in IRAs, and represent 34% of all household financial assets as of September 2016, according to the Investment Company Institute. At this level, it is no wonder that a great deal of attention has been focused on taxation of these assets over the past 40 years.

The rules associated with IRAs are complicated and change frequently. The new administration and new session of Congress are now in place, with a renewed focus on comprehensive tax reform and simplifying the tax structure in the US. While no one can predict the timing or exact outcome, in the next year or so we will probably see several changes related to the taxation of IRAs.

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One of the features being considered for elimination that has been used by many of our clients is the ability to "stretch" IRA distributions over the lifetime of the beneficiary of an inherited IRA. Rather than basing the required minimum distribution on the life expectancy of the account owner after the account owner's death, under current law the calculation is based on the life expectancy of the beneficiary. For account owners and their spouses who do not need IRA funds to meet their living expenses, a younger beneficiary with a longer life expectancy can be named. This may provide the beneficiary with decades of tax-deferred growth, and reduces the amount of income tax paid due to smaller annual distributions.

While this "stretch" feature has been targeted for change over the past several years, IRA experts are indicating that the current environment has heightened the probability for eliminating this sometime in the next couple of years. One proposed bill, called the Retirement Enhancement and Savings Act, would require beneficiaries of an inherited IRA to take distributions and pay all taxes due on the account within five years of the owner's death, with an exclusion of $450,000 for non-spouse beneficiaries. (Spouses would still be allowed to roll an inherited IRA into their own IRA or spread distributions over their own life expectancy, as the current law provides.) In addition to accelerating tax payments, this also introduces more complexity into the calculation and tracking of required distributions, as if this weren't already complicated enough! (So much for simplifying the tax structure when it comes to IRAs.) Penalties for mistakes on calculations are severe: 50% on the amount that should have been taken, so if this structure passes we will see yet more rules from the IRS. Due to the complexity of calculations and reporting, there is some lobbying for simplicity going on, asking the legislature to consider allowing inherited IRA distributions to be completed and taxed over 20 years, with no exclusion amount.

How the potential "death of the stretch" plays out will be interesting to see. Government projections of revenue are sometimes inaccurate, and some experts feel that shortening the distribution period will not generate significantly higher tax revenue because most beneficiaries do not stretch IRAs. Since IRAs are held by over one-third of US households, the impact of a change in the regulations will potentially be felt on a widespread basis, whether from a tax or complexity perspective.

Elimination of many income tax deductions is also a focus of the new administration and the majority in the House of Representatives. One deduction that is potentially on the chopping block applies to a limited number of individuals, but, if eliminated, might change a course of intentionally stretching IRA distributions over the beneficiary's lifetime. This deduction prevents "double taxation" of retirement benefits for those who have inherited IRAs or other retirement plan assets from a decedent who had a federally taxable estate. Under current tax law, as the beneficiary takes taxable distributions from the retirement plan assets that were also taxed in the decedent's estate, the beneficiary receives a pro-rata income tax deduction each year for the estate taxes that were paid on the retirement benefits received. If this deduction is to be eliminated, instead of these particular beneficiaries stretching their distributions, it may make sense for them to accelerate distributions to obtain the full amount of the deduction currently available. Doing so should be considered carefully in consultation with a tax advisor. Each option should be quantified for each beneficiary's particular circumstances since accelerating distributions could also move the beneficiary into a higher marginal tax bracket.

With the recent defeat of new healthcare regulations, it is now reported that tax reform is next on the agenda. We will be watching closely, looking for possible impacts to our clients, and reaching out to explain and help consider best opportunities and options.

"Elimination of many income tax deductions is also a focus of the new administration and the majority in the House of Representatives."

Michelle M. Gray
Participant Services Specialist

Six Things to Consider Before You Retire

If you're like many working Americans in the later stages of your career, you have dreams of retirement. You may have mental images of traveling the world, doing charity work, fishing the day away, or simply spending more time with your grandkids. You probably have a timeline in mind of when you'd like to retire. If you're like me, you even have a retirement countdown app on your smartphone! But, if you're like many Americans, including 44% over the age of 60, your top concern is likely outliving your retirement assets.

"… if you're like many Americans, including 44% over the age of 60, your top concern is likely outliving your retirement assets."

