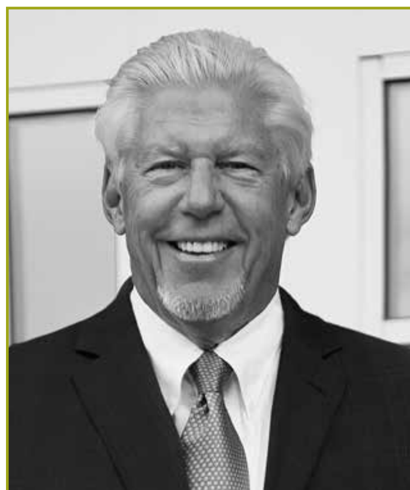
GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

FEBRUARY 2020 VOLUME 29, ISSUE 2



William D. Johnston
Chairman, Greenleaf Trust

Best and Brightest 4

How to Think About Last Year's Inverted Yield Curve 5

SECURE Act – What's Changed? 9

The Best We Have 12

The SECURE Act's Impact on Retirement Plans 13

Economic Commentary

During the month of January, our team at Greenleaf Trust traveled throughout our geographical markets presenting our 2019 Year in Review and 2020 forecast for the economy and financial markets. It was my privilege to join Nick Juhle, our senior vice president and director of research, as well as Chris Burns, a senior fixed income analyst within our research team, to participate in the seminar series. Our journey took us to Kalamazoo, Grand Rapids, Birmingham, Traverse City and Naples, Florida. We had the opportunity to meet with over 500 clients, friends and prospective clients of Greenleaf Trust and learn what was on their mind concerning the economy and financial markets.

In 2004, Google created Google Analytics, which was a service developed to measure search preference on their platform. The analytics have a variety of uses such as allowing advertisers a window into what topics, blogs, videos, social platforms etc. are visited most by the demographics that they are directly appealing to. The analytics are detailed and can be a useful tool for political and marketing campaigns. The results can also provide a window into what consumers and users of Google are interested in or worried about.

In February of 2009, the word recession was among the most searched terms on the Google platform. We were in the beginning stages of one of the deepest and most severe recessions in our country's history. National unemployment was at 8% and we were losing nearly 500,000 jobs per month. The popular media, both electronic and print, were filled with content about bank failures, mortgage foreclosures, plant closings, automotive company bankruptcies, government bailouts and personal suffering. It was perfectly understandable that the recession we were in was top of mind of the American public.

Fast forward to August of 2019, and you might be surprised to learn that the search analytics reveal that recession topic search requests have returned to the level seen in 2009. We know that concerns about a future, not current, recession is on the mind of consumers and you, our clients and friends of Greenleaf Trust.

During the past year, in several newsletter articles and e-mail blasts

Commentary, continued

to clients, Nick Juhle and his talented team of research analysts have presented solid reporting and analysis on the economic indicators that we monitor on a regular basis to make certain that we have an accurate pulse on the health of the US and global economies. Our message to you was that the critical indicators most reliable to indicating prior recessionary trends were in positive territory and the threat of an impending recession was not evident to us.

The recession that actually began in late 2007 is the most recent recession that investors have in their memory bank. It was sharp, severe and devastating to nearly everyone. People lost retirement savings, homes, jobs, businesses and entire careers. It is understandable that the word recession causes concern. Nick Juhle's team demonstrated in several articles that most recessions are not the variety of 2007–2008 or 1929, but rather are more typical business cycle recessions that last for a much more limited time and have an equally more tempered impact on equity and fixed income markets.

"... most recessions are not the variety of 2007–2008 or 1929, but rather are more typical business cycle recessions that last for a much more limited time..."

The reality is that we have now entered into the longest economic recovery in our country's history, and our current unemployment rate is the lowest it has been in 50 years; thus, it is logical to ask when will the recovery fade out and secondly, what will be the impact of it doing so?

Regular readers of this economic commentary know that my later focus begins and ends with the consumer. I want to know the following:

1. Is the consumer employed? The answer is a resounding yes, as measured by our current 3.5% unemployment rate.
2. Is the consumer spending? The answer, as indicated by retail sales, is yes and consistently so.
3. Are those employed receiving pay increases at or above inflation rates and for the past 20 months? The answer is yes.
4. Is household debt increasing and savings deteriorating? The answer is no. The balance sheet of both the consumer and businesses is stronger today in many ways than in 2007. Mortgage quality has improved as has overall credit quality scores. (These data points do not include student debt, which remains a significant issue.)

Consumers drive nearly 70% of US GDP and that portion of GDP output drivers continues to be in solid condition.

Private investment (Business and Housing) comprise 17.5% of GDP. Housing, which comprises 11% of GDP, remains in good condition with demand and price in relative equilibrium. Business investment remains weak and is continuing to be impacted by tariffs. We are optimistic that recently announced trade deals will positively impact business investment in productivity enhancing technology and capital goods.

