GREENLEAF® TRUST

Perspectives

A Greenleaf Trust Newsletter

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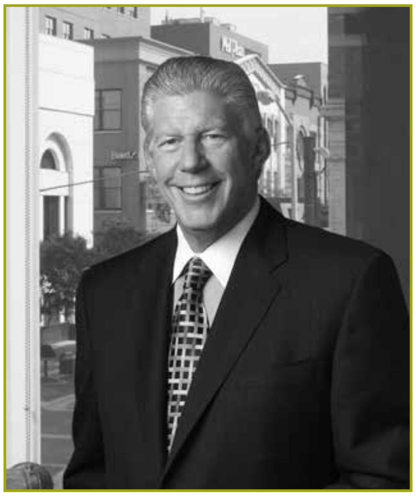


William D. Johnston
Chairman, Greenleaf Trust

Economic Commentary

With plenty of excuses accepted by investors for the anemic Q1 GDP results, the focus on improvement for Q2 was intense. The doom and gloom crowd were anticipating another weak number, while those who accepted the reasons (bad weather) for the failure of Q1 were certain that pent-up demand, unfilled in the first quarter, would show up in the second quarter results. A release of +4% was greeted well, and provided a sigh of relief for those that argued against the thoughts of a new recession brewing. The consumer showed up in a big way in April, May and June. The run rate for new auto sales came in at a whopping 17 million annualized production rate, which was last seen in 2007. Durable goods shot up 14% while non-durables rose 2.5%. Services remained weak at 0.7%. The obvious questions become, "will this rate of growth continue?" and "are we out of the 2% growth environment and on to something more robust?" Unfortunately, we think not, and here is why. Inventory expansion during the period of reporting accounted for 1.7% of the GDP growth. It is unlikely that this was due to organic demand but rather was a pull from the Q1 polar vortex interruption. Inventories are likely to be a bit of a drag in Q3 compared to Q2. Business investment for equipment, not inventories, increased during the period and accounted for about 1% of GDP growth. This is good news — if the consumer and business investment continue to travel in sync, future GDP growth will benefit from it. The Federal budget sequester is having a continuing negative impact, particularly in health care. State and municipal governments, as expected, are a drag as well.

Unemployment came in at 6.1%, and the ADP employment report showed a pick-up of 218,000 private sector jobs. If the official Bureau of Labor Statistics report that will be issued this week confirms the ADP report, we will have six months in a row of 200,000+ job growth. There are now 2.2 million more people working than a year ago, and while U-6 unemployment remains slightly above 12%, or double the reported unemployment rate, consistent progress is being made in several categories, such as marginally attached workers, part time workers who would work full time and those discouraged by conditions who are not now looking. To put this number in perspective, in February the U-6 unemployment rate was 14.9%, while the reported unemployment rate stood at 7%. June's results revealed an improvement of 0.9% from February's data to register 6.1% while the U-6 rate fell 2.8% to level off at 12.1%. As you can see, the progress in recent months has been much stronger in the most challenged segments of those looking for work. As more workers move from temporary assignments to full time attached workers, there will be more room for part time employees to gain full time temporary assignments, and this will make room for those totally discouraged to find part time opportunities. The movement to 5% unemployment is still 5–6 quarters away, which will also bring the U-6 number down to about 9%. Great? Certainly not, but progress nonetheless.

When the GDP data was released and the ADP forecast on unemployment followed, many were certain that the Federal Reserve would make some rather assertive statements on interest rates and Fed Policy regarding quantitative easing, or QE. Their expectations went unmet. Recent revisions in economic data collections for 2010, 2011 and 2012 revealed that the economy grew at slower rates than the previous data releases suggested, and that the three-year average going into 2013 was a mere 2.1%. The incremental improvement demonstrated over the past five years was interrupted big time in Q1 of this year, and though Q2 was more robust, and good news on the employment front followed, the Fed was signaling it was in no hurry to chart a different course relative to raising rates. If conditions remain the same, the Fed will be out of the stimulus game (quantitative easing) in October of this year, but that in no way means the Fed is tightening or charging more for banks to borrow Fed funds. It will take inflation consistently above 2% for 2–4 quarters, and unemployment falling to 5.6%, before they start raising rates. Look for this to occur in late 2015 or early 2016.

> "Are stocks so overvalued due to 'no attractive alternatives for investor dollars' that there is no direction to go from here but down?"