Here are some things to consider when determining if you're ready to retire and to help you avoid outliving your retirement savings:

1. Keep an eye on your portfolio. Your investment portfolio will be crucial in retirement. If you're 5 to 10 years from retirement and it's been more than a year since you've reviewed your portfolio, now is the time to do so. If you're not in a target date fund, you'll want to shift to lower risk investments as you near retirement.
2. Be debt-free when you retire. If all of your debts are paid off prior to retirement, you'll be in a good position in retirement. On the other hand, if you have credit card debt or still owe a significant amount on your home or car, you may want to postpone retirement. Having a lot of debt can make it very difficult to deal with financial emergencies in retirement. It's important to pay off all (or most) of your debt prior to retirement.
3. Create a retirement budget. This may seem like a logical thing that all soon-to-be retirees should do, but many simply forget to do the math. Before you turn in your retirement notice to your employer and plan your retirement party, it's vital to determine if you can live comfortably on your post-retirement income. Start your retirement budget by adding up all of your monthly expenses such as mortgage/ rent, groceries, utilities and healthcare. Then start adding in your "wants" such as travel, entertainment, shopping, dining out, etc. Lastly, don't forget an emergency fund. You'll want funds set aside in the event of an unforeseen emergency. Once you've calculated your monthly expenses, it's time to figure out if you'll have enough retirement savings to cover them. If you don't, you'll want to delay retirement and increase your contributions to your company sponsored retirement plan if you're not already contributing the IRS allowed maximums (in

2017 it's $18,000 for those under age 50 and $24,000 for those over age 50).

4. Make sure you're no longer supporting your kids (or parents) prior to retiring. If you're still supporting your kids or paying for their college education, it may be a good idea to put your retirement on hold. It could also make sense to postpone retirement if you're financially responsible for your elderly parents. According to recent research, nearly half of all adults in their 40s or 50s have a parent age 65 or older and are either raising a young child or financially supporting a grown child. In addition, 15% of middle-aged adults are providing support to both an aging parent and a child. If this is you, retirement probably isn't realistic at this time.
5. Make sure you and your spouse are on the same page when it comes to your retirement timeframe. It's important to communicate with your spouse and make sure you're both in agreement about when it's the right time to retire. You'll want to make sure that any reduction in income won't put a strain on your spouse. If he or she has to work longer to cover living expenses, it may not be fair for you to retire significantly sooner than your spouse. If you and your spouse are in agreement, you'll be more likely to enjoy a fulfilling retirement.
6. Delay taking your Social Security benefits. Social Security allows for early benefits at age 62. What you might not know, however, is that by taking your benefits at age 62, you're taking a 30% reduction from what you would have received if you had waited until your full retirement age (full retirement age varies based upon your year of birth). Further, if you wait until age 70, you'd maximize your benefit and receive 132% of what you would have received if you'd taken your benefit at your full retirement age. You may be thinking to yourself that you don't want to wait until age 70 to retire. That's okay, you don't have to. You can retire prior to age 70, live off of your retirement plan savings [401(k), 403(b), IRA, etc.] until you begin taking your benefits at age 70. That way you'll maximize your benefit, reducing the likelihood of outliving your retirement savings. This will be especially helpful for those who have a history of longevity in their families. Additional information is available by visiting www.ssa.gov.

These are just a few ideas to help you to determine whether or not you're ready for retirement. Even though you may want to retire sooner than later, it's important to make sure you're both financially and emotionally ready for retirement!

"Even though you may want to retire sooner than later, it's important to make sure you're both financially and emotionally ready for retirement!"

Lucas W. Mansberger, CFA, CAIA
Manager Selection Analyst

Externally Managed Assets at Greenleaf Trust

"As the markets and our investment strategies have evolved over time, externally managed strategies have played an increasing role in Greenleaf client portfolios."

An open architecture approach is one of the pillars of Greenleaf Trust's investment philosophy. This means that we are free to choose whatever solution is best for our clients. Portfolios may include a portfolio of stocks or bonds that are managed by Greenleaf's team of analysts. At the same time, portfolios may include a fund run by an outside manager.

As the markets and our investment strategies have evolved over time, externally managed strategies have played an increasing role in Greenleaf client portfolios. In this article, we provide an overview of how we utilize externally managed strategies and detail recent developments regarding the resources we use in our external manager research effort.

How Greenleaf Utilizes Externally Managed Investment Strategies

Greenleaf client portfolios could include a blend of internally and externally managed strategies. Externally managed strategies are typically accessed via mutual funds, exchange-traded funds or separately-managed accounts. Our blended approach gives us a broad toolkit of asset classes, strategies and specialist investment teams. This allows us to construct more robust and tailored portfolios than if we were to rely solely on internally managed strategies.

Our open architecture approach offers the best of both worlds. Our experienced in-house analysts can create customized domestic equity or fixed income portfolios at no additional cost. At the same time, we have access to a large universe of external investment options from which we can select the most compelling strategies.

The extent to which we allocate to externally-managed strategies in a client's portfolio varies depending on several dimensions. Client considerations include the type of client, portfolio size, the asset mix of the portfolio, taxability and client preferences. Strategy considerations include the type of strategy, liquidity of the asset class, trading costs, and account minimums, among others.

