GREENLEAF TRUST

Perspectives

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Chairman, Greenleaf Trust

Economic Commentary

The National Bureau of Economic Research officially declares the beginning of a recession well after the actual recession begins. It is always a rear view look and analysis based upon data that is already months old. What we do know is that for the first first half of 2022 the US economy contracted from its previous growth rate and posted negative growth in each of the completed quarters. In Q2, gross domestic product declined 0.9%, which was worse than the consensus estimates of 0.3%. The decline comes during a period of conflicting economic inputs. Unemployment remains steady at 3.6%, and initial as well as continuing claims for unemployment remain lower than previous months, with new job additions exceeding previous estimates. There remain twice as many job openings as there are reported unemployed persons, and pay increases have continued across a wide range of industries. The consumer is employed; however, recent data reveals that consumers are less confident about the future and are spending less and saving more. The negative GDP implications of inflation have been compounded by reductions in consumer confidence as well as the leading indicators of future developments provided by the Business Confidence Index.

As always, we like to check the Weekly Economic Index to see the real time data on a variety of measures of the pace of economic activity. This week's measurement is a slight uptick from last week, and offers similar conflicts in results. The American Staffing Association (ASA) Staffing Index shows strength, reflecting the demand for labor. Rail traffic and electricity output experienced a slight increase, as did same store sales; however, federal tax withholding was flat, and fuel sales to end users declined during the period.

Commodity prices continued the decline that began nearly a month ago, but with increased velocity. We have been of the opinion that much of the disequilibrium between supply and demand in commodities was related to the global pandemic and massive interruption in the supply chain of materials necessary to produce finished goods. To say that commodity prices have been volatile would be a huge understatement. The precipitous decline in prices for palladium, platinum, silver and copper in recent

Economic Commentary, continued

weeks is not fully understood; however, we can't ignore the basic tenets of equilibrium theory. Simply put, when demand exceeds supply there will be too much money chasing products and services, resulting in pricing reflective of the disequilibrium. Equilibrium and disequilibrium are not static, but rather dynamic and dependent on constant inputs. Demand that exceeds supply will eventually be met by increased supply and production, or by substitution purchases, which serve to bring demand and supply into equilibrium. The question yet to be answered is: Does the decrease in commodity pricing experienced in recent weeks reflect an increase in supply of products, or a decrease in demand for products brought on by weakening consumer demand?

Early in the pandemic, public policy among most of the OECD countries was to support consumers with stimulus-like programs. The policy implementation across much of the globe was more similar than dissimilar, and resulted in constant demand for consumer staples, as well as capital goods purchases like automobiles (new and used), clothing, appliances, computers, personal entertainment devices, real estate, etc. Supply chains faced huge demand while also experiencing significant erosion in human capital due to both choice decisions as well as the health impairment reality of COVID-19. Detailed analysis of the duration of time to restore production streams inclusive of raw materials through finished goods all forecasted that normal equilibrium would not be restored until well into 2025, especially for those products that required microprocessor chips. As we have discussed previously, the global logistical supply chain that was built to reward specialization and pricing advantage made many industries and manufacturers single-threaded and, ultimately, held hostage to vendors that were globally distant and unable to produce and/or ship goods. Deglobalization, to increase manufacturers' independence, cannot and will not be accomplished in short order.

> "Does the decrease in commodity pricing experienced in recent weeks reflect an increase in supply of products, or a decrease in demand for products brought on by weakening consumer demand?"

Public policy is not perfect, but rather subject to many inputs that are more often political rather than fact-based. Pandering may be a strong word to use in this context, but our own political history is full of examples where public policy designed to "fix" a problem mostly served to create another issue. It is easy to blame actions taken in crisis after the original storm is calmed and claim ownership to a better solution when the wind is not blowing nearly as fiercely in your face. As the infamous prize fighter Mike Tyson was fond of saying, "Everyone has a plan until they get hit in the mouth with a fist."

Did we overstimulate our economy with too many and too large of direct-to-consumer and employed individuals programs? Did those public policy decisions place impossible stress on supply chains, resulting in disequilibrium that had to generate inflationary results? It's too easy to answer yes to those questions in the perfect vision of hindsight. What is current and real now is worthy of our attention. In three of the five major home geographical sectors that we follow, prices have stalled and days-on-market have lengthened. Some price bands have experienced price reductions. Some have begun to speak of housing as a speculative bubble. The evidence seems clear that in the major commodity components of home construction, such as lumber, aggregates, plastics and copper, that demand is shrinking. The differences between 2008 and now are significant, however. The pricing demand in housing during the past 48 months was not created by syndicated mortgage products, but rather by demand to own by individuals and corporations possessing equity. New unit construction nationally did not exceed demand normalization for our population and demographic trends. If anything, what has surfaced is a continuing housing shortage in many regions.

"The pricing demand in housing during the past 48 months was not created by syndicated mortgage products, but rather by demand to own by individuals and corporations..."

Energy prices have moderated in recent weeks, resulting in more questions than answers available. Russia bet heavily on strangling Europe by holding them hostage over energy. In doing so, Putin also bet that the global energy companies in the Americas would by necessity have supply shortages created globally which would ultimately, through inflationary pressure, weaken opposition to Russia's war against Ukraine. US gas prices have declined for six weeks now, as has heating oil, natural gas, Brent Crude and WTI Crude.