GDP growth was solid, unemployment ticked down again, and Q2 earnings have come in with few surprises to the downside — yet the S&P 500 sagged down by about 2.1% in the five trading days that followed the GDP and employment announcements. The reasons can be best described as a basketful of concerns. Is the proper read on the first two quarters really a story of improvement, or a description of two halves being averaged to a 2.1% growth level to be repeated in the second half of the year? Is the consumer really back, or has the pent up demand of Q1 been satisfied and not to be repeated in the second half? Can companies really continue to increase their earnings without more robust top line growth? Are stocks so overvalued due to 'no attractive alternatives for investor dollars' that there is no direction to go from here but down? Will the geopolitical unrest in the Middle East and Ukraine create enough destabilization to impact energy prices, both oil and natural gas, at levels to side-track fragile economies in Europe and in the US?

These are valid questions and, when combined with the normal July–August pre-Labor Day low volume trading on Wall Street, create a solid backdrop for the "summer doldrums" so often experienced in the equity market. The facts are little changed. Our economy is fragile, yet stronger than most developed economies. Interest rates are low and not likely to change. Corporate balance sheets are strong, debt is low and cash reserves are high. Incremental improvement in employment, consumption, production and business spending continues. We have for the past two decades been increasingly vulnerable to destabilization created by geopolitical strife, and this is not going to go away. To argue that it is more unstable than before ignores the facts, but makes for great angst that plays well in the media. There will be flights to safety in the future, and threats to our future safety as well, but we will learn to deal with it and it will become less, not more, of a reason for investment in the future. CEOs of companies will tell you that there is never an easy quarter, and that they are always under pressure to deliver on high expectations. From the beginning of the recovery through this quarter, the question of earnings growth sustainability has been focused on consistently by all market analysts. Our take is that the landscape has not gotten appreciably tougher, rates are still low and incremental economic growth remains in place, while P/E multiples have not increased substantially. While we don't see the S&P gaining another 5–6% in the second half, we feel another 3–4% gain is probable. Markets climb walls of worry, and there certainly is enough worry to go around.

Tax reform and corporate inversions have certainly been in the news of late and, thus, it makes sense to spend some time on the topic. Unlike much of what has been printed and spoken about these issues, we will try to stick to the facts. For many years the tax rate for C corporations in the US has been 35%, while the rest of the developed world has corporate rates for income earned in their countries of, on average, about 24%. The difference in global rates is notable, and large enough that some companies engage in strategies to re-domicile their companies, which are commonly referred to as inversions. Most US companies that have "inverted" have done so by acquiring a foreign-domiciled company and registering their corporate domicile in that company's country. There are many myths about what happens as a result of a domicile change. Let's explore them.

"For many years the tax rate for C corporations in the US has been 35%, while the rest of the developed world has corporate rates for income earned in their countries of, on average, about 24%."

MYTH 1: Most corporations do not pay tax.

Untrue. Corporate income taxes account for about 11% of all income taxes collected in the US. That does not include sales tax, use tax, real estate tax, FICA tax, state and local tax, regulatory fees, etc. The corporate tax rate on all earned net income is 35% and that is exactly what Greenleaf Trust pays.

Economic Commentary, continued

MYTH 2: "Loopholes" allow corporations to reduce their net income and pay no taxes.

Loopholes are now the common term for legal deductions and/or subsidies. There are some industries, primarily in the energy and agricultural areas, that receive credits against income — but most industries do not receive those subsidies and most US corporations pay income tax.

MYTH 3: Corporations that "invert" pay no US income tax.

Untrue. The advantage that a company earns by being foreign-domiciled is neither on income earned in the US, nor on previous income that was earned in other countries. All of that income is and will continue to be taxed at US rates. The tax advantage is on all future income earned in the new territorial tax which will be taxed at a rate 12–13% lower, and would then be able to be used as investment capital anywhere the company does business without being taxed a second time in the US Remember that US companies paying a dividend must include the dividend in their net income and be taxed on it. When they distribute the dividend to their shareholder the dividend is then taxed again as investment income to the shareholder, clearly a double taxation.

"The issue of corporate tax reform, which is critical to our future economic growth, lays dormant as both parties label corporations that 'invert' in self-defense as 'economically unpatriotic'..."