A typical equity portfolio for a client may include an allocation to our internally managed domestic equity Focus List (a portfolio of individual stocks recommended by Greenleaf analysts) alongside domestic equity index funds and externally managed non-US equity strategies. Similarly, fixed income portfolios with sufficient scale will include an individual bond strategy managed by our fixed income analysts complemented by allocations to externally managed funds that focus on specific segments of the market. In contrast, in the alternatives segment we exclusively rely on funds managed by highly specialized outside teams.

While our clients' portfolios often include a blend of internally- and externally-managed assets, it is also common for our clients to have portfolios that consist entirely of externally-managed funds. Clients in this category include the significant majority of those in our Retirement Plan Division, where we select investment options or advise plan sponsors on the selection of options across the asset class spectrum.

The Evolution of Greenleaf's Manager Selection Resources

Who is responsible for the selection and oversight of outside investment managers? Our firm's Investment Committee has the ultimate responsibility for the final approval and oversight of externally-managed investment strategies. However, the primary responsibility for sourcing, selecting and monitoring externally-managed strategies lies with our firm's Manager Selection Analysts.

The importance of manager selection at Greenleaf and the resources focused on it have grown significantly in rv ecent years. Over this time, our portfolios have evolved to include larger allocations to the areas of the market where we utilize external investment management. The increased importance of the manager selection role led Greenleaf in 2012 to hire Nick Juhle, now our Director of Research, as our first analyst with responsibilities focused solely on externally-managed assets. I subsequently joined Greenleaf in April 2015, and in August 2016, we expanded our team by hiring Chuck Knoll as a second manager selection analyst.

In addition to adding human capital, we have continued to invest in state of the art technology and data solutions. One tool we utilize is eVestment Alliance, the leading database and analytical engine for investment management firm and strategy data. The addition of these resources has allowed us to continue to deepen our research while broadening our coverage universe.

The Next Phase of Manager Selection At Greenleaf Trust

One key motivation for our expansion of manager selection resources has been our desire to give our clients exposure to more complex, differentiated and harder-to-access strategies and market opportunities. This is a key focus of our investment platform for clients of The Family Office at Greenleaf Trust. Together, these drivers have led us to make a commitment to building out our research effort on private alternatives such as hedge funds and private equity as well as on externally managed separate account strategies.

We knew that building a best-in-class investment platform would take a significant investment in additional resources if we were to do it right. Especially one comprised largely of a new universe of managers and strategies that require more time and effort to source and evaluate properly. That led us to partner with a leading investment consultant, Rocaton Investment Advisors, to help us build out these capabilities.

Rocaton assists us with the sourcing and due diligence of Family Office platform managers with an emphasis on the private alternatives space. The firm is employee-owned and headquartered in Norwalk, CT. Rocaton consults to a wide variety of institutional investors with total assets under advisement of $480 billion. Their experienced team of 16 manager research analysts conducts over 1,300 manager meetings annually, which significantly enhances the depth and breadth of our manager research effort.

In addition to their manager selection resources, Rocaton has five team members devoted to asset allocation and capital markets research. Their analysis and insights benefit the asset allocation work we conduct across our organization. Our Retirement Plan Division clients also benefit from Rocaton's timely research on investment topics relevant to the space as well as their analysis and updates on the retirement plan regulatory and legislative environment.

The investment industry continues to evolve at a rapid pace. Ever-changing risks and opportunities in the market are constantly forcing investors to grow and change as well. Greenleaf Trust is committed to building the right team and equipping them with the right resources to tackle these risks and opportunities.

Stock Market Pulse

Index	3/31/17	Total Return Since 12/31/2016
S&P 1500	548.27	5.74%
DJIA	20,663.22	5.19%
NASDAQ	5,911.74	10.13%
S&P 500	2,362.72	6.07%
S&P 400	1,719.65	3.94%
S&P 600	844.17	1.05%
NYSE Composite	11,492.85	4.59%
Dow Jones Utilities	697.28	6.64%
Barclays Aggregate Bond	108.49	0.82%

P/E Multiples	23/31/17
S&P 1500	22.1x
DJIA	19.0x
NASDAQ	22.6x
S&P 500	21.8x
S&P 400	24.5x
S&P 600	27.2x

Key Rates

Fed Funds Rate	0.75% - 1.0%.
T Bill 90 Days	0.73%
T Bond 30 Yr	3.00%
Prime Rate	4.00%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	548.27	22.1x	1.94%
S&P 500	2,362.72	21.8x	1.97%
DJIA	20,663.22	19.0x	2.35%
Dow Jones Utilities	697.28	NA	3.29%

Spread Between 30 Year Government Yields and Market Dividend Yields: 1.06%

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