Equilibrium is changing and the confidence of consumers is shaky, though they are employed and have experienced wage increases. Business confidence has declined, though the Purchasing Managers Index remains above recessionary readings. The important story is not really about whether we have slipped to recessionary levels of GDP, but rather whether the supply and demand battle between equilibrium and disequilibrium, and therefore pricing, will be settled without a significant reduction in demand that reverses our current healthy employment status and consumer strength.

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Michigan Economic Update

This article continues our annual summer tradition of evaluating the health of the Michigan economy. In this article, we will cover (1) the labor market, (2) the auto industry, and (3) home prices. Last year, we wrote about the robust recovery underway in the labor market, projected stability in the auto industry, and accelerating home prices. These trends evolved in unexpected ways over the past year, and we are excited to provide this update for 2022.

This article follows two important conferences which address the outlook for Michigan.

1) In mid-May, the state government's House Fiscal Agency hosted the Consensus Revenue Estimating Conference. The unimaginative name belies the excellent information and forecasts provided by economists and auto industry experts. These forecasts help Michigan's lawmakers establish the state budget and provide useful information to investment managers like Greenleaf Trust.
2) In January, the Detroit Branch of the Chicago Federal Reserve Bank hosted the Automotive Insights Symposium. Economists from Cox Automotive and various industry research groups provided near-term outlooks for auto sales, production, and supply chain issues.

Let us begin with an update on the labor market.

> "Today, we remain on the journey toward a full recovery."

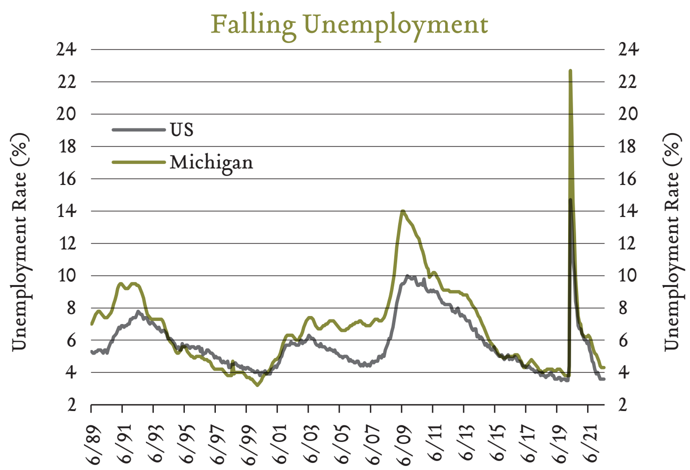
MICHIGAN'S LABOR MARKET

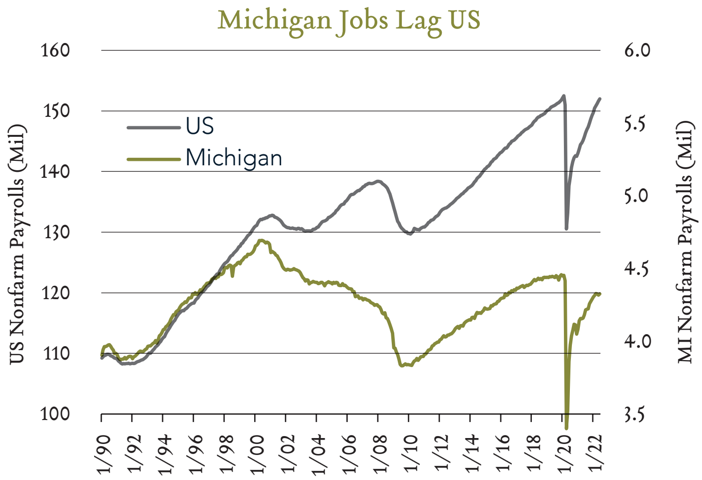
Heading into the pandemic, the unemployment rate in Michigan reached a low of 3.7%. This was the lowest level since the late 1990s. 4.45 million Michiganders were employed.

In three months, from March to May 2020, employment fell to 3.40 million, a 24% reduction in jobs. The statewide unemployment rate peaked at 23.6%.

Today, we remain on the journey toward a full recovery. Over the past 12 months, the unemployment rate is down in nearly every county in the state. Employment has increased in every industry category except one (mining, logging, and construction). Total nonfarm employment is up to 4.33 million.

The state unemployment rate stands at 4.3%, higher than the national average of 3.6%, but lower than the 6.3% state unemployment rate registered a year ago.





"The state unemployment rate stands at 4.3%, higher than the national average of 3.6%, but lower than the 6.3% state unemployment rate registered a year ago."

The total number of jobs remains 2.8%, or 125,600, below the pre-pandemic peak. Three industries explain 97% of the decrease. Leisure & hospitality, education & health services, and government jobs are all down more than 5% from their pre-pandemic levels. This is attributable to retirements, industry-switchers, and people leaving the labor market.