We are now fully into an election year. Republicans were deficit hawks during the Obama administration but are spending at a rate that will add in excess of a trillion dollars to our federal deficit. Long-term deficit growth is a significant problem, but in the short term of 2020 increased government spending will be a stimulant to the economy, and government spending represents 17.5% of GDP.

On balance, the three major components of GDP growth suggest that the probability of recession in 2020 is limited. There are always risks to any economy, and the reality is that while unemployment is low and the consumer is confident and spending, business investment is weak and our overall GDP growth is slightly below an annualized trade of 2.4%. Domestic and geo-political issues can impact slow growth rate economies. The coronavirus is currently growing and countries are tightening borders and travel. It is hard not to imagine that prolonged interruption of travel and commerce will potentially impact demand and output. More will be revealed daily, but it is too early to calculate economic impairment at this time.

The Iowa Caucuses were advantageous to the media as more controversies were created but few answers were delivered on voter preferences. Perhaps the most obvious result of the Iowa caucuses was that they need to be replaced with a traditional primary structure. If the Sanders and Warren camps were hoping for a decisive showing, they didn't get it. Moderates within the Democratic Party have to be encouraged by the strong showing of Buttigieg, though at this writing the results are incomplete. Future primaries scheduled within the next two weeks will provide a much better assessment of where the Democrats are headed with respect to their candidate and how the split between the progressive and moderate wings of their party will resolve the need to select a candidate that can motivate party unity.

President Trump delivered his State of the Union Speech on the eve of his Impeachment acquittal in the Senate. This set of circumstances seems bizarre, yet it reminds us of the same set of circumstances that faced President Clinton in 1998. Each President chose different strategies that reflect their political personas. Each spent time on their respective economic headwinds, but that is where the similarities ended. President Clinton chose a conciliatory and almost confessional tone, with pledges to work on bipartisan proposals in the coming year. President Trump chose a campaign rally approach that left the division between the parties more, not less, divided and provided a clear view of what we can expect to see and hear for the next nine months in this election year.

"On balance, the three major components of GDP growth suggest that the probability of recession in 2020 are limited."

Michael F. Odar, CFA®
President

“I am extremely excited to announce that for the ninth year in a row Greenleaf Trust has been named one of the Best and Brightest Companies To Work For in the Nation…”

Best and Brightest

Being recognized for something that you believe in and work hard at is meaningful. We work hard at helping our clients achieve their goals, and along the way exceeding their expectations. In order to do this, we need a talented, highly engaged team. Which means we also work hard at attracting the best of the best talent and providing them with a dynamic workplace culture that amplifies their strengths.

Since 2011, The National Association for Business Resources has named the Best and Brightest Companies To Work For in the Nation. The Best and Brightest Companies to Work For® competition identifies and honors organizations that display a commitment to excellence in operations and employee enrichment that lead to increased productivity and financial performance. Organizations are assessed based on categories such as communication, work-life balance, employee education, diversity, recognition, retention and more. This competition scores potential winners based on regional data of company performance and a set standard across the nation. This national program celebrates those companies that are making better business, creating richer lives and building a stronger community as a whole.

I am extremely excited to announce that for the ninth year in a row Greenleaf Trust has been named one of the Best and Brightest Companies To Work For in the Nation® for 2019. We have been on the list for National Best and Brightest since the award’s inception, and for the second time in three years we were named a Top 101 Winner. This means that of the 5,000 nominations received from 40 states in 2019, Greenleaf Trust was one of the top 101 highest scoring national winners of the 540 companies that received the National Best and Brightest honor this year.

The recognition is meaningful to our entire team because of the belief we have in each other and in our culture. The consistency of the recognition also helps in our recruiting efforts by letting talented job candidates know we are committed to the development and continuous improvement of our team.

Strong and vibrant communities require friends. Therefore it should not be surprising that we are also excited that a few of our community friends were also named Top 101 Winners – Greenleaf Hospitality Group, HUMANeX Ventures, Southwest Michigan First, Stryker and TowerPinkster.

How to Think About Last Year's Inverted Yield Curve

Christopher D. Burns, CFA®, CPA®
Investment Strategist
Senior Fixed Income Analyst

Regular readers of our *Perspectives* newsletter know that the investment research team at Greenleaf Trust focuses on leading indicators. One of the better-known leading indicators is the yield curve. In March 2019, the yield curve did something concerning to many investors, it inverted. This article will focus on historical yield curve inversions and highlight our view that, although our antennae are up for risks, this inversion may be different.

What's a Yield Curve?

The yield curve displays yields for US Treasury bonds of different maturities. Since 1962, an average yield curve has looked like this:

Bonds that mature sooner, in six months or a year, are less volatile than bonds that mature further out into the future. Because they are considered less risky, on average, shorter bonds yield less than longer bonds. That means, on average, the yield curve is upward sloping.

