GREENLEAF TRUST

Perspectives

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Chairman, Greenleaf Trust

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Economic Commentary

Resilience has always been an important part of our country's history. The pathway to our current condition has not been simple or easy, but rather gut-wrenching and somewhat terrifying from time to time. A close examination of our country's history reveals just how much we have overcome and endured during the past 245 years. Global and civil wars, numerous geopolitical crises, natural disasters, global pandemics, economic depressions as well as recessions and 60 presidential elections, have all tested our resolve if not the very fabric of our democracy. Along the way, we have faced and not always cured the issues of racial and gender inequality, nor the persistent and growing wealth and income disparity. Yet we continue on our journey to achieve what our founders described as "a more perfect union." The significant challenges encountered during 2020 meet head on with the promise and opportunity emblematic in the new year of 2021. As we look forward to this new year, what will our guideposts be? How shall we measure our progress?

In Mid-January, Nick Juhle, our Senior Vice President and Director of Research and I had the opportunity to share, through a virtual platform, our company's collective wisdom on our economic and financial market forecast for 2021. In years past, we would travel around the state and meet together with clients and friends of Greenleaf Trust. COVID-19 denied us that opportunity this year; thus, we presented in a digital format. While not our favorite communication method, we hope the information was helpful.

During our forecast, we introduced some essential messages. Our return to pre-COVID-19 economic strength will not occur until our nation's resistance to the pandemic is achieved. Our pathway to that resistance is, and must be, inoculation of at least 70% of our population. While there is debate about the exact number and percentage necessary, 70% certainly covers the most vulnerable as well as the most mobile portion of our population. Today, approximately 30 days into the vaccine distribution, how are we doing? As of January 30, the CDC has records that include 20.7 million vaccinations and 5.1 million second doses being administered. The average daily dosage administered is now slightly in excess of 1.1 million.

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Commentary, continued

If we are able to maintain that level of dosage per day, we would achieve the 70% threshold in the middle of September of this year. There will be challenges to overcome on the pathway to success, most of which are logistical in nature, mixed with some political implications as well. A growing theme among those designing the logistical distribution seems focused on a "barbell" approach that includes the most vulnerable classified by age and morbidity (65 and older and those with pre-existing conditions), as well as expanded definitions of frontline workers to include teachers, first responders, grocers, delivery personnel and home healthcare providers.

The duration of time in the administration allows for the continuation of research on vaccine safety for children and introduction of more single dose inoculation alternatives. Though new viral strains are emerging, the efficacy news is encouraging. Those who have received the vaccine yet also contract COVID-19 have significantly reduced symptoms and effects as well as 100% survival rates. Progress is being made, and the passage of time while achieving consistent improvement in distribution and inoculation rates will get us to the benchmark target on or before mid-September. Simultaneously as we pass through this duration of time, our economic recovery will continue.

"Our return to pre-COVID-19 economic strength will not occur until our nation's resistance to the pandemic is achieved."

Beginning in the first week of March 2020, we began to follow closely and publish the New York Federal Reserve Weekly Economic Indicator (WEI). As a reminder, this real time indicator assembles multiple data points around consumption, production and labor. The objective of this exercise is to measure where our economy (GDP) is in real time, versus where it was twelve months prior to that measurement. During the second week of March 2020, the WEI measured -14.87, reflecting a real time GDP change more dramatic than the depression of 1929. March unemployment later revealed that in excess of 21 million people lost their jobs within a three-week period and the unemployment rate soared to 14.7%.

Currently the WEI is steady at 2.17% reflecting a gain of 12.70% and the unemployment rate has declined to 6.3% or 10.1 million people. The decline and recovery of the economy has been somewhat characteristic of a V-shaped recovery, though it is not yet complete. A closer examination of the labor statistics indicates that a full recovery of employment is not likely to return until the industry sectors of hospitality, retail, food and beverage, entertainment and travel improve, and that improvement is tied directly to success in vaccination accomplishment. Recently several states have eased in-house dining restrictions and at least three airlines have begun the recall of furloughed workers; thus, the expectations for improvement in these industries is warranted.

During the second quarter of 2020, we saw a dramatic 10.7%, or $2.3 trillion, contraction in our GDP. Quick action by Congress saw multiple direct-to-consumer stimulus packages acted upon. Year-end data demonstrated that the full year GDP results will probably reflect an economy of about 21.2 trillion dollars signifying an almost complete recovery relative to 2020 consensus expectations. This recovery validated direct payments to families, extended and amplified unemployment benefits as well as comprehensive SBA loan opportunities to sustain payrolls.