MICHIGAN EMPLOYMENT BY SECTOR					
	02-20	06-21	06-22	Post-COVID Change	% Change
Trade, transportation, and utilities	797,100	776,700	798,600	1,500	0.2%
Professional and business services	654,900	627,300	661,600	6,700	1.0%
Education and health services	691,900	651,600	655,600	-36,300	-5.2%
Manufacturing	619,500	575,500	605,300	-14,200	-2.3%
Government	616,700	573,400	581,800	-34,900	-5.7%
Leisure and hospitality	435,600	356,000	385,300	-50,300	-11.5%
Financial activities	229,500	232,200	237,500	8,000	3.5%
Mining, Logging and Construction	184,800	183,100	182,800	-2,000	-1.1%
Other services	167,300	153,000	162,100	-5,200	-3.1%
Information	55,400	51,400	56,500	1,100	2.0%
Total (Seasonally Adjusted)	4,452,700	4,180,200	4,327,100	-125,600	-2.8%

Michigan Economic Update, continued

Across the state, the vast majority of counties have seen lower unemployment rates over the past twelve months. However, unemployment remains higher than 2019 levels for now.

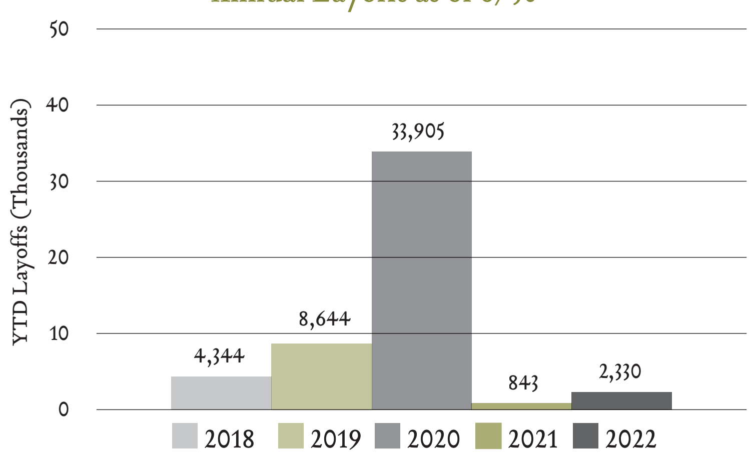
County	May 2019	May 2020	May 2021	May 2022*	Change Since 2019	Population
Wayne	4.7	26.6	8.5	6.1	1.4	1,774,816
Oakland	3.2	19.6	4.8	3.8	0.6	1,270,017
Macomb	3.8	25.8	6.3	4.7	0.9	876,792
Kent	2.9	14.9	5.3	3.5	0.6	658,046
Genesee	5.9	22.4	8.0	5.8	-0.1	404,208
Washtenaw	2.9	12.0	4.9	3.6	0.7	369,390
Ottawa	2.7	13.8	4.6	3.2	0.5	299,157
Ingham	3.4	13.8	6.3	4.8	1.4	284,034
Kalamazoo	3.3	13.1	5.6	3.9	0.6	261,108
Livingston	2.9	19.8	4.2	3.5	0.6	195,014
Saginaw	4.8	18.7	7.6	5.8	1.0	189,591
Muskegon	4.1	22.0	8.3	5.4	1.3	176,511
St. Clair	4.2	25.8	6.1	4.7	0.5	160,053
Jackson	3.5	17.3	6.2	4.4	0.9	160,050
Berrien	3.9	16.4	6.2	4.4	0.5	155,274
Monroe	4.2	18.6	7.1	4.6	0.4	153,101
Calhoun	4.0	19.2	7.2	4.9	0.9	133,819
Allegan	3.0	14.2	5.1	3.4	0.4	120,950
Eaton	3.1	15.7	5.8	5.0	1.9	108,944
Bay	4.4	17.0	6.4	4.9	0.5	102,985

*Preliminary

"In summary, there is a robust recovery underway in Michigan's labor market."

Consistent with the strong national labor market, we see evidence of strong labor demand in Michigan as well. Layoff announcements in the state have been very low throughout 2022.

Annual Layoffs as of 6/30

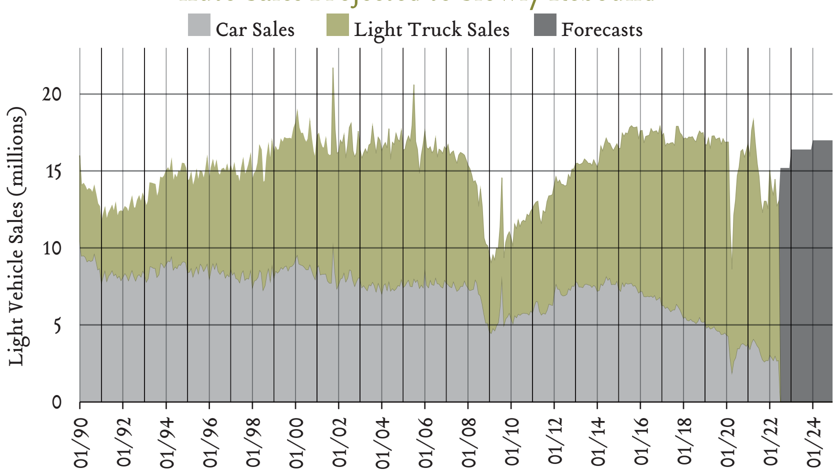


In summary, there is a robust recovery underway in Michigan's labor market. We have been surprised by the rapidity of progress and are hopeful that it can continue into 2023. Auto manufacturers noted challenges finding available labor supply in this year's Automotive Insights Symposium and with that, we will turn to the outlook for the auto industry.