We currently have over one trillion dollars in income earned by US corporations in foreign countries that could, and probably would, be repatriated here to use as investment capital for R&D, plant, infrastructure and product development — if the corporations were not subject to a substantially higher US tax rate. Unfortunately, the net income and cash reserves earned in other countries are being reinvested in those countries, resulting in economic development and job growth there and not here. Almost anyone remotely familiar with this landscape assumes that we should fix this problem, and do it quickly, yet it has no chance of getting done this year. We are currently leaderless on this issue and legislatively impotent. The President is governing by Administrative actions as he has built no coalitions within his own party and or across the aisle. The leaders of the Senate, Harry Reid, and House of Representatives, John Boehner, also have minimal ability and/or desire to work with one another as mid-term elections remain close and neither wants to give the other credit for accomplishing anything. The issue of corporate tax reform, which is critical to our future economic growth, lays dormant as both parties label corporations that "invert" in self-defense as "economically unpatriotic" while the President threatens to retroactively restrict inversions through the IRS code. Instead of a thoughtful approach to a globally competitive corporate tax policy, the administration and both political parties fail to achieve a solution that benefits the country and penalizes corporations who seek remedies, through legally available means, to grow and remain competitive in an ever increasingly global environment.

Risk Management

Michael F. Odar, CFA
President

This morning I came across an article in *The Wall Street Journal*, entitled *Safety Cops Patrol the Office for High Heels*, which described the lengths that some notable companies were going to mitigate safety risks in their corporate offices. One company was even having employees identify and analyze the risks of their daily routines like going to lunch. This prompted one employee to respond that to mitigate "choking hazards" during lunch, she would "take small bites, avoid bread."

Risk management is extremely important to us, however making sure everyone's shoes are tied at work is not a component of our process.

Risk to our bank is measured in components that are significant threats to the perpetuity of our business. Regulated entities such as banks and financial institutions have several common categories of risk to their perpetuity which must be identified, managed for and mitigated through policy, procedure and practice. Additionally, such institutions must organize and resource independent external as well as internal examinations of their policies, procedures and practices to assure compliance, improve results and mitigate risk. Instituting a thoughtful well-structured and disciplined risk management program is a critical part of improving processes for our clients, protection of their assets, growth of our company, and increased security for our employees. Our process involves identification, analysis, prioritization, mitigation, and measurement.

Our annual Enterprise Risk Assessment provides both an internal and external assessment of Greenleaf Trust's enterprise risks. The purpose of the Enterprise Risk Assessment is to help senior leadership and our Board of Directors to properly and fully understand the bank's risk profile, manage and mitigate identified risks, comply with all relevant laws, and protect our clients, employees, and shareholders. It's comprehensive and we look critically at our business from several different risk perspectives including fiduciary, financial, information security, reputational, etc.

"Our annual Enterprise Risk Assessment provides both an internal and external assessment of Greenleaf Trust's enterprise risks."

Our Enterprise Risk Assessment is not static. The assessment is ongoing and reported to the Audit Committee and the Board of Directors at its annual meeting, as well as provided for review to external and State of Michigan auditors upon their request.

Similar to investment portfolios, businesses do not operate and grow without risks. Not even regulated financial institutions. However, how you manage those risks makes a difference. Having the risks manage you, like the company referenced above, can also make a difference.

James W. Gray, CFA
Chief Investment Officer

Is it Time to Exit Equities?

Recently, my family and I took a trip to Cape Cod. The highlight of the trip was a four-hour whale watching experience. The similarities between our whale watching journey and investing over a lifetime are apparent. Just as whales quickly appear and then dive or move out of sight, investment trends and fads come and go. Asset classes shift in and out of favor as economic cycles drive ahead and wane over time. Concern over the latest geopolitical crisis, or the expectation of liquidity extraction by the Fed, can quickly cause an investor to reconsider their desire or ability to absorb volatility.

Given the strong returns and exceptionally low volatility that the US equity markets have experienced over the past 24 months, it is easy at this point to ask whether greater equity exposure makes sense in light of low economic growth and poor returns on fixed income. Or, given suppressed economic growth, should I swing for the fences with more volatile names in my portfolio? In today's environment it would be easy to abandon fixed income and seek only risky equity exposure, in light of the flood of central bank liquidity that has supported equity markets growth over the past five years. This view, however, ignores the volatility dampening benefit of fixed income to the overall portfolio.

Back to our trip, in many cases the whale we had just seen would dive and just as quickly reappear at another point around the boat. This led to many passengers moving quickly from one side of the boat to the other in an attempt to catch a quick photo. In many cases the best strategy was to stay put in your seat. Ultimately the position that was just abandoned would provide a great seat to observe and photograph the enormous creatures as they reemerged.

"... some may ask whether now is the time to exit equity markets given the explosive growth that the equity markets have experienced over the last five years."