As we related in our year-end seminar, although consumer activity remained robust, not all stimulus was spent — in fact, the average savings rate of consumers doubled to 10.7% (historically our national savings rate is approximately 5%). This significant rise in savings bodes well for 2021 GDP forecasts and suggests that as consumer confidence grows during the vaccine administration they are likely to spend some of their increased savings, further assuring that economic and employment recovery will take place. The Biden administration has rolled out a $1.9 trillion stimulus plan that is currently being debated in Congress. The elements of the plan are targeted to continue consumer strength, vaccine administration, state budget and education support. Democrats can pass the plan without the support of Republicans; thus, it is a question of whether the President wants the symbolic victory of bipartisanship or his campaign promise fulfillment. No president since George H. Bush has enjoyed bipartisan support of their first legislative package in their presidential tenure. This trend in place would suggest that President Biden will go it alone and push for the $1.9 trillion dollar package supported by the current Democratic majority. Whether the final result is the plan as presented or a lesser amount sought to seek some form of bipartisan passage, the result will be extended and enhanced unemployment benefits, additional SBA loans, direct to consumer payments, support for vaccination expenses for states and increased aid to education. All of the above should maintain consumer spending and GDP growth during the first half of 2021.

"No president since George H. Bush has enjoyed bipartisan support of their first legislative package..."

The GameStop Phenomenon

Michael F. Odar, CFA®
President

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Senior Vice President
Director of Research

It seems these days that there are a number of battles being waged out in the world. And, in our information society news travels fast and from many different directions. Fast and prolific enough that it can oftentimes be confusing. When my 13-year-old neighbor asked me about buying a stock he learned about from a meme on the internet, I knew we had reached that state of confusion about a financial battle playing out on Wall Street. So, to help explain things beyond the headlines I reached out to Nick Juhle, our Director of Research — someone we at Greenleaf Trust rely on for his ability to thoughtfully give us the real story. Here's what he had to say.

What is going on?

GameStop has become the poster child for what amounts to a very interesting clash between retail day traders coordinating on internet message boards and short-selling hedge funds. Here's what is happening. GameStop is a declining business, not unlike Blockbuster Video circa 10 years ago. The pandemic has accelerated the long-term trends that could be the eventual demise of this brick and mortar video game retailer. Several large hedge funds held short positions on GameStop (they profit if the shares decline in value, so they are betting the stock will fall). In many cases, they were using derivatives (options etc.) to amplify their bets further, which resulted in more than 100% of the GameStop shares being sold short. If the stock were to fall, the short sellers would make money, but in the event it were to spike higher, their potential losses would be literally unlimited. A public message board on Reddit encouraged people to buy shares of GameStop. The idea was that if enough people took action, the share price would rise, which would work against the short sellers. The only way to close out a short position in a stock is to buy the shares, so as day traders pushed the stock up, short sellers were also forced to buy shares in order to close their positions, which in turn drove the price even higher — much higher.

> "... the share prices we are seeing are completely divorced from any underlying fundamentals for GameStop and are purely reflective of extreme levels of demand..."

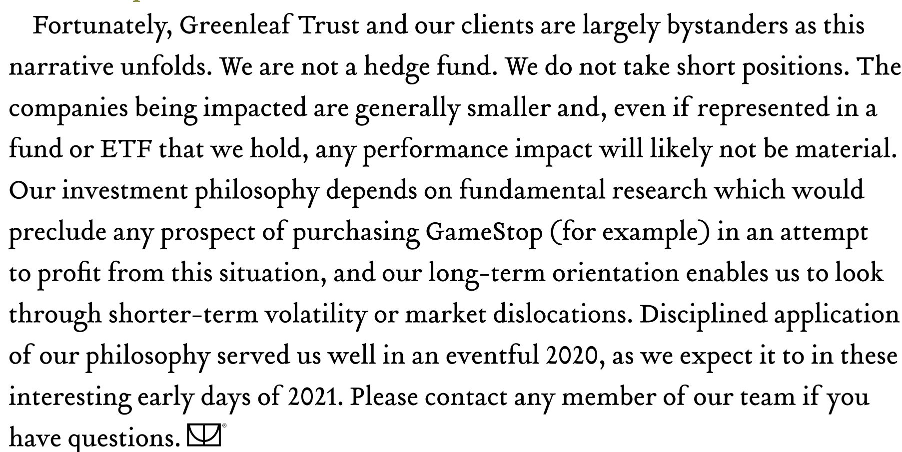
Hedge funds were betting GameStop shares would fall from a price of $4 back in June. Having briefly touched $500, shares were trading at $325 at the end of January. Hedge fund managers are unhappy because they have lost untold billions on what they believed to be a sure thing – enough, in some cases, to threaten their solvency. Soon, every retail investor on the planet (whether they understood what was going on or not) wanted to get a piece of the action, so the buying continued. To be clear, the share prices we are seeing are completely divorced from any underlying fundamentals for GameStop, and are purely reflective of extreme levels of demand for the shares. The same narrative has played out for shares of other struggling companies like AMC Theatres, Nokia, Blackberry, and Koss Corporation, though not to the same extreme levels observed with GameStop.