THE AUTO INDUSTRY

Supply chain issues dominated the discussion at this year's Automotive Insights Symposium. Industry participants continued to note strong demand but an inability to produce enough vehicles to satisfy customers. As a result, auto prices have continued their significant rise. The CPI Index for New Vehicles is up 11.4% year-over-year and Used Cars and Trucks are up 7.1% for the year ended June, 2022.

Auto Sales Projected to Slowly Rebound



Unlike a year ago, optimism about supply chain issues has waned. The Consensus Revenue Estimating Conference produced below-trend auto sales forecasts through 2023.

Pre-pandemic US light vehicle sales were typically 17.5-18.0 million units. Projections now show that it will take until 2024 to return to a 17.0 million rate. In addition, the Big 3 (Ford, GM, and Fiat Chrysler) market share, which in the 1990s topped 70% of the domestic market, is expected to be stable around 37-39%.

Looking forward, there is a possibility for strong recovery for the auto industry, but it will depend on repairing disrupted supply chains. There is room for manufacturing job gains if auto demand remains strong while production shortages normalize. Supply chain issues are also impacting the housing market, leading to rapid price increases over the past year and with that, let's examine Michigan's housing market.

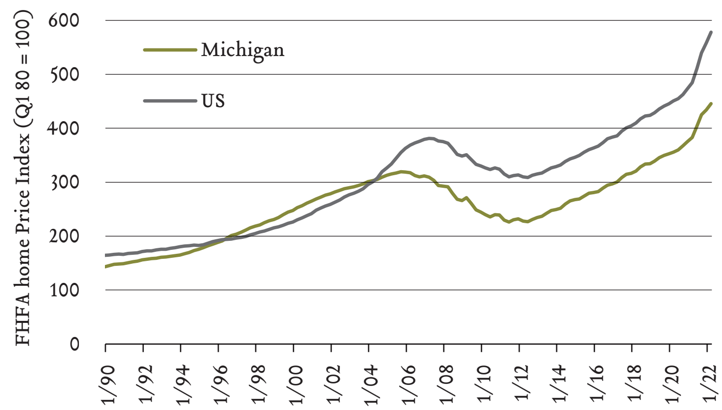
> "[Automotive] industry participants continued to note strong demand, but an inability to produce enough vehicles to satisfy customers."

Michigan Economic Update, continued

MICHIGAN'S HOUSING MARKET

Home prices across the state increased by 15% over the past 12 months. The Grand Rapids MSA remains the state's most valuable residential real estate market, followed closely by Ann Arbor and Muskegon. Zillow lists the median home value in Michigan at $236,980, up from $206,727 a year ago.

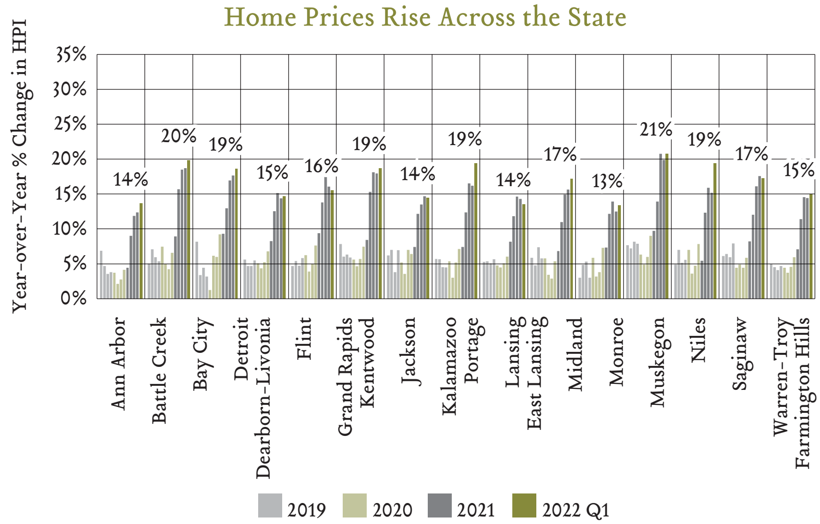
Home Prices Accelerate



"Every region of the state saw double-digit home price increases..."

Every region of the state saw double-digit home price increases, with the Muskegon region appreciating the most, up 21% over the past 12 months. For our clients in the Kalamazoo region, home prices were up 19%.

Home Prices Rise Across the State



Home prices are now elevated compared to rents and incomes, so we expect prices to flatten out from here. Some of the catalysts for rising real estate prices may be behind us. Mortgage rates in 2021 averaged a range 2.8%-3.2%. Today, they are around 5%, which reduces prospective homeowners' buying power.

We do not, however, see the types of catalysts that precipitated home value declines during the financial crisis of 2008-2009. Vacancies are remarkably low. Inventories are low. Mortgage loans are being made to creditworthy borrowers and delinquencies are near record lows. We think the most likely path forward is for more muted appreciation, but not for home price declines.

CONCLUSION

Michigan's economy has made a lot of progress over the past twelve months. Further progress could be in store if the auto industry overcomes its production challenges. Above-trend growth in auto manufacturing could be a positive catalyst for the state. Overall, the state's economy remains slightly weaker than pre-COVID, but the rapidity of the recovery has been a positive surprise thus far.