Likewise, some may ask whether now is the time to exit equity markets given the explosive growth that the equity markets have experienced over the last five years. This, as many market questions, can be answered to some extent based on the investor's time frame. Certainly, if one's goals and objectives for their wealth are very near-term then a higher equity weighting would not be prudent, given the potential recovery time necessary in the event of a deep protracted drawdown. Conversely, many on the verge of retirement instinctually refrain from equity exposure, due to the volatility during certain periods. This point focuses on the volatility of equities and does not consider the real risk of the impact of inflation, for example, on the purchasing power of a dollar over the many years of an individual or couple's retirement.

As you can imagine, we at Greenleaf Trust have a very strong view of these points. Being patient, disciplined and diligent are keys to being a successful investor over the long-term, and thus accomplishing your goals. We continue to deploy deep fundamental analysis to firmly understand the benefits and the risk of each investment that we place on behalf of our clients. Some of these may take time for the investment thesis to play out, while others may occur in more rapid fashion than expected. This is not to say that we are not interested in being nimble in seizing market opportunities. Regardless, it is imperative for you to know that we are constantly vigilant in the monitoring of portfolio exposure to ensure that traditional behavioral biases do not enter into our investment process. The data is compelling that maintaining a disciplined, intentionally structured, well diversified portfolio with a long term horizon is the best approach not only to protecting assets but also driving returns.

As equity valuation multiples have increased, and the Federal Reserve continues to reduce the level of liquidity infused in the US bond markets, there is a likelihood of increased volatility going forward. This volatility may come as a result of a geopolitical shock, economic or market driven factors. Year-to-date, US equity markets have performed slightly better than many anticipated, given valuation multiples that are no longer inexpensive. Sitting at nearly 2000 on the S&P 500 brings many investors pause for the sole reason of a purely psychological threshold. However, it's important to keep in mind that the 10-year treasury is now sitting at 2.5% yield in comparison to forecasts that many were expecting of 3.5% by the end of 2014. Historically, equity returns have been rather robust as treasury levels remained under 5%. While this is not a guarantee, it does provide some comfort to current market levels.

While some may be running to the other side of the boat, we spend our time continuing on our disciplined journey avoiding the pitfalls of classic behavioral biases while we focus on key traits to successful long-term investing. In short, our job is to keep you in your seat.

"Being patient, disciplined and diligent are keys to being successful investors over the long-term, and thus accomplishing your goals."

Carlene R. Korchak, CTFA
Vice President
Trust Relationship Officer

Sitting on the Client's Side of the Desk

Greenleaf Trust celebrated its 16th anniversary in July, and at the same time, with great happiness, I celebrated my 15th work-i-versary with Greenleaf Trust. I share that because I am one of the "old-timers" who has seen things change as our company has evolved from its humble beginnings when we began with seven people, to today when we employ over one hundred.

A long-time client recently asked how we have maintained our service culture as we have grown. In his own company, he found that as they grew larger, it became very difficult to maintain the culture created by the founders. As confirmed by client comments, surveys and retention, as we have grown, Greenleaf Trust has been successful when it comes maintaining our "clients first" culture. One prospective client who spent a day interviewing many individuals in various areas of our company summed it up well when he stated that, no matter with whom he spoke that day, we all "drink the same Kool-Aid" when it comes to our core values, the first of which is "client-focused, first and foremost."

"… as we have grown, Greenleaf Trust has been successful when it comes maintaining our "clients first" culture."

From day one, this has been a very intentional process at Greenleaf Trust. Just one of the ways we continue to keep this focus is that we have intentionally-designed client service standards. Our 16th anniversary seems like a good time to share those standards once again and to describe some of the ways we strive to fulfill those standards.

We listen to client needs.

We listen to understand each client's unique situation and goals, and use the resources of our entire team to develop a specifically tailored wealth management plan. We then execute that plan in a highly consultative and collaborative manner.

- We start with prospective clients by asking a few simple questions to determine what they want their wealth to accomplish; everything builds from there.
- We begin every annual review meeting by asking the question, "What's on your mind?" and then we actively listen and respond.
- We coordinate with other professional advisors and resources, such as accountants, attorneys, and insurance agents, to assure we are taking a holistic approach to serving our clients' financial needs.
- One of the joys I have personally experienced is that I am now serving multiple generations of families since many clients have expressed the desire to assist the next generation with managing finances and wealth

responsibly. As one client put it to me, "I want to be their Mom, not their financial advisor" and we are happy to serve in that role.