What are the implications?

A few things come to mind. First of all, hedge funds have been hurt so badly that in many cases they have been forced to sell higher quality investments to buy the shares necessary to cover their short positions. I suspect we have recently seen evidence of that in the market in the form of broader downward pressure and increased volatility. On Thursday, January 28, several retail brokers (Robinhood, TD Ameritrade, etc.) restricted additional purchases of GameStop and other targeted companies. It was rumored that they were pressured to do so by big hedge funds that actually drive significant revenue for them. As a result, there was some market relief. GameStop shares fell and the broader market rallied, but there was also outcry from retail investors who felt they were being unfairly restricted, not because they were doing anything wrong, but because the hedge funds were losing the game. Once those restrictions were lifted, GameStop rallied again and the broader market pulled back.

I expect this noise to work itself out in the short-term as short positions are covered and the retail excitement subsides. That said, there are plenty of other "GameStops" (small companies with high short interests) out there, so we could easily see additional short squeeze dynamics play out. If that's the case, long-short hedge funds would need to continue to unwind their short sales and would finance the trades by deleveraging their long holdings. This deleveraging process (on the long and short side) could drive additional volatility in the weeks ahead. Longer-term, I think (hope) we will see better risk controls in place with large money managers, and option pricing that more accurately accounts for risks that have now been illuminated. I also hope that inexperienced day-traders understand the risks they are taking by continuing to buy shares that are artificially inflated.

"Fortunately, Greenleaf Trust and our clients are largely bystanders as this narrative unfolds. We are not a hedge fund. We do not take short positions."



Greenleaf portfolio considerations?

Fortunately, Greenleaf Trust and our clients are largely bystanders as this narrative unfolds. We are not a hedge fund. We do not take short positions. The companies being impacted are generally smaller and, even if represented in a fund or ETF that we hold, any performance impact will likely not be material. Our investment philosophy depends on fundamental research which would preclude any prospect of purchasing GameStop (for example) in an attempt to profit from this situation, and our long-term orientation enables us to look through shorter-term volatility or market dislocations. Disciplined application of our philosophy served us well in an eventful 2020, as we expect it to in these interesting early days of 2021. Please contact any member of our team if you have questions.

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Vice President
Investment Strategist
Senior Fixed Income Analyst

Are you Hyper About Hyperinflation?

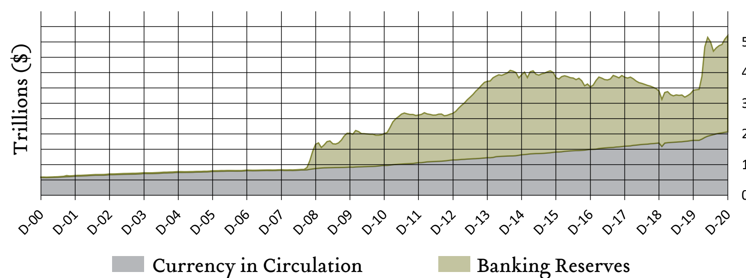
Many Greenleaf Trust clients remember watching economist Milton Friedman's 10-part public television series "Free to Choose" which aired in 1980. As one of the most prominent and influential economists of the era, Mr. Friedman's views shaped public opinion about the economy. Two of Mr. Friedman's quotes have been on our clients' minds lately:

"Inflation is always and everywhere a monetary phenomenon."

"Inflation is caused by too much money chasing after too few goods."

These quotes have many clients hyper about hyperinflation. Over the past two decades, the US Monetary Base has grown by 11.4% per year. In just the past twelve months, it is up 52%.