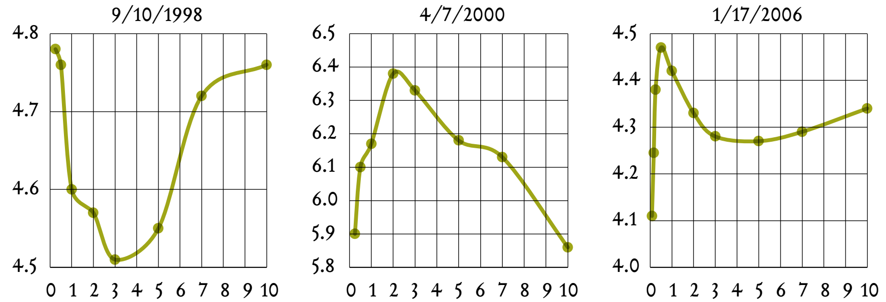
"One of the better-known leading indicators is the yield curve."

What is a Yield Curve Inversion?

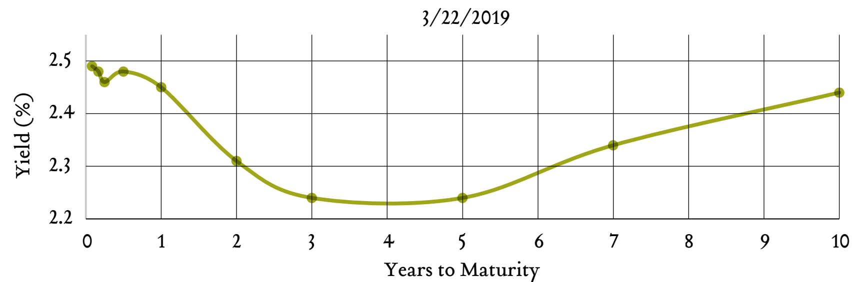
The curve, however, is not always upward-sloping. During times of economic uncertainty, investors seek to "lock in" income by buying longer-term bonds. During such times, investors may also be projecting that the Federal Reserve will lower interest rates to stimulate the economy in the future.

This pattern causes the yield curve to invert. When that happens, short-term yields are actually higher than long-term yields. Since 1962, this has happened ten times in the US, including in 2019. Prior to 2019, a recession followed a yield curve inversion in 7 of the 9 instances, with the start of the recession 4 to 24 months after the inversion. The next chart shows how the curve looked during the last few inversions.

2019 Review and 2020 Outlook, continued



In March, 2019, the curve inverted for the first time during this record-long expansion. It stayed inverted from May through October of last year.

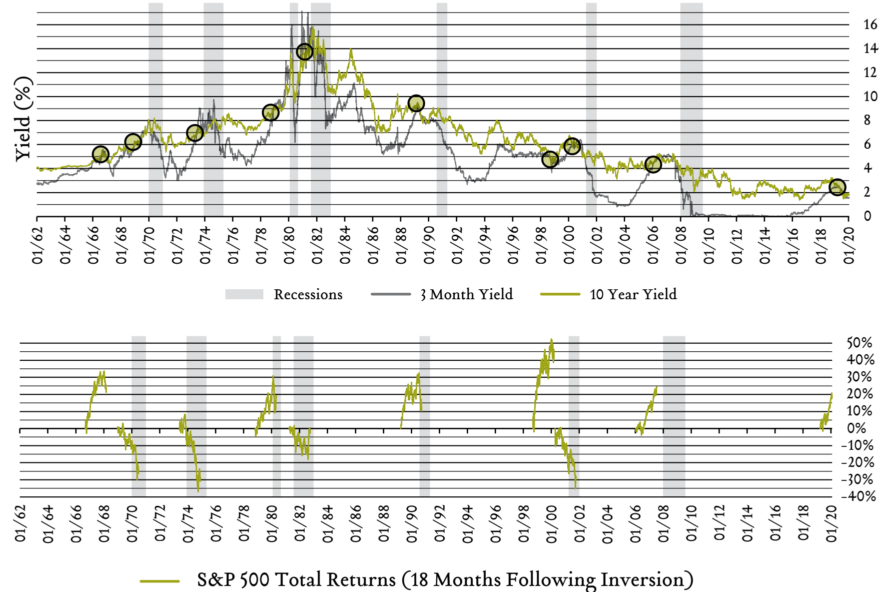


"Prior to 2019, a recession followed a yield curve inversion in 7 of the 9 instances…"

Inversions, Recessions, and Stock Market Performance

So, yield curve inversions are considered "bad." The stock market must have fallen since March, right? Wrong. The S&P 500 has returned roughly 20% since. The following chart shows the timing of historical yield curve inversions, the timing of recessions, and stock market performance in the 18 months after each inversion.

Yield Curve Inversions & Recessions



Out of the ten historical yield curve inversions (including 2019), US stock market performance was positive following 6 (60%) and negative after 4 (40%).