We provide customized, personal support and direct access to the Client Centric Team.

Each client is served by a team made up of a trust relationship officer, a wealth management advisor and a team service coordinator. We leverage the collective wisdom of the team, whose daily mission is to provide remarkable service and customized wealth management solutions.

- We acknowledge and address questions, concerns and requests in a timely and professional manner.
- Clients have direct access (no voice mail unless requested) to any one of their team members.
- This team approach allows us to continue to grow without impacting the level of service we provide to each client by adding new teams as our client base grows.

We proactively contact you.

Whether you prefer to communicate by telephone, email, written correspondence or face to face, we remain in touch to ensure we are meeting needs and providing excellent service.

- We customize our approach when communicating, based on each client's preference.
- We have experienced numerous significant events over our 16 year history…the bursting of the "dot com bubble", 9/11/2001, a recession and a "great recession", etc. On each such occasion, we have proactively reached out to provide perspective, to listen to client's concerns and to gauge their ability to "weather the storm."
- We conduct seminars at various times throughout the year on topics often suggested by our clients, and also conduct a year-end seminar to review each year and make projections for the year ahead.

We will meet as often as requested, but at least annually.

It is important to us and our clients to periodically review goals, which can change, and progress toward meeting those goals.

- We provide a written Investment Policy Statement for each relationship which includes, among other information, objectives, time horizon, sustainability of assets, and unique circumstances.
- We also provide customized portfolio reviews, and again, we focus on listening at client meetings to assure we are addressing any concerns and progress toward meeting clients' needs and goals.

"Each client is served by a team made up of a trust relationship officer, a wealth management advisor and a team service coordinator."

Client's Side of the Desk, continued

"We have no products to sell, only a service we deliver."

We provide relevant and meaningful reporting.

In addition to the "standard" account statements and investment performance reporting, we also provide trade notification letters that describe our investment thesis and reasons for placing trades, monthly newsletters, and tax reporting. In addition, we provide online access to account information.

- Over the past 16 years, we have listened to client feedback and changed our statement and investment performance reporting numerous times to make these reports more meaningful.
- Our newsletters are authored by individuals at Greenleaf Trust with articles on topics we feel are timely and relevant to our clients. We receive very positive feedback from our readers, and are frequently asked if articles can be shared in classrooms or with others.

One of my favorite "Greenleaf-isms" is that we always strive to "sit on the client's side of the desk." We have no products to sell, only a service we deliver. We intentionally hire people who are passionate about listening, guiding, educating and serving clients in a way that is meaningful to each one. Since the beginning, we have built this organization on putting the client first. That phrase continues to resonate throughout our offices in Kalamazoo, as well as in Northern and Southeast Michigan, even 16 years later and 93 more employees into what will be a much longer history for Greenleaf Trust. We are very grateful and feel honored to work on behalf of our clients.

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.

If it is So Good, Why Do Some Think it is So Bad?

Steven J. Christensen, CFTA
Wealth Management Advisor

Capital gains. Read the words again with awareness to the feelings they create within. Capital gains... For some the thought of capital gains invokes feelings of blissful wealth creation of the most tax efficient manner. They visualize running through a field of dollars on a beautiful sunny day plucking fifty and one-hundred dollar bills as they go, permitted to pick as much as they would like with only a fractional toll to pay when their field frolic is finished. The words capital gains take these people immediately to their happy place. For the other camp of people the words capital gains imply yet another realized or potential tax liability, a check to write — a perceived impediment to what would otherwise be a completely objective and consequence-free stock sale. Sorry, no great visual to offer here, perhaps two fifty dollar bills handcuffed by a roll of quarters or something?

As a veteran of the industry I am often amazed how something so good is frequently perceived as being so bad. Incurring realized gains for the sake of gains alone is not the issue I am looking to discuss, gains with a purpose is. Whether it is reducing a concentration, repositioning a portfolio holding, taking profits, enhancing diversification or rebalancing risk there are many good reasons to harvest capital gains.

> "As a veteran of the industry I am often amazed how something so good [capital gains] is frequently perceived as being so bad."

As advisors acutely attuned to the people we serve, your Greenleaf Trust Team does however understand that changes to portfolios and their subsequent tax implications don't occur in a vacuum. There are broader tax issues to contemplate and efficiency differences between short-term and long-term capital gains rates to consider. IRS tax code indicates that long-term capital gains rates are 0%, 15% or 20% depending on your particular tax situation. Financial security from generation to generation is Greenleaf Trust's motto, this implies long-term. It is the long-term rate of 15% that is used throughout the examples in this article.