US Monetary Base Currency & Banking Reserves

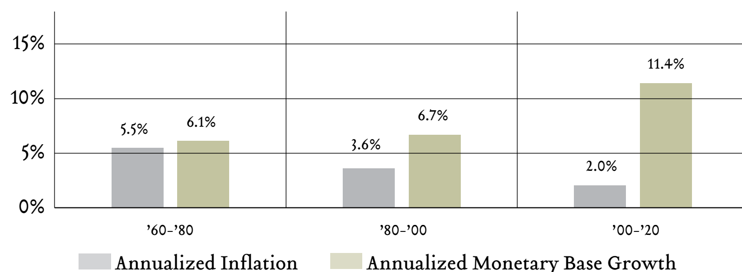


"At this rate of growth, inflation must be out of control, right? No."

At this rate of growth, inflation must be out of control, right? No. The latest US inflation reading came in at 1.4% growth year-over-year.

Well, maybe money supply growth affects the economy with a lag. Inflation must have been high after that rapid monetary growth through 2013, right? No. In fact, the US experienced a bout of disinflation as oil prices fell from $100 a barrel in 2014 to $30 in early 2016.

Monetary Base Growing — Inflation Falling



Looking at the last 60 years of US economic history, periods of faster growth in the monetary base have corresponded with period of slower and slower inflation, a dynamic that would surely puzzle Mr. Friedman.

This article will discuss our inflation outlook and why we are not feeling hyper about inflation in the US.

Savings vs Spending

In response to the COVID-19 recession, the US government enacted programs that the CBO estimates will increase the deficit by roughly $3.4 trillion. An additional $1.9 trillion proposal is currently being debated.

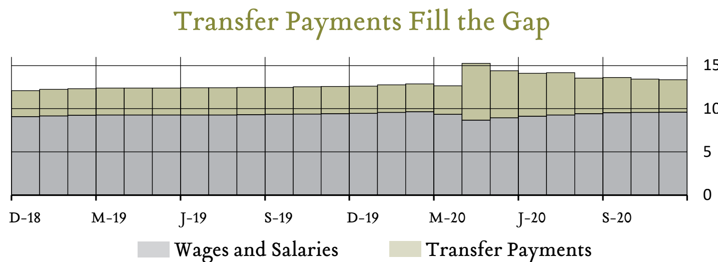
	Effect on the Deficit 2020-2030		Outlays Only Biden Proposal*
	April & March	December	
PPP	$ 628	$ 302	$ -
Unemployment	$ 442	$ 119	$ 350
Checks	$ 292	$ 164	$ 400
State & Local	$ 150	$ 18	$ 550
Other Spending	$ 713	$ 74	$ 600
Other Revenue	$ 375	$ 5	$ -
Federal Reserve Lending Facilities	$ 11	$ -	$ -
	$ 2,611	$ 682	$ 1,900

Billions of dollars, *Author's estimates

These programs not only filled the gap created by lost wages, but increased Personal Income in April by about 14% year-over-year, and by about 4% as of November.

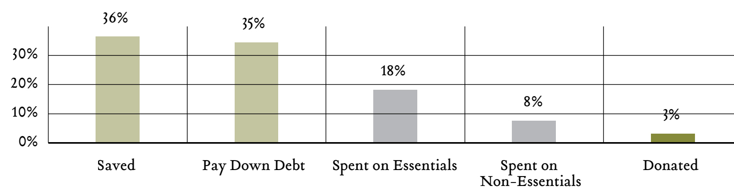
"High savings rates do have an impact, but not on inflation."

Transfer Payments Fill the Gap



Shouldn't this additional income create inflation? Perhaps if it had been spent. However, in this case, the majority of US citizens chose to increase savings or pay down debt rather than spend.

70% of First Stimulus Checks Were Saved



Throughout the last expansion, from 2009-to-early-2020, the savings rate in the US averaged 7.3%. In April, it hit an unfathomable 33.7%. It remains elevated as of November at 12.9%.

High savings rates do have an impact, but not on inflation. These savings tend to make their way into the stock, bond, and real estate markets, impacting financial asset prices, not the price of goods and services. Indeed, in 2020 the

Are you Hyper About Hyperinflation?, continued

price of US stocks increased roughly 20%, bonds increased roughly 7%, and home prices were up 9%.

The key question for the inflation outlook is: will high savings rates persist, or will they be converted into spending that might impact inflation?

What Did Get Spent?