Looking ahead, we will be watching, and hoping, for the state to make a full recovery to pre-pandemic strength. Along the way, Greenleaf Trust will be here to serve our Michigan communities and to help our clients achieve their financial goals.

"Michigan's economy has made a lot of progress over the past twelve months.

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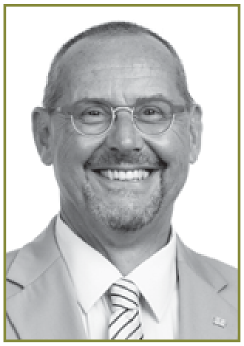
Home Prices: Zillow & Federal Housing Finance Agency Home Price Indexes
– https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx



Oliver E. Krings, CISSP, ABCP
Chief Information Officer

Cybercrimes Are a Growing Problem in Our Personal Lives

As Internet usage has increased over the past 20 years, there has been a shift in how we are relying on the comfort of online transactions and communications. It has become a normality to engage on the Internet with our email addresses, phone numbers, names, and other login credentials. At the same time, we have seen a sharp increase in cybercrime that is not only targeting businesses, but also private citizens.

According to the FBI's Internet Crime Report 2021, a record 847,376 complaints of cybercrime were reported to the FBI by the public, a 7% increase from 2020. The Federal Trade Commission's (FTC) Consumer Sentinel Network took in over 5.7 million reports in 2021 of which 49% were for fraud and 25% for identity theft.

The most vulnerable cybercrime victims are young adults and adults over age 75, according to the latest research revealed in the LexisNexis Risk Solutions biannual Cybercrime Report. Both age groups appreciate the benefits of an online presence, but struggle with the ever-changing attack vectors or threat levels. Unfortunately, there is not one central approach towards personal cybersecurity, so we are left to deal with this risk on our own as internet users. We do need to accept that it is our personal responsibility to protect ourselves from bad actors and reach out to our technology or online service providers to stay abreast of current threats and protection opportunities.

> "The most vulnerable cybercrime victims are young adults and adults over age 75…"

For most of us, we have enough knowledge to do our own research, but young adults/children and seniors do not necessarily know to whom to turn for a more proactive approach towards cybersecurity. If you are interested, here is an example where a collaborative approach of both age groups can make an impact on each other: https://cyberseniors.org/.

But what are some of the more prevalent steps we can take in order to protect us in the ever-changing online world? Here are some of the easier initiatives that require a change in behavior but will immediately make a difference in lowering the risk of falling victim to an attack or identity theft:

1) Passwords – The most impactful way to decrease risk is having a consolidated approach towards password management. Most of us are using the same password across different online entities, which increases the risk level multifold in case of a breach on the side of a service provider. What we can do is to utilize a password management solution that will support us in creating complex and different passwords for each of our online accounts. Good examples are 1Password, Keeper Security or LastPass. The difference is that we are

no longer required to know each of our passwords and can increase the complexity and length of a unique password to a unique website.

2) Multifactor Authentication (MFA) – Multifactor or 2Factor authentication is now almost a requirement when you are interacting with a financial institution. Most MFA technologies will send a key combination to your e-mail or phone as a secondary requirement after you enter your password. While this sounds cumbersome, it is an excellent additional layer of protection that you should use not only for your financial services accounts but also for your social media presence or wherever you have the technology being offered to you. Most large providers like Google or Yahoo will offer this option for all of their services, and we do see an increased number of retail providers following the trend as well.
3) Online Transactions – Be careful in how you are paying for your online merchandise. Using a debit card is something you should never do for an electronic transaction as it is tied directly to your checking account and bears an elevated risk if the information is compromised. Even providing credit card information directly as payment method is risky in case there is a breach on the merchant side. Payment providers like PayPal or Apple Pay can function as an additional layer between your personal account information and the merchant by encrypting your payment card information and taking over the responsibility of securing the transaction.
4) E-mail – One of the highest exposures to identity theft or exploitation is coming via the substantial number of e-mails we receive on any given day.
   a) First, there is nothing free on the internet and if it sounds too good to be true, it is most likely a fraud.
   b) Most e-mails contain links for ease of use, but it can come at a high price if you access the link directly out of an e-mail message. Did you know that 78% of cybercrime attacks are initiated by the victim clicking on a link in an e-mail message?
   c) Do not enter your credential information into an e-mail message you received. Even if it appears to be a legitimate message from your bank or merchant provider, it is much safer to go directly to the website and enter your credentials there.

These are some ideas to use in managing your online presence. If you are following these steps, you have significantly lowered your risk of exposure to an attempt to compromise your online account information.

Do you have other questions that you would like us to address in this part of the newsletter? Please reach out to your client representative. They will collect your questions and pass them on.

"…78% of cybercrime attacks are initiated by the victim clicking on a link in an e-mail message…"

Raising Responsible Beneficiaries

Bradley S. LaTour, J.D., CTFA
Vice President
Senior Trust Relationship Officer

Several years ago, my five-year-old was sitting at the table as I prepared his breakfast of cereal and fruit. I slid a bowl of Cheerios to him with a glass of milk and began peeling a banana. Just before I handed it to him, I took a large bite off the end.