What is Different about this Inversion

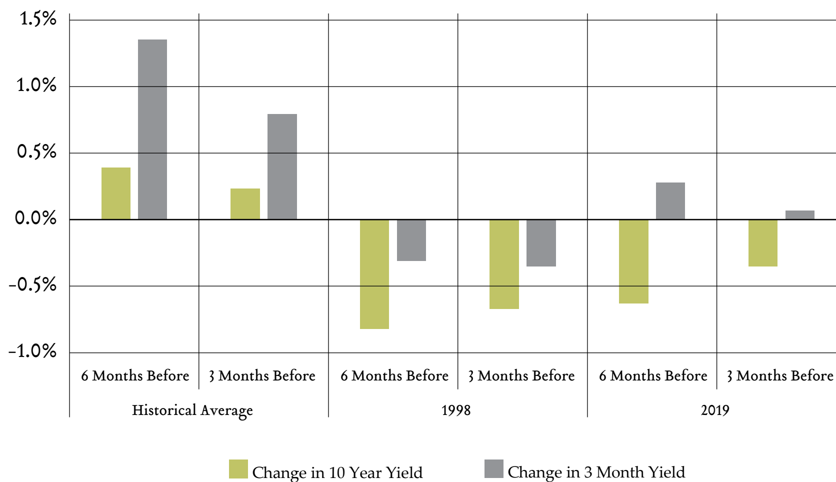
In our year-end seminar, we argued that the 2019 yield curve inversion seemed more like 1998 than a "typical" inversion to us. That is important, because 1998 was one of the two historical "false positives" when the yield curve inverted, but a recession did not follow.

The following chart shows why we sense hints of 1998. On average, the curve inversions prior to 2019 happened after 3 month (short-term) yields rose much more quickly than 10-year (long-term) yields due to tightening monetary policy. However, in both 1998 and 2019, the dynamic was different. The larger contributor in both cases was falling 10-year yields, not rising short-term yields.

The Federal Reserve, through their impact on short-term yields, typically has a lot of influence over yield curve inversions. Their response after the curve inverts also seems to matter significantly.

"The Federal Reserve, through their impact on short-term yields, typically has a lot of influence over yield curve inversions."

Normally, the Fed Drives Inversions



The Monetary Policy Response

One other reminder of 1998 is the way Federal Reserve Chairman Jerome Powell has characterized the monetary policy response over the last year. The Fed had been on a slow path of raising interest rates when they reversed course and cut rates 3 times in 2019, 0.25% each in July, September, and October. Fed Chair Powell described these decisions as a "mid-cycle adjustment" to monetary policy. After the final cut, the curve was no longer inverted, and has remained upward-sloping since.

211 SOUTH ROSE STREET, KALAMAZOO, MI 49007 269.388.9800

2019 Review and 2020 Outlook, continued

Inversion Date	Fed Policy After Inversion	Recession Outcome
Sept. '66	One 0.25% hike, then about 1.5% of easing.	No Recession
Dec. '68	Hikes of roughly 3.00%.	Recession begins Dec. 1969
June '73	Hikes of 2.25%.	Recession begins Nov. 1973
Nov. '78	Hikes of roughly 4.00%.	Recession begins Jan. 1980
Apr. '81	Hikes of roughly 3.25%.	Recession begins Jul. 1981
Mar. '89	Easing of roughly 1.75%.	Recession begins Jul. 1990
Sept. '98	Easing of roughly 0.75%.	No Recession
Apr. '00	Hikes of roughly 0.50%.	Recession begins Mar. 2001
Jan. '06	Hikes of roughly 1.00%	Recession begins Dec. 2007
Mar. '19	Easing of roughly 0.75%.	?

Examining the historical record, the Fed has commonly shrugged off an inverted yield curve and continued tightening monetary policy. 1998 was different. The Fed cut rates by 0.75% and a recession didn't begin for an additional two and a half years, after the curve had inverted again in April of 2000.

The monetary policy response in this cycle has been very similar to 1998. The Fed eased and has communicated an expectation that rates will be kept stable at the current 1.50-1.75% range for 2020. We believe this policy response has extended the current business cycle.

"We continue to believe that the yield curve is a powerful leading indicator, but it is not all-powerful."

Looking Forward

We continue to believe that the yield curve is a powerful leading indicator, but it is not all-powerful. This article examines some reasons to think that last year's inversion may not be a harbinger of recession. As we set our expectations for markets and the economy, we do not limit ourselves to one, or even a few, indicators of previous business cycles. Instead we examine dozens and attempt to form a holistic outlook.

As of this writing, our assessment is that the slow and steady growth we've seen in this record-long expansion can continue, despite the warning signal sent from the yield curve last year. As always, we will keep you updated as our thinking evolves. Please feel free to contact a member of your dedicated client centric team if you would like to discuss these ideas further.