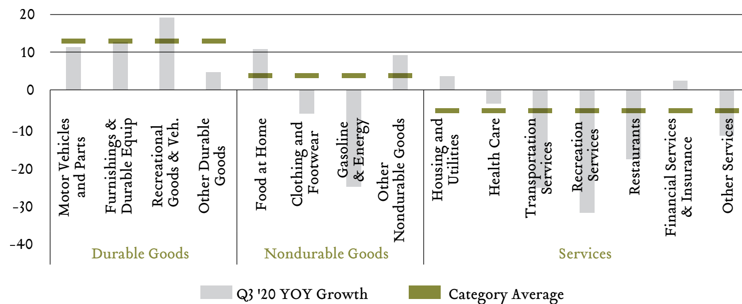
So what did consumers spend on in 2020? Durable goods: cars, couches, RVs, boats, etc. Consumers took money they had previously spent on travel and restaurants and purchased durable goods instead. Inflation-adjusted durable goods spending was up nearly 13% over the past year as of Q3 2020.

Looking ahead to 2021 and beyond, we do not expect consumers to purchase a second boat, a second washing machine, a third car. That is important. These industries have high proportions of fixed costs and are the most susceptible to demand-driven inflation pressures. However, even with the unexpected demand in 2020, only used cars and trucks saw significant price increases (10%). Every other durable goods category experienced price increases of 5% or less.

> "… we expect a rebalancing of the economy in 2021, led by growth in services spending after the vaccine campaigns are successful."

Instead, we expect a rebalancing of the economy in 2021, led by growth in services spending after the vaccine campaigns are successful. Importantly, we do not expect significant inflation pressure despite our expectation for a pickup in demand for vacation travel, dining out at restaurants, and for returning to see the dentist. There is ample capacity in these industries to accommodate a significant increase in demand.

Durable Goods Dominated 2020 Spending



How Could we get High Inflation?

Recent history has shown that it is difficult for economies with aging demographics like the US, Europe, and Japan to generate sustained inflation. We believe the likeliest path to inflation in the United States would come from much tighter labor markets.

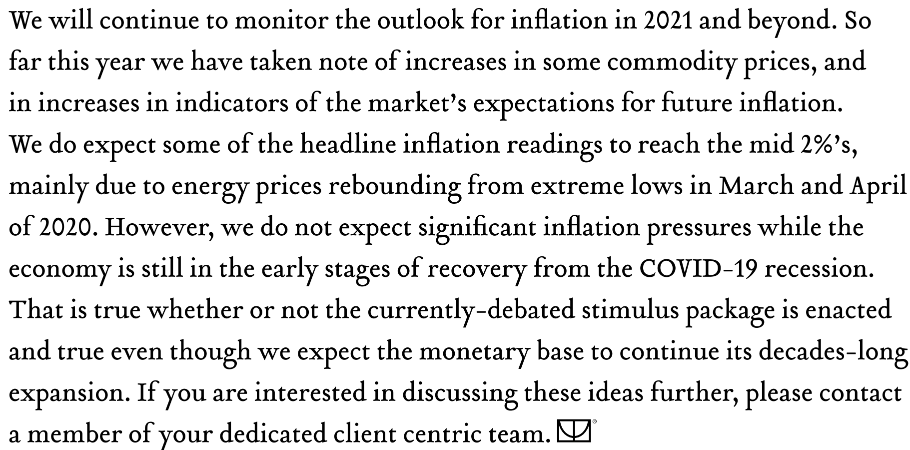
In February 2020, the unemployment rate was 3.5%. This was the lowest level since the late 1960's. Even still, US workers were just finally beginning to make wage gains. Aggregate wage and salary disbursements had gone up about 5%

and inflation was up 2.4%. Those are the ingredients for sustainable inflation.

Today the unemployment rate is 6.7% and we are 9.8 million jobs away from February's level of employment. We expect weak labor markets to keep wage pressures subdued, savings rates elevated, and inflation much lower than otherwise might be expected simply by looking at the growth in the money supply.

"We expect weak labor markets to keep wage pressures subdued, savings rates elevated, and inflation much lower than otherwise might be expected…"

Conclusion



We will continue to monitor the outlook for inflation in 2021 and beyond. So far this year we have taken note of increases in some commodity prices, and in increases in indicators of the market's expectations for future inflation. We do expect some of the headline inflation readings to reach the mid 2%'s, mainly due to energy prices rebounding from extreme lows in March and April of 2020. However, we do not expect significant inflation pressures while the economy is still in the early stages of recovery from the COVID-19 recession. That is true whether or not the currently-debated stimulus package is enacted and true even though we expect the monetary base to continue its decades-long expansion. If you are interested in discussing these ideas further, please contact a member of your dedicated client centric team.