"Hey," he remarked, indignantly. "Why'd you do that, Dad?"

I looked at him with a wry grin and replied, "Taxes."

Even at an early age, you can begin preparing the youngest of minds for what they are eventually going to face as maturing adults – the complex world of financial responsibility.

In poll after poll, the majority of wealthy clients share a similar concern — will my children grow dependent on the wealth left to them and fail to realize their potential? They don't want to give their children too much money too early and risk indulging them and making them irresponsible.

Instead, most wealthy individuals want to raise their children to be good stewards (i.e., good beneficiaries) of the family wealth so that they, in turn, can raise their children similarly. They want to connect their own family values with financial responsibility in order to increase the chance of avoiding the generational dissipation of family wealth (sometimes known by the phrase "shirtsleeves to shirtsleeves in three generations"), where 70% of family wealth is gone by the second generation and 90% by the third.

"... will my children grow dependent on the wealth left to them and fail to realize their potential?"

Professional advisors can help reinforce good financial behavior in the next generation, but the foundation is laid at home by parents and other family members. A teenaged son once stole his parents' credit card to buy a pair of $150 sneakers. When caught, his father shrugged, said, "I was going to get them for his birthday anyway," and let him keep the shoes! Children will model the behavior of those they most observe and trust, so provide them a positive example to follow.

Here are four simple things that parents and grandparents can do to help develop sustainable financial behavior in their children and grandchildren.

First, encourage and support the next generation in pursuit of their passions. They may have a desire to excel in education and follow a traditional career path or explore entrepreneurial goals. They may have a love for philanthropy or a unique talent to develop or even a dedication to raising their family. An attorney once told me, "Beneficiaries need something to wake up to each day and be passionate about." It takes more than the expectation of trust income to motivate and challenge a person. They will need something personal — help them discover it.

Second, educate them on basic financial principles. What is the difference between principal and income? What happens to income when principal is reduced? What is a sustainable earning/spending plan? Too often, easy access to trust fund assets can prevent good lessons that will bolster a beneficiary later in life.

Challenges will occur. The safety net of a trust fund is reassuring but need not be the first place to turn for assistance or rescue. Instead, consider and instruct that other options are available (and possibly preferred):

- Reduce expenses (eliminate unnecessary services, change locations, buy a smaller vehicle, etc.)
- Increase income (change or get a job)
- Borrow funds from a beneficial source (try a bank for home/car purchase based on favorable interest rates)
- Ask friends/family for help (use reduced interest loans or annual gifts)
- Sell something (unneeded items or investments)
- Go without (just don't buy it)
- Wait for time to pass (desires may change)
- Contact trust officer (for thoughts and ideas before an actual distribution)

Third, expose your children to the family's advisors – accountant, attorney, trust officer, etc. Do the advisors come to your home? Do the children see them in a variety of situations and are they comfortable around them? As they approach adulthood, are they establishing meaningful relationships? Is someone already beginning to advise them? (The answer is yes, but be sure the right people are doing the advising.) Personal information will need to be shared in the future to have an effective relationship (salary and debt information, family challenges, personal goals and desires, etc.). Help establish trust relationships early so that they will be effective later when needed.

Fourth, teach them to give back. Knowing how to give with intention doesn't come naturally. Talk to the next generation about which charitable institutions you contribute to and why, whether it is volunteering or donating. Consider offering to help the charities that are important to them, possibly through a matching program. Teaching family members about giving can help them discover causes they care about, develop budgeting skills and financial literacy, and open their eyes to valuable tools to help create change in the world.

Children can be taught simple economic concepts very early to help them learn about choices, consequences, and how to appreciate family wealth. They will then be better prepared to act responsibly and sustainably with any assets over which they become stewards. It can even begin with a hands-on example of a banana and taxes.

For the record, I used the same method with cookies.

"Challenges will occur. The safety net of a trust fund is reassuring but need not be the first place to turn for assistance or rescue."

Retirement Accounts Get Left Behind as Employees Take Part in the 'Great Resignation'

Robenson Jean-Baptiste
Participant Services Coordinator

This year has offered its fair share of challenges for financial markets and global economies. The R-word has been a constant in the minds of employers and employees alike; not recession but resignation. In what is being dubbed the 'great resignation,' employers have faced a historically tight labor market, rising wages, and the need to offer competitive benefits. While the 'great resignation' phenomenon has certainly played its part in the macro picture, there is an impact that is going largely unnoticed. Those who are leaving their employers may be hurting themselves when it comes to their retirement.

As individuals navigate complex variables when choosing one employer over another, they typically aren't thinking about their existing retirement savings as part of the equation. Based on a study by Economist John Sabelhaus of the Wharton School of the University of Pennsylvania, 53.3% of all employers now offer a retirement savings benefit. The majority of the time someone comes into a role, the idea of saving for retirement is figured out for them, technically. Most workers hold an average of 12 positions in their adulthood. What happens with their previous retirement savings is where things go awry.

"As individuals navigate complex variables when choosing one employer over another, they typically aren't thinking about their existing retirement savings as part of the equation."