Source: Bloomberg, LP, author's calculations

SECURE Act – What's Changed?

Jeff T. Pauza, CFA®, CFP®
Senior Wealth Management Advisor

The Setting Every Community Up for Retirement Enhancement Act, or SECURE Act, was officially approved by the Senate and signed by President Trump during the final weeks of 2019. While much has been written, discussed and debated about the merits of the new Act, it includes significant provisions that improve access to retirement accounts, prevent retirees from outliving their assets and broaden the usefulness of tax-advantaged accounts.

As expected when the rules change late in the game, we continue to receive calls and questions from our clients who are confused about the Act and the impact it will have on their retirement. In order to keep our readers informed and engaged, we have planned multiple assessments on the Act to share with our clients. My colleague, Rosie Hall, will address the specific impact on retirement plans in this month's *Perspectives*. Our Senior Trust Advisor, George Bearup, will also discuss wealth & estate planning opportunities for consideration under the SECURE Act in next month's edition. In order to provide a broad summary of the new law, what follows is a review of the most significant changes caused by the SECURE Act.

> "[the new Act]... includes significant provisions that improve access to retirement accounts, prevent retirees from outliving their assets and broaden the usefulness of tax-advantaged accounts."

AGE LIMITS: The SECURE Act repeals the prior limitation of a person age 70 or over to contribute to an IRA. An IRA contribution can only be made with earned income, but individuals over the age of 70 who are still working, either self-employed or part-time, can now make tax deductible contributions to an IRA.

REQUIRED BEGINNING DATE: The required beginning date for when an individual must begin to withdraw funds from their IRAs and qualified plan accounts (commonly referred to as a required minimum distribution) has been increased from age 70½ to 72. This means that a worker who has attained age 70½ in 2020 will have until age 72 to take their first required minimum distribution.

STRETCH IRA ELIMINATED: The ability to withdraw from an inherited IRA or retirement account over a beneficiary's lifetime was, in general, eliminated under the SECURE Act. The new rule requires an inherited IRA to be 'emptied' within ten years of the IRA owner's death. Unlike the old RMD rules that mandated a distribution from the inherited retirement account each year, under the new ten-year distribution rule, the inherited funds can be retained in the IRA, growing tax deferred, until the tenth year after the retirement account owner's death, when the balance must then be distributed. A delay in taking a distribution to the tenth year could expose that distribution to much higher marginal income tax rates due to 'bunching' all that ordinary income into a single

taxable year. This change is effective for individuals who die after December 31, 2019 – which means that existing inherited IRA owners will continue to be able to take distributions over their life expectancy.

Exceptions exist to this 10-year payout rule for designated beneficiaries who are the IRA owner's spouse, minor children, disabled or chronically ill individuals, or an individual who is not more than ten years younger than the IRA owner. An eligible designated beneficiary may take distributions from the inherited IRA over his or her life expectancy. When a minor child reaches the age of majority, typically 18-21, any remaining balance of the inherited IRA must be distributed within ten years from that date.

> "The new rule requires an inherited IRA to be 'emptied' within ten years of the IRA owner's death."

ENCOURAGING MORE WORKPLACE RETIREMENT PLANS: While small employers have been encouraged over the years to sponsor 'cheap' qualified plans, (SIMPLE IRAs, SEP IRAs), those options have not attracted much interest from small employers. As a result, new opportunities and inducements were created by the Act to encourage the adoption of qualified retirement plans. Called open multiple employer plans (or MEPs), the law will now permit multiple small employers to adopt a single qualified plan. The obvious goal is to spread the administrative cost to maintain a qualified plan over several employers, thus making those annual expenses associated with a qualified plan less cost-prohibitive.

INFORMING PARTICIPANTS: The Act requires qualified plan participants to receive annual illustrations of how much monthly income their retirement savings will provide after they retire. This information is intended to make plan participants better informed and to encourage them to save more for their retirement.

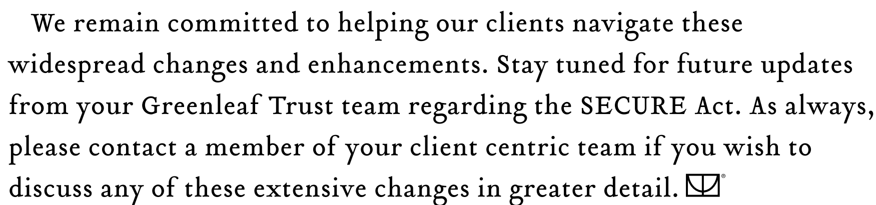
ANNUITIES: The Act expands the opportunities for plan participants to obtain guaranteed lifetime income, through the purchase of an annuity held inside their retirement plan account. Employers have historically been cautious about including annuities in retirement plans due to the potential for liability. Under the Act, any problems or issues that the plan participant has with the annuity investment option must be taken up directly with the annuity company, not the plan sponsor. The plan sponsor is only required to perform due diligence in the selection of the annuity provider.