With a mind towards striking a balance between the two opposing views on capital gains and in the spirit of the newsletter's title, I would like to offer three perspectives on the analysis and management of capital gains.

One way to quantify the appetite for harvesting gains is to scale the gain amount to the total portfolio value. This can be done by establishing a capital gains liability budget that does not exceed a specified percentage of the total portfolio market value. This approach works well when establishing a stock concentration divestiture plan. Consider stock ABC in the table below and a 1% tax liability budget. Assuming a total

Why Do Some Think it is So Bad?, continued

portfolio value of $5,000,000 this scenario provides for a $50,000 annual capital gains tax payment or $333,333 of realized capital gains when the 15% rate is used. Given the stated cost basis for ABC is 10% of market value this equates to $370,370 of stock sales annually. Not accounting for market movement this plan will eliminate most concentration risk after 5 years. The budget approach provides a tax liability that is modestly scaled to the size of the portfolio and reduces the concentration to a prudent level within a relatively short time frame.

ASSET	$ COST	$ MARKET VALUE	$ UNREALIZED GAIN/LOSS	% OF GAIN TO MARKET VALUE	$ AMOUNT OF TAX DUE (15%) FOR EACH $1 OF STOCK SOLD	$ NET RINVESTMENT PROCEEDS PER $1 OF STOCK SOLD
ABC	200,000	2,000,000	1,800,000	90%	0.135	0.865
XYZ	300,000	500,000	200,000	40%	0.060	0.940
WOW	100,000	231, 000	131,000	57%	0.085	0.915

"A second perspective to consider is calculating the amount available for reinvestment for each dollar of stock sold."

A second perspective to consider is calculating the amount available for reinvestment for each dollar of stock sold. This approach is helpful as investors consider cutting ties with stocks that have done well but do not seem to offer prospects for significant upside when compared to the universe of alternatives. See stock XYZ in the above table. The implied gain for every $1.00 of XYZ market value is $0.40 and the subsequent tax liability, assuming the 15% rate, is $0.06. So for every $1.00 of appreciated stock sold there is $0.94 available for reinvestment. Looking forward, if stock XYZ continued to grow at 4% annually for the next two years the $1.00 that remained invested would be worth approximately $1.081. If stock XYZ were to have been sold two years ago and the taxes paid there would have been $0.94 available for reinvestment into a new security. If the new security had produced an annual return of 12% over the next two years the $0.94 investment would be worth approximately $1.179. In this case hindsight would indicate cutting ties should not have been so difficult.

A third and final perspective is to compare a potential decrease in the current price of a stock to the capital gains tax payment associated with its sale. This analysis works well when rationalizing the sale of stocks that have exceeded expectations over a relatively short time frame and taking profits seems to make good sense. Consider stock WOW in the table above. The original investment of $100,000 is now worth $231,000, a gain of $131,000 and a return on investment of 131%. If we again assume a 15% tax rate, the tax due is $19,650 with after tax proceeds of $211,350, a very nice return. Conversely, if the stock were held and gave back 10% the market value would be $207,900. When presented with this type of opportunity, maybe locking in profits and paying the tax is a prudent strategy to consider.

Markets have been kind and gains are there for the taking. In instances where portfolio structure can be improved and profits realized we suggest a well thought-out proactive plan. Working with you and/or your CPA, your team of Greenleaf Trust Advisors is equipped to assist in the creation of such a plan. After all, gains are indeed a good thing and the best way to confirm them is through the process of realization.

Retirement Savings: How Much Is Enough?

Michelle M. Gray
Participant Services Coordinator

In my role as a Participant Services Coordinator, I am frequently asked, "How much should I be saving for retirement?" This question is asked most often by those under the age of 30. Unfortunately, there's no easy answer to that question. Recent findings from the Center for Retirement Research (CRR) at Boston College suggest that an individual age 35 should save 15% of their income in a retirement plan. That would allow for the individual to retire at age 65 and for the retirement plan to provide 35% of their retirement income. If that individual were to start saving at age 25, the percentage of recommended savings drops to 10%. Keep in mind, though, that with that recommended savings percentage; it's only going to provide 35% of a retiree's retirement income. The other 65% would need to come from other sources (Social Security, IRAs, etc.).

"In my role as a Participant Services Coordinator, I am frequently asked, 'How much should I be saving for retirement?'"