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Wendy Z. Cox, J.D., CTFA
Senior Vice President
Director of Personal Trust
Fiduciary Officer

Death and Taxes

As Benjamin Franklin wrote at the founding of our country, "nothing in this world can be said to be certain, except death and taxes." With each change in the make-up of Congress, what to do with the estate tax is an issue that is inevitably raised. The two major components of the estate tax are the Applicable Exclusion ("exclusion"); that is, the amount that each person can shield from estate tax, and the marginal tax rate. As of this moment, the exclusion is $11,700,000 ($23,400,000 for married couples) and the highest marginal tax rate is 40%. There has been speculation that the new administration will seek to lower the exclusion and increase the tax rate.

A history of the estate tax provides helpful context. See figure below. The federal estate tax has existed since 1916 with the exclusion coming into place in 1921. For the first 80 years, the exclusion ranged from $40,000 to $650,000 with an average of $180,000. The highest federal estate tax rate ranged from 25% to 77% over the same period. In 2000, Congress enacted a 10-year plan which had a graduated increase in the exclusion from $675,000 in 2001 to $3,500,000 in 2009. Correspondingly, the highest rate was gradually reduced from 55% to 45% over the same time period. The law was scheduled to sunset so that there would be no estate tax in 2010. For the next 10 years, the industry said "surely Congress will do something before 2010." They did not. 2010 came and there was no estate tax. Congress did not act until December 17, 2010, and what they agreed on was not what anyone expected.

"With each change in the make-up of Congress, what to do with the estate tax is an issue that is inevitably raised."

The Taxpayer Relief Act provided that the exclusion would be $5,000,000 and would be indexed for inflation. The federal estate tax rate was reduced to 35% for 2010 , applied retroactive, and 2011 before settling at 40% in 2013. The Taxpayer Relief Act also included spousal portability provisions for the first time. These provisions permit the surviving spouse to add any of the deceased spouse's unused exemption to his or her remaining exemption permitting spouses to take full advantage of their combined exemptions.

In 2018, the Tax Cuts and Jobs Act doubled the exemption resulting in the highest ever exemption. However, those changes in the exemption sunset at the end of 2025. If Congress does nothing, the exemption will return to the pre-2018 level of approximately $5,500,000 in 2026. President Biden's proposal, however, is to return to the 2009 exemption of $3,500,000 with the top rate increased to 45%.

As noted previously, whether Congress will act and what will be agreed upon is unknown, but change, like death and taxes, is inevitable. In the 105-year history of the estate tax, the exemption has only been greater than $5,500,000 for 4 of those years. For high net worth individuals and families, there is no time like the present to complete estate planning to maximize the amount of wealth that can pass to future generations free of estate tax.

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.

"For high net worth individuals and families, there is no time like the present to complete estate planning…"

Financial Resolutions for 2021

Kristin Bennett, CFP®, CPWA®
Vice President
Asst. Director of Wealth Management

In preparation for the start of the year, many engaged in the annual ritual of making New Year's resolutions. Unfortunately, approximately 80% of people who make New Year's resolutions will have abandoned them by the second week of February. With January already in the books, your eagerness to follow through on some of those good intentioned resolutions may have already started to fizzle out too. Although we won't be able to help you with all of the important life changes you've planned for this year, many of the same personal goals we set can translate to our financial lives as well. Our hope is to outline a few financial habits that may be easier to keep, especially with guidance from your trusted advisors.

Resolution: Find Balance

Just as a well-balanced person seeks productive actions to move towards their life goals, we can do the same in our investment portfolios. Simple portfolio rebalancing is a proven value-add technique ensuring you maintain the right asset allocation and risk tolerance to achieve your financial goals. It provides the discipline to fulfill the mantra of "buy low, sell high" that characterizes successful investing. By rebalancing, you take the profits from winning investments and redirect them to others that have capacity for growth. If the volatility we experienced in 2020 left you questioning your risk tolerance, take

Financial Resolutions for 2021, continued

this time to examine the overall mix between stocks and bonds that will allow you to stick with your strategy over the long-term.

Resolution: Stay in Touch

You may have made the resolution to reach out to friends and family more often this year. As you reconnect with the important people in your life, also re-examine those that you have elected to take care of your health and financial decisions for you in the case of your incapacity. Perhaps more than ever as we navigate a global health crisis, it is important to understand the duties and authorities that come along with these critical roles. A clear health care directive and durable power of attorney for financial decisions can make it easier on loved ones to carry out your wishes. Make sure to notify those individuals and formalize the arrangement in writing. If you find the need to make any updates, enlisting the assistance of your attorney will be essential.