THE COST OF INACTIVITY

Research conducted by Fintech firm Capitalize, with data gathered by the US Department of Labor, the Census Bureau, 401(k) record-keepers, and the Center for Retirement Research at Boston College, aimed to estimate accounts left behind by employees. The firm estimates that there were 24.3 million forgotten 401(k) accounts in 2021, and these accounts held an average balance of $55,400. Given how stressful job transition can be, it comes as no surprise that someone would choose to leave their savings in their previous plan. Estimates could move higher given the current climate where one in five workers say they are likely to switch to a new employer in the next 12 months.

Without context, this inactivity seems pretty benign, but the costs of not staying on top of your retirement accounts could potentially be in the hundreds of thousands. The cost of plans' individual investment fees, and asset management fees tend to be higher than most IRAs, potentially eating away at returns and compound interest. In addition, due to the self-guided nature of employer-sponsored retirement plans, some participants will have an asset allocation unsuitable for their savings goals. For instance, the spread between general market returns and a money market/stable fund investment is significant, and when you factor in compounding, potential returns lost are exponential.

Thankfully the problem of forgotten accounts has gotten attention, as legislators move to pass what is termed SECURE 2.0. The legislation currently being discussed in the Senate has widespread support for creating a national database to help individuals locate previous retirement accounts. There are also discussions regarding changing investment elections to target date funds for participants who cannot be located. These same individuals with smaller balances would have those transferred to either the treasury or the Pension Benefit Guaranty Corporation (PBGC). The proposed legislation will have an impact in curbing the problem; until then, the burden falls on plan sponsors, administrators, and participants to be fully aware of options and offer streamlined processes for account rollovers.

> "Research… estimates that there were 24.3 million forgotten 401(k) accounts in 2021…"

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Slow and Steady Wins the Race

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For an investor, this famous proverb can be broken down into three parts:

1) Slow – be a long-term investor, and
2) Steady – be disciplined and stick with your investment plan through varying market cycles
3) Wins the Race – achieve your financial goals and objectives.

Simple math, right? 1+2=3. Unfortunately, it is not that simple when it comes to investing. Every investor is different and has unique personal traits that may make this equation much more difficult than at a first grade level. Fortunately, there are tools at your disposal that can make this not-so-simple math equation easier to add up. Dollar cost averaging is the investment strategy that epitomizes this proverb and one of the single best investment approaches that an investor can use to achieve their long-term financial goals and help maintain composure during periods of market volatility and drawdowns, as we have experienced recently. The latter may turn out to be the most valuable benefit of dollar cost averaging, even though it may also be the most difficult to stomach for some investors.

“Every investor is different and has unique personal traits that may make this equation much more difficult…”

Dollar cost averaging has two common definitions:

1) Systematically investing a portion of recurring cash in-flows such as a bi-weekly paycheck on an ongoing basis (i.e., buying assets in your taxable account every month or 401(k) account every pay period), and
2) Investing a lump sum of cash systematically over a period of time.

The hope with either of these methods is to manage price risk when purchasing assets and not buy in at any single price point. This technique ensures an investor buys fewer shares when prices are higher and more shares when prices are lower. But there are more benefits to the strategy that are worth exploring. We will focus on benefits relative to the first definition as it is applicable to a majority of investors and has been used as an important investment strategy to build long-term wealth for countless individuals.

DISCIPLINED SAVING

When it comes to growing wealth, a mindset for saving can be an asset. Contributing money to an investment account regularly allows for the practice of disciplined saving. This strategy allows investors to stay invested and participate in the historical upward trajectory of the market over time. A byproduct is setting good behavioral practices in place by making contributions routine and on auto-pilot without much needed effort from the investor. Many employer-sponsored retirement plans and investment platforms have given investors the ability to program and automate their contributions so they may need to do little further to have their dollars from a paycheck or bank account invested on their behalf on a regular basis. This is not the same as completely ignoring your portfolio after this has been put in place. You should still periodically review your portfolio for rebalancing opportunities and ensure the portfolio still aligns with your goals and objectives.

AVOID MARKET TIMING

There may be the temptation to build up cash as it is received, and attempt to "time the market" by investing a lump sum at just the right time. This is a game that many investors will not win, and few, if any, can win consistently. Nothing can hurt a portfolio, or an investor's psyche, more than investing a lump sum of money at the top of a bull market only to see the portfolio's value drop as asset prices decline during a market decline. This a risky proposition that most investors would prefer not play. You would be better off lowering your risk of buying into the market at the wrong time by buying in at several times over the course of your investing time horizon as cash is received.

> "Contributing money to an investment account regularly allows… investors to stay invested and participate in the historical upward trajectory of the market over time"

TAX-LOSS HARVESTING OPPORTUNITIES

Purchasing assets in regular intervals over the course of time establishes different tax lots and gives an investor the ability to harvest tax losses during periods of market volatility. Holding assets with different cost basis (price you pay for the asset) gives the investor the flexibility to sell assets that are currently priced below cost to generate tax losses that can be used to offset tax gains generated in the portfolio, or up to $3,000 of ordinary income. This may be especially important when an investor has a significant capital gain from the sale of an asset or needing to sell assets in the portfolio for a large cash distribution.