The age at which an individual retires also plays a role in the amount they need to save. If the target retirement age is 67 instead of 65, a 35-year-old individual can save 12%, instead of 15%. If the retirement age is further delayed to age 70, the recommended savings rate drops to 6%. A 25-year-old planning to retire age 70 would only need to save 4%.

The earlier you start saving, the easier it is to reach your retirement goals. For instance, a 25-year-old planning to retire at age 62 would need to save 22% annually. A 45-year-old planning to retire at age 62 would need to save 65% annually, a figure that would most likely be unrealistic. For retirement at age 67, the 25-year-old would need to save 12% annually and the 45-year-old would need to save 31% annually. Again, an unrealistic savings figure for most.

Of course how much you'll need to save now will depend on how much you'll need in retirement. One rule of thumb is that you'll need 70% of your pre-retirement annual salary to live comfortably. That might be enough if you're debt-free and in excellent health when you retire. If you plan to plan to build your dream house, trot around the

How Much Is Enough?, continued

globe, or get that Ph.D. in philosophy you've always wanted, however, you may need 100% of your pre-retirement or more.

It's important to be realistic about what kind of expenses you will have in retirement. Be honest about how you want to live in retirement and how much it will cost. These estimates are important when it comes time to figure out how much you need to save in order to comfortably afford your retirement.

"It's important to remember that it's never too early or too late to save. Very few people save too much money for retirement."

One way to begin estimating your retirement costs is to take a close look at your current expenses in various categories, and then estimate how they will change. For example, your mortgage might be paid off by then and you won't have the expense of commuting to work. Chances are, though, your healthcare costs are going to rise.

It's important to remember that it's never too early or too late to save. Very few people save too much money for retirement. Saving even a small amount can make a difference. If you have the ability to take advantage of an employer-sponsored retirement plan, you should definitely do so! The number of employers offering retirement plans grows by 25% annually. Further, more than 70% of employers that offer a retirement plan offer a match as well. Automatic enrollment plays a large role in whether or not those between the ages of 18 – 34 contribute to an employer-sponsored retirement plan. Without automatic enrollment, only 13% of those in that age group contribute to a plan.

If you're unsure of how much you should be saving or how much you'll need in retirement, be sure to take advantage of the SmartPlan tool offered on the Greenleaf Trust participant website. It's a personalized needs analysis that will help you to determine whether or not you're on track for your personal retirement goals!