529 PLANS: As part of the new law, 529 accounts can be used to pay for home schooling expenses, depending upon state law. In addition, the definition of higher education expenses was expanded to permit 529 accounts to be used for trade school expenses. 529 plan account owners may also now withdraw up to $10,000, tax-free, for payments toward qualified education loans.

KIDDIE TAX: The 2017 Tax Act changed the rules for the taxation of a child's non-earned income, exposing that income to the tax rates of estate and trusts, which were exceptionally high. The SECURE Act repealed that change. We are now back to the pre-2018 rules, where a child's passive income will be taxed at the child's parents' highest marginal income tax bracket.

BIRTH OR ADOPTION EXPENSES: If distributions are taken from an IRA for birth or adoption expenses, up to $5,000, that distribution will be exempt from the 10% penalty for early distributions prior to age 59½. The distribution must be within one year of the date of the child's birth or legal adoption. The amount withdrawn can also be repaid at a future date (i.e. re-contributed back into any retirement account). Note, however, that the distribution will still be taxable; it is just the 10% penalty that is avoided.

FELLOWSHIP & STIPEND INCOME: Taxable non-tuition fellowship and stipend payments will be treated as earned income, in order to permit the recipient to contribute to a traditional IRA or a Roth IRA.



We remain committed to helping our clients navigate these widespread changes and enhancements. Stay tuned for future updates from your Greenleaf Trust team regarding the SECURE Act. As always, please contact a member of your client centric team if you wish to discuss any of these extensive changes in greater detail.

"The Act expands the opportunities for plan participants to obtain guaranteed lifetime income, through the purchase of an annuity held inside their retirement plan account."

Regina Jaeger, CTFA
Vice President
Senior Trust Relationship Advisor

The Best We Have

Over the past 12 months, I have read many articles on the topic of CRISPR (Clustered Regularly Interspaced Short Palindromic Repeats) technology, and its potential medical uses. This subject is of particular interest because it is a developing genome editing technology that is controversial but yet shows great promise to treat cancers and other diseases. In 2018, CRISPR produced a global scandal in China because of its possible misuse. In 2019, the technology entered into clinical trials in the US. The CRISPR technology shows tremendous promise: however, a copious amount of research and trials have yet to be done. As often happens when I am reading on any topic, I find myself applying themes of the article to my everyday world of finance and estate planning.

A recent article about the advances of CRISPR technology noted that the technology is far from perfect, but it may be the best we have to combat some of the most fatal diseases we face today. At the time I read this particular article, I was working with clients and their attorney to implement some changes to their estate planning documents. As I discussed with the client their goals and how they related to their complex family dynamics, I caught myself applying the principle of "far from perfect, but it may be the best we have" to the field of estate planning.

"We assist families with essential and open conversations with heirs that can help reduce conflicts..."

As trust officers, we have countless conversations with clients to guide them in developing estate plans that fit their perfectly imperfect and, many times, complex family structures, dynamics and relationships. We assist families with essential and open conversations with heirs that can help reduce conflicts to achieve a legacy of wealth and good behaviors in the best possible way given what we know today. I am always grateful for the openness in which clients share the complexities of their individual families because that openness allows us to provide optimum guidance and solutions with continued reassessment and changes as warranted.

Many times, as we discuss the various methods of division and distribution patterns of assets to heirs, clients will ask about the most frequently used or most common division and distribution used by others. The methods and patterns are virtually endless, so we tend to begin by discussing some of the most commonly used patterns and then work to find those that may be best for the clients given their goals and their current and unknown future family dynamics. The challenge, more times than not, rests in trying to make planning goals and family dynamics run parallel. As you can imagine, many times they do not.

Occasionally, the solutions we provide can be complex as we help clients meld together achieving goals and current and unknown future family dynamics. At times, the solutions can be more easily achieved. But always,

we must recognize that creating an estate plan is trying to predict what tomorrow will bring and implement the appropriate estate planning documents and language in the documents that will leave the client's assets to heirs in a way that results in the least amount of conflict as possible, addresses the current and future needs of heirs and creates a legacy of responsibility and success.

Which brings us back to the premise of "far from perfect, but it may be the best we have." As we help clients develop and implement many estate planning techniques, we find that they are not always perfect, but they are the best we have at the moment to achieve goals despite the many things that are constantly changing. Even the most well thought out and implemented estate plan should undergo periodic review and assessment to ensure that the plan is still the most effective and efficient it can be in the context of changing circumstances, new information, rules, regulations, laws and goals. As we constantly tell all our clients, estate planning is a process, not a one-time event.