REDUCE EMOTIONAL SHORT-TERM INVESTING

It is impossible to remove all the emotion from investing. An investor inherently is taking on risk by purchasing growth-oriented assets like a portfolio of diversified equities that appreciate over time. It is inevitable that some, if not all, of those assets will occasionally lose some of their value during certain periods, and in turn emotions may begin to influence the investor. This can lead to suboptimal decisions, such as selling at market bottoms in an effort to "avoid more losses." Dollar cost averaging, by nature, is consistent investment decisions that are not driven by emotions. A disciplined buying strategy focuses an investor's energy towards achieving their goals and objectives eliminating hype created by

Slow and Steady Wins the Race, continued

"The only thing certain in the financial markets is the uncertainty of the markets themselves."

media and news outlets on the short-term direction and performance of the stock market. Staying the course during periods of short-term volatility often leads to long-term investment success. In short, if the headlines in your life (e.g., marriage, job loss, change in health, birth of a child, etc.) do not change, the headlines in the newspaper generally should not change your long-term investment strategy.

The only thing certain in the financial markets is the uncertainty of the markets themselves. No one can predict with 100% certainty when the next market high or low will take place. The investor's best defense is a well-thought-out wealth management plan addressing their goals, liquidity needs, time horizon, tax situation, risk tolerance and unique circumstances, in tandem with an appropriate asset allocation and diversified portfolio. Dollar cost averaging may be an effective strategy to support the attainment of long-term financial goals and avoid emotional short-term thinking. Please reach out to a member of your client centric team and let us continue to serve you in winning your race.

Asset Protection Trusts in Michigan

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Michigan previously enacted the Qualified Dispositions in Trust Act of 2016 which allowed for the creation of Domestic Asset Protection Trusts ("DAPT"). A DAPT is an irrevocable trust that, if certain conditions are met, can shield assets from the claims of a person's creditors. Individuals who are in professions or businesses with high liability exposure should consider a DAPT. Under the Act, assets can be transferred to a Trustee. The transferor cannot be the trustee, but can be a beneficiary of the trust. Among the rights that a transferor can retain are the rights to:

- Direct trust investment decisions;
- Remove and replace trustees;
- Veto distributions from the trust;
- Receive discretionary distributions of income and/or principal;
- Receive the income from the trust;
- Direct how the assets are to be distributed on the transferor's death provided that the assets may not be transferred to the transferor, the transferor's creditors, the transferor's estate, or the creditors of the transferor's estate;

- Receive the annuity or unitrust payments from a charitable remainder trust;
- Receive the annuity or unitrust payments from a grantor retained annuity trust; and
- Receive an annuity from the trust of not more than 5 percent of the trust's initial value.

DAPTs also have a requirement of an affidavit of solvency in which the transferor must certify that the transfer will not render the transferor insolvent, that the transfer is not being executed with the intent to defraud any creditor, and the transferor is not aware of any pending or threatened litigation. If properly funded and established, the transferor's creditors may not reach the assets after the expiration of a two-year period.

However, when the 2016 Act was signed, no changes were made to the Uniform Voidable Transactions Act. Thus, professionals in Michigan were reluctant to use the Michigan statute. On July 19, 2022, Public Act 145 of 2022 was signed. The Act updated the Uniform Voidable Transactions Act to coincide with the Qualified Dispositions in Trust Act. The Act can be found at Michigan Complied Laws section 566.31. The new legislation makes it clear that a "qualified disposition" into a trust can only be overturned by a creditor with clear and convincing evidence of a fraudulent transfer, thereby creating a much higher standard of evidence for the creditor to overcome. Thus, Michigan is now a more favorable jurisdiction in which to create a DAPT. Additionally, a Michigan trustee will be able to serve as trustee for an out-of-state grantor of a DAPT.

Greenleaf Trust also has a Delaware Trust Charter which allows for additional DAPT opportunities. Delaware has a robust DAPT statute and has long been a favorable jurisdiction. Neither state allows shielding of assets for child support, but Delaware does permit shielding of assets for alimony under certain circumstances.

To make certain that your estate plan optimizes your goals, we recommend that you consult with your estate planning counsel, your accountant, and your team at Greenleaf Trust and Greenleaf Trust Delaware.

"A DAPT is an irrevocable trust that, if certain conditions are met, can shield assets from the claims of a person's creditors."

Stock Market Pulse

Index	7/31/22	Total Return Since 12/31/2021
S&P 1500	943.04	-12.45%
Dow Jones Industrials	32,845.13	-8.60%
NASDAQ	12,390.69	-20.45%
S&P 500	4,130.29	-12.59%
S&P 400	2,512.73	-10.82%
S&P 600	1,239.96	-10.85%
NYSE Composite	15,327.71	-9.43%
Dow Jones Utilities	1,024.18	6.22%
Barclays Aggregate Bond	2,162.99	-8.16%

P/E Multiples	7/31/22
S&P 1500	19.9x
Dow Jones Industrials	18.2x
NASDAQ	42.1x
S&P 500	20.4x
S&P 400	15.4x
S&P 600	15.2x

Key Rates

Fed Funds Rate	2.25% to 2.50
T Bill 90 Days	2.36%
T Bond 30 Yr	3.01%
Prime Rate	5.50%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	943.04	19.9x	1.57%
S&P 500	4,130.29	20.4x	1.56%
Dow Jones Industrials	32,845.13	18.2x	2.02%
Dow Jones Utilities	1,024.18	19.1x	3.17%

Spread Between 30 Year Government Yields and Market Dividend Yields: 1.44%

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