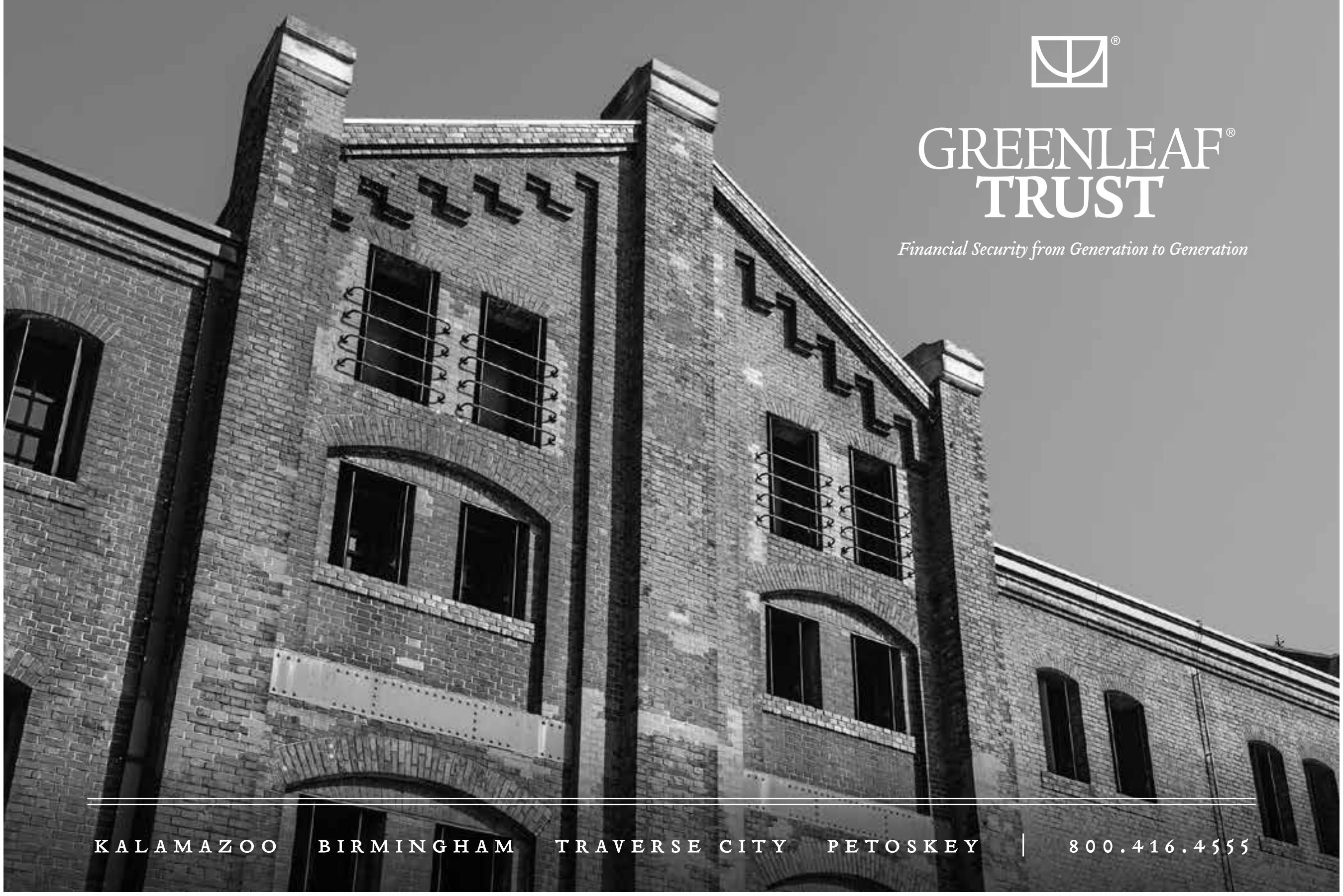
TRUE STORY

From tool and die to retool and thrive.

Enough is enough, concluded the CFO of the tool and die company; the fees being charged by its bank had increased one too many times. The account was moved to a smaller bank that provided relief in all but one important area: it had no trust department to manage the company's 401(k) retirement fund. Wisely, the CFO appointed an internal team to assess six retirement plan service providers in terms of customer service, fees, methodology, transition planning, employee education, technology, portfolio composition, investment management, independence, references, conflicts of interest, likability, etc. With over 200 employees and a nearly $20,000,000 plan, the company had good reason (not to mention its legal, fiduciary obligation) to carefully weigh its options.

As in all competitions, a winner emerged. Greenleaf Trust's winning edge may have been the clear and thorough detail about how we invest and manage a plan's assets, identifying the specific mutual funds we select and why. Or perhaps it was our continuous assessment of each fund's performance and suitability, and our transparency about fees. Or maybe it was how we minimize the inconvenience and duration of a plan's transition, and take on responsibility for modifications and mandated filings. Or that we meet regularly with employees (and spouses) to educate them on the necessity and benefit of setting aside money for retirement. Chances are, it was all of those things and more.

Every company has its own story to tell, of course, but with Greenleaf Trust as the plan provider some things never change: employee participation improves, contributions go up, asset values increase and smiles reappear. Everyone, it seems, likes a happy ending. Call Matt Siel at 800.416.4555 and let's get started on yours.



GREENLEAF® TRUST

Financial Security from Generation to Generation

KALAMAZOO BIRMINGHAM TRAVERSE CITY PETOSKEY | 800.416.4555

Stock Market Pulse

Index	7/31/2014	Total Return Since 12/31/2013
S&P 1500	446.22	5.14%
DJIA	16,563.30	1.29%
NASDAQ	4,369.77	5.31%
S&P 500	1,930.67	5.66%
S&P 400	1,370.70	2.90%
S&P 600	644.93	-2.45%
NYSE Composite	10,726.43	3.14%
Dow Jones Utilities	539.30	12.14%
Barclays Aggregate Bond	108.93	3.50%

P/E Multiples	7/31/2014
S&P 1500	17.4x
DJIA	15.3x
NASDAQ	21.6x
S&P 500	17.1x
S&P 400	20.0x
S&P 600	20.8x

Key Rates

Fed Funds Rate	0% to 0.25%
T Bill 90 Days	0.03%
T Bond 30 Yr	3.31%
Prime Rate	3.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	446.22	17.4x	1.97%
S&P 500	1,930.67	17.1x	2.04%
DJIA	16,563.30	15.3x	2.21%
Dow Jones Utilities	539.30	NA	3.63%

Spread Between 30 Year Government Yields and Market Dividend Yields: 1.34%

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