Resolution: Get in Shape

Increasing physical fitness is easily one of the top resolutions each year. The same should apply to getting your portfolio in shape. If you are looking for ways to drop some weight, consider increasing the tax efficiency of your portfolio. Tax-efficient investing looks at the unique tax characteristics of each security and determines not only the suitability of that investment, such as whether you should invest in taxable vs. tax-exempt bonds based on your income tax rate, but also where you should purchase that particular investment. Based on their tax profile, some investments are better suited to be held within your tax-deferred accounts (401(k)/IRA) versus being held in your taxable account. This is referred to as an asset location strategy.

> "If you are looking for ways to drop some weight, consider increasing the tax efficiency of your portfolio."

You can also go beyond tax-efficient investing to create tax alpha in your portfolio as a means to further enhance after-tax returns. This is accomplished by implementing a tax-loss harvesting strategy characterized by selling a security and swapping into a similar investment to capture losses that can be used to offset future capital gains. As you can only spend the resulting after-tax portfolio income, the benefits of tax efficiency will build up over time.

Resolution: Get Organized

I wish I could tell you to get rid of everything in your portfolio, like your closet, that doesn't "spark joy." However, I'm guessing for most that your diversified allocation in the S&P 500 ETF is not the most "joyful" aspect of your portfolio, yet, it serves a very important purpose. An organized portfolio can help you identify how different parts of your portfolio are performing and help you determine if you are overweight or underweight to certain areas of the market. Perhaps there are investments you are keeping simply due to your emotional attachment to them that may not be best suited to help you reach

your goals. With a clean slate for tax purposes, now may be the time to consider a plan to exit or reduce those positions.

This is also a great time to organize and map out your cash flows for the year. Determine whether an increase in the contribution rate to your retirement plan or health savings accounts is warranted based on new plan limits for 2021. With current low interest rates on cash investments, consider whether excess funds in your savings account can be applied to your long-term financial goals. If you have large upcoming purchases or distributions, determine when and from which accounts you will need to create liquidity.

Resolution: Sleep Better

Besides downloading the latest meditation app, the next best thing (from our perspective) to a restful night's sleep is knowing you have a sound financial plan in place. Having a plan is fundamental to successful wealth management as it helps to identify the roadmap to not only achieve your goals, but to maintain and monitor them over time. Understanding your primary goals and objectives, along with upcoming cash flows and unique circumstances, can help ensure your plan withstands various economic and market environments. While we know short term investing can be exceedingly unpredictable, stress testing your financial plan to contemplate various return sequences can help keep you on track when volatility strikes.

A sound investment plan should also line up with your estate plan. A quick review of the titling of your accounts along with the beneficiary designations on your life insurance and retirement plan assets can put your mind at ease that your accumulated wealth will pass on as you intend. Lastly, check your free annual credit report or consider whether freezing your credit is right for your situation. With cyber-security issues front and center, it is prudent to safeguard against potential identity theft.

"Besides downloading the latest meditation app, the next best thing… to a restful night's sleep is knowing you have a sound financial plan in place."

Resolution: Be Flexible

While we set out with many goals in mind, perhaps the most meaningful is to remember to be flexible and adapt to the changes that come throughout the year. This year is likely to be no exception. With the recent change in administration comes the potential for a shifting landscape in tax, estate, and philanthropic planning. By building flexibility into your plan, you give yourself the opportunity to adapt and leverage planning strategies even if it requires you to change course.

As we all recognize, the most challenging part of resolutions is not making them but keeping them. Becoming financially fit can help ensure the best path forward for a successful financial future. At Greenleaf Trust, we are committed to helping you adhere to your strategy, navigate potential changes, and guide you as you set out to accomplish your financial resolutions in 2021 and beyond.

Lisa A. Hojnacki
Participant Services Coordinator
Team Lead

Participant Communication Advances with Use of Modern Technology

During a time when retirement plan participants are increasingly relying on online resources to access account information, a new rule from the Department of Labor (DOL) that greatly expands plan sponsors ability to deliver plan information by email or text couldn't come at a better time. While this common way of communicating is present in our every day lives, previous rules made it restrictive and cumbersome to communicate ERISA plan documents prior to the ruling.