The SECURE Act's Impact on Retirement Plans

Rosalice C. Hall, CRPS®
Relationship Service Specialist

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was enacted late last year with a January 1, 2020 effective date. It has been publicized as the most significant piece of legislation affecting the US retirement system in more than a decade, and will inevitably affect a majority of Americans saving for retirement. The law is a collection of singular ideas that have been consolidated into one act. The new legislation is just the start of a critical conversation around the importance of retirement savings, and how we can make retirement plans work better for employees through increased flexibility and improved access to products and information.

> "[The SECURE Act] ...will inevitably affect the majority of Americans saving for retirement."

The SECURE Act provides modest improvements to some retirement rules, e.g., extending the required beginning date from age 70½ to age 72. IRA contributions will also be permitted by individuals after age 70, provided they continue to have earned income, thus enhancing their ability to strengthen their retirement savings. A trade-off for these modest improvements is the mandatory payout of inherited retirement accounts over a period of ten years. Previously, a designated individual beneficiary could "stretch" distributions over their life expectancy, but the ten-year

payout rule now supersedes the old "stretch" provisions.

The SECURE Act expressly notes, the Required Minimum Distribution (RMD) is being increased to age 72 years from 70½. If an individual is born on or after July 1, 1949, they will not have to take a RMD until they turn age 72. However, those who turned 70½ in 2019 will fall under old rules; they will receive their initial RMD by April 1, 2020, and will continue to receive distributions each year.

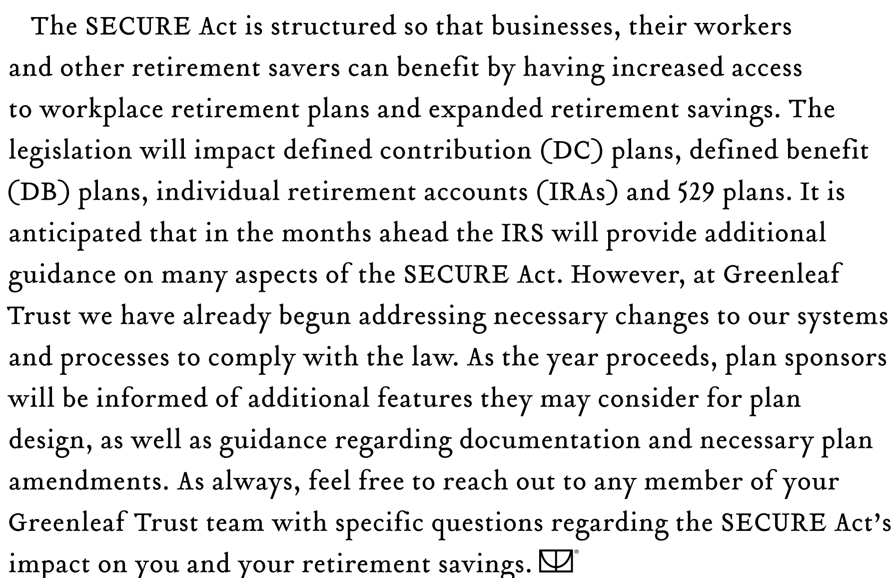
The SECURE Act includes several enhancements that necessitate additional guidance before participants and plan sponsors can take full action. For example, the act includes a provision that permits participants to elect a penalty-free in-service withdrawal of up to $5,000 within one year following the birth or adoption of a child. It also allows for later repayment of such withdrawals. Currently, the provision is optional for plan sponsors to adopt, but it is unclear if the 20% federal income tax withholding is also optional at the time of distribution.

> "Plans will be required to provide participants with an annual lifetime income disclosure..."

Additional provisions of the SECURE Act:

- Qualified Automatic Contribution Arrangement (QACA) safe harbor plans are allowed to increase the cap on automatically raising payroll contributions to 15% from 10% of an employee's paycheck, provided they are given the option to opt out.
- "Lifetime income disclosure statements" will be required annually on participant statements. They serve to provide increased transparency into retirement income and offer a better gauge of your potential monthly income throughout retirement.
- Plans will be required to provide participants with an annual lifetime income disclosure, converting their account balance into an income stream at retirement.
- Elimination of the annual notice requirement for nonelective 401(k) safe harbor plans that provide an employer contribution of at least 3% of each eligible employee's compensation. The notice requirement still applies to plans using a safe harbor matching contribution option.
- Plans may be amended to adopt a nonelective ADP safe harbor option at any time prior to the 30 days before the end of the plan year. Alternatively, a plan can adopt the ADP safe harbor option prior to the last day of the plan year, provided the employer uses a 4% nonelective contribution (instead of 3% of compensation).
- Increases in the penalties for failure to file Form 5500, withholding notices, and annual registrations of certain plans.
- Companies can adopt a new plan as late as the employer's tax filing deadline, including extension. This may allow an employer to see how profits are doing before adopting a new plan.
- More favorable tax credits for certain small employer plans, effective