The 2020 final rule created a new safe harbor for electronically delivering these important plan documents as long as recipients have a valid email address or smartphone number. Plan sponsors must ensure their electronic delivery system alerts them when an address is invalid or number is inoperable. The new rule effectively allows for two new delivery systems beyond the traditional standards of in-hand delivery or first-class US mail.

"The new rule effectively allows for two new delivery systems beyond the traditional standards of in-hand delivery or first-class US mail."

The Electronic Delivery Methods:

Website posting: Plan sponsors may use this method if a notification of internet availability (NOIA) is provided to plan participants by email or text. The NOIA must contain the web address of or hyperlink to the document, along with a statement of the right to receive a free paper version and the right to opt out of electronic communications. Steps and contact information for how to do so must be provided.

Once posted to the website, the documents must remain until superseded by an updated version and never for less than one year.

Email delivery: Sponsors may also send disclosures directly to the e-mail addresses of plan participants with the documents in the body or as an attachment. In this instance, a NOIA is not required because disclosure is being provided directly to the participant.

It is important to note that when employment ends, administrators must take reasonably calculated measures to ensure the continued accuracy and availability of electronic addresses used to deliver the required ERISA documents, or take steps to obtain new, valid electronic addresses from plan participants.

Benefits of Email and Text Communication in Retirement Plans

The shift to default electronic delivery has many potential positive long-term effects on multiple aspects of retirement planning. A 2019 Spark

Institute study on default electronic delivery showed that e-delivery of required notices could yield many benefits.

- Reduced printing, processing, mailing and storage costs for plan administrators, ultimately benefiting participants.
- Increasing participants' engagement with online tools and educational resources available to them, driving increases in contributions and better overall retirement savings.
- Providing information in a clearer and better organized fashion, allowing participants the ability to easily access any particular document or information they desire. For instance, websites generally present information on separate tabs that provide a concise format for the user to page through in a more searchable and digestible fashion than traditional printed materials.
- Allowing administrators to be immediately alerted to delivery issues. In contrast, delivery of paper documents is a significant problem for many plans, particularly in regards to a high volume of return-mail. Mailing documents to physical addresses where the participant may no longer live can increase chances of fraud and decrease account security, particularly if the documents fall into the hands of fraudsters.
- Enhancing cybersecurity and combating fraud. Studies have shown that when participants register their account online, the likelihood of fraudsters gaining improper access to their account decreases and participants can more easily monitor their account to ensure unauthorized activity doesn't occur.

In light of research indicating that 90% of US adults use the internet today, the DOL believes the final rule has struck an appropriate balance between taking advantage of innovations and reduced costs that may be achieved, and ensuring suitable safeguards for participants and beneficiaries who simply prefer paper. The expansion of default electronic delivery types for retirement plan participants not only represents a significant improvement over current retirement plan disclosure rules, but experts believe that it has also left a door open to extending similar allowances to health and welfare plans. With this in mind, look for continued advancements in engaging technology from regulators and less paper to store in your personal files as Greenleaf Trust and other providers focus on implementing this new rule.

"The expansion of default electronic delivery types for retirement plan participants... represents a significant improvement over current retirement plan disclosure rules..."

Sources:
https://www.sparkinstitute.org/wp-content/uploads/2019/12/SPARK-Institute-Default-Electronic-Delivery-Works.pdf

Stock Market Pulse

Index	1/31/21	Total Return Since 12/31/2020
S&P 1500	851.15	-0.68%
Dow Jones Industrials	29,982.62	-1.95%
NASDAQ	13,070.69	1.44%
S&P 500	3,714.24	-1.02%
S&P 400	2,340.12	1.50%
S&P 600	1,188.71	6.29%
NYSE Composite	14,397.20	-0.75%
Dow Jones Utilities	852.40	-1.40%
Barclays Aggregate Bond	2,374.87	-0.72%

P/E Multiples	1/31/21
S&P 1500	30.4x
Dow Jones Industrials	26.6x
NASDAQ	65.8x
S&P 500	29.9x
S&P 400	31.8x
S&P 600	63.6x

Key Rates

Rate	Value
Fed Funds Rate	0.00% to 0.25%
Tbill 90 Days	0.05%
T Bond 30 Yr	1.83%
Prime Rate	3.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	851.15	30.4x	1.57%
S&P 500	3,714.24	29.9x	1.59%
Dow Jones Industrials	29,982.62	26.6x	2.01%
Dow Jones Utilities	852.40	18.1x	3.63%

Spread Between 30 Year Government Yields and Market Dividend Yields: 0.26%

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