for taxable years/plan years beginning after December 31, 2019. For example, the credit for adopting a retirement plan ranges from $500 to $5000 depending on the number of employees and number of non-highly compensated employees (NHCEs).
- Permanent nondiscrimination testing relief with respect to benefit accruals and benefits, rights and features provided to a closed class of participants in defined benefit (DB) plans.
- Certain long-term, part-time employees, working at least 500 hours per year for 3 consecutive years, in non-union 401(k) plans, will be eligible to make elective deferrals, effective for plan years beginning after December 31, 2020. However, employee service prior to that date may be disregarded for purposes of this rule. As a result, the first time part-time employees are required to be allowed to defer under this rule will be in 2024.
- Reforms to help address the retirement "coverage gap" by permitting open multiple employer plans (MEPs), thereby expanding access for workers currently without a workplace savings plan, effective for plan years beginning after December 31, 2020.
- Allowance of consolidated Form 5500 filings by a group of similar defined contribution plans with specific shared characteristics, effective for plan years beginning after December 31, 2021.
- Procedural changes will begin immediately, but plan sponsors will have until the end of the 2022 plan year to adopt any plan amendments.
- Various additional provisions, (e.g. elimination of stretch IRAs and trust and estate planning strategies) will be discussed by my teammates in subsequent Perspective articles. Additionally, those provisions that do not impact accounts administered by Greenleaf Trust, (e.g. restricted allowance of annuities in retirement plans and elimination of loans via credit cards) are not detailed in this article.



The SECURE Act is structured so that businesses, their workers and other retirement savers can benefit by having increased access to workplace retirement plans and expanded retirement savings. The legislation will impact defined contribution (DC) plans, defined benefit (DB) plans, individual retirement accounts (IRAs) and 529 plans. It is anticipated that in the months ahead the IRS will provide additional guidance on many aspects of the SECURE Act. However, at Greenleaf Trust we have already begun addressing necessary changes to our systems and processes to comply with the law. As the year proceeds, plan sponsors will be informed of additional features they may consider for plan design, as well as guidance regarding documentation and necessary plan amendments. As always, feel free to reach out to any member of your Greenleaf Trust team with specific questions regarding the SECURE Act's impact on you and your retirement savings.

"As the year proceeds, plan sponsors will be informed of additional features they may consider for plan design..."

Stock Market Pulse

Index	1/31/2020	Total Return Since 12/31/2019
S&P 1500	737.55	-0.31%
Dow Jones Industrials	28,256.03	-0.89%
NASDAQ	9,150.94	2.03%
S&P 500	3,225.52	-0.04%
S&P 400	2,007.22	-2.61%
S&P 600	979.84	-3.98%
NYSE Composite	13,614.10	-2.01%
Dow Jones Utilities	938.57	6.77%
Barclays Aggregate Bond	2,267.82	1.92%

P/E Multiples	1/31/2020
S&P 1500	21.4x
Dow Jones Industrials	20.1x
NASDAQ	33.6x
S&P 500	21.4x
S&P 400	21.4x
S&P 600	23.9x

Key Rates

Rate	Value
Fed Funds Rate	1.50% to 1.75%
Tbill 90 Days	1.50%
T Bond 30 Yr	2.00%
Prime Rate	4.75%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	737.55	21.4x	1.83%
S&P 500	3,225.52	21.4x	1.83%
Dow Jones Industrials	28,256.03	20.1x	2.26%
Dow Jones Utilities	938.57	24.3x	2.73%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.17%

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

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

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

GRAND RAPIDS OFFICE:
25 Ottawa Avenue SW, Suite 110
Grand Rapids, MI 49503
office: 616.888.3210

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

BAY HARBOR OFFICE:
4000 Main Street, Suite 150
Bay Harbor, MI 49770
office: 231.439.5016

GREENLEAF TRUST DELAWARE:
4001 Kennett Pike, Suite 226
Greenville, DE 19807
office: 302.317.2163

This newsletter is prepared by Greenleaf Trust and is intended as general information. The contents of this newsletter should not be acted upon without seeking professional advice. Before applying information in this newsletter to your own personal or business situation, please contact Greenleaf Trust. We will be happy to assist you.

Greenleaf Trust Delaware, a Delaware limited purpose trust company, is regulated by the Office of the Delaware State Bank Commissioner. Greenleaf Trust Delaware is wholly owned by Greenleaf Financial Holding Company, a Delaware corporation. Greenleaf Financial Holding Company is also the sole owner of Greenleaf Trust, a Michigan non-depository trust bank regulated by the Michigan Department of Insurance and Financial Services. Both Greenleaf Trust and Greenleaf Trust Delaware provide various fiduciary and non-fiduciary services, including trustee, custodial, agency, investment management and other non-depository services. Greenleaf Trust and Greenleaf Trust Delaware offer personal trust, retirement plan and family office services to families and entities.

Greenleaf Financial Holding Company and its subsidiaries do not provide legal, tax or accounting advice. Please consult your legal, tax or accounting advisors to determine how this information may apply to your own situation.