GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

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William D. Johnston
Chairman, Greenleaf Trust

Economic Commentary

At this writing, there are six states that have announced the phased reopening of their economies, or what perhaps is better stated as a beginning of reducing previous requirements to stay-at-home that were ordered by the respective governors of those states. These are in addition to the few states that never had stay-at-home executive orders issued. It is estimated that 97% of the US population lived most of the month of April under stay-at-home orders with the majority of that number doing so under similar orders beginning in the middle of March.

The results of the executive orders were dramatic with respect to the economy and, as of now, uncertain with respect to the progress on battling the COVID-19 virus. We are approaching one million cases and 50,000 deaths related to COVID-19 in the United States, while we have surpassed nearly three million cases resulting in slightly over 200,000 deaths globally.

In general, the data seems to illustrate some stability in China and South Korea and downward trends of new cases, hospitalizations and deaths in Europe. The epicenter of cases in the United States (over 50% of diagnosed cases were in New York, New Jersey, Massachusetts and Connecticut) reveals some flattening of the curve of new cases, but not yet consistent with the 14-day target being suggested as meaningful by the CDC. What appears to be the case in Southeast Asia, Europe and the United States is that economic shutdowns and stay-at-home restrictions have reduced population exposure to the virus and therefore flattened the curve of new cases. I use the term 'appears' intentionally, because we haven't yet tested enough of the population to know who has or has had COVID-19, who has recovered, and — importantly — who has some level of immunity.

Public health experts learn new information every day about the disease and its impact. They learn most of that information by collecting and analyzing data, which grows exponentially as time passes. What is known changes, or is affirmed as data samples build. It was natural in the early stages of the COVID-19 pandemic to focus on the immediacy of care as the infection rate resulted in concentrated illness in specific concentrated locations, which had the power to overrun the capacities of

Commentary, continued

care and recovery.

From a public health perspective, creating the circumstances to allow our health care system to survive the onslaught of cases was critical. The focused attention on large population centers such as major cities and large populated states was essential. It was not that those places had populations less healthy than other cities or states, but simply a matter of numbers and capacity to respond. Flattening the curve allowed the capacity, stretched as it is, to treat those infected and to save lives in the process.

Flattening the curve, however, should not be confused with winning the battle against COVID-19. At best, it is the military equivalent of beating back an ambush until reinforcements arrive, and when they do arrive, have better weapons with them. To date, we only know who has had the disease as a result of being treated by a health care system. We do not have, as of yet, a national plan to test a representative sample of our entire population, which is necessary to determine the breadth of the infection and the potential size of those with immunity. Both of these data points are critical to actually winning the battle we are in, and also crucial to defining the new normal and resulting new economic landscape.

> "Flattening the curve, however, should not be confused with winning the battle against COVID-19."

All novel diseases have a bandwidth of patient experience and outcomes. Some people never know that they have had the disease; their symptoms did not exist or were so minimal it did not occur to them to be treated. With respect to COVID-19, the majority of our data is concentrated to those with more aggressive symptoms that required health care system intervention. This data is important to collect, study and know, as are the successful medical protocols that are learned with this population set. It is, however, only measuring a fraction of what is needed to return to whatever will be the new normal.

Governors that use 14-day success trends on cases identified, hospital admissions, discharges and deaths as criteria for removing restrictions on movement, work and travel will also be missing the knowledge of the potential disease exposure of the other 334,000,000 people in our country that have not reported symptoms to date.

The debate to remove restrictions on movement, work and travel is growing by the hour, and the success of that debate is not going to be about if we are going to remove restrictions, but rather how we are going to protect the most vulnerable as we do it. The benefit of stay-at-home orders was to slow the disease spread while healthcare capacity caught up with, and in some fashion survived, the initial onslaught of demand. What the stay-at-home orders also did was to slow the natural buildup of immunity that occurs within a population that experiences "normal" exposure, symptoms and recovery from the virus.

Public health experts would argue that the health of our population as a country is not nearly as good as it should or could be, and that chronic disease is a major contributor to immune deficiency. Immunity is not just about the virus but also about the immune system of those exposed. As a medical system, we are very good at treating, not curing, chronic diseases. Respiratory and cardiac disease, diabetes, obesity and inflammatory disease are all soft targets for viruses as all contribute substantially to immune deficiency. Removing restrictions on movement, work, travel and recreation without specific plans to protect those most vulnerable (age and medical condition) will be replacing one healthcare capacity issue with another.

Dr. David Katz, the founding Director of Yale Medical Schools Prevention Research Center, has spent his entire medical career in public health and has written extensively on the topics of pandemics. His writing and videos express ideas that are not often spoken of as our country grows impatient with the restrictions we are currently under. Dr. Katz cautions that the phase one plan was to flatten the curve, but if there is not a phase two plan, the need for phase one will simply occur over and over again. Phase two must, he argues, include "harm minimization." When we recognize and structurally plan for those that we know are of high risk for bad outcomes, we will successfully minimize harm.

Much of that structure that Dr. Katz speaks of must be creatively built. Logistics and industrial design will be newly crafted, just as Ford and General Motors have done with respect to becoming ventilator manufacturers. How we teach and learn will be forever changed. The velocity of change and adaptation of technology will grow exponentially. How we function as consumers will never return to previous models. Some people will never return to work or their previous normal life because their vulnerability is too pronounced. Decision trees will be needed, not just for public health policy, but also for individual families. Unique individual circumstances will require unique individual lifestyle adjustments. Chronic disease kills slowly over time. When novel virus meets chronic disease, it speeds up that process and, in the age of globalization, medical protocols for the treatment of chronic disease will have to emphasize immune deficiency given the implications of treatment vs. cure.

Those that battle the global spread of novel viruses like COVID-19 know that they often face the reality of recommending public policy that serves the immediacy of the crisis. They also know that as the crisis begins to be mitigated their stage gets smaller and their message diffused

"… the phase one plan was to flatten the curve, but if there is not a phase two plan, the need for phase one will simply occur over and over again."

Commentary, continued

into the next geopolitical issue that arises. Restrictions are being modified, eased and lifted. People are impatient, and the desire to return to work is palpable. Our success in this new phase of the journey is yet to be known, but will probably be best done if — as a country inclusive of individual states, communities and individual families — we consider the concept that Dr. Katz lays out when he speaks of "harm minimization." On behalf of the entire team at Greenleaf Trust, I extend our heartfelt wish of good health and safe passage to each of you.

Michael F. Odar, CFA®
President

"We continue to keep our clients, colleagues and community front and center in our thoughts and actions."

Virtual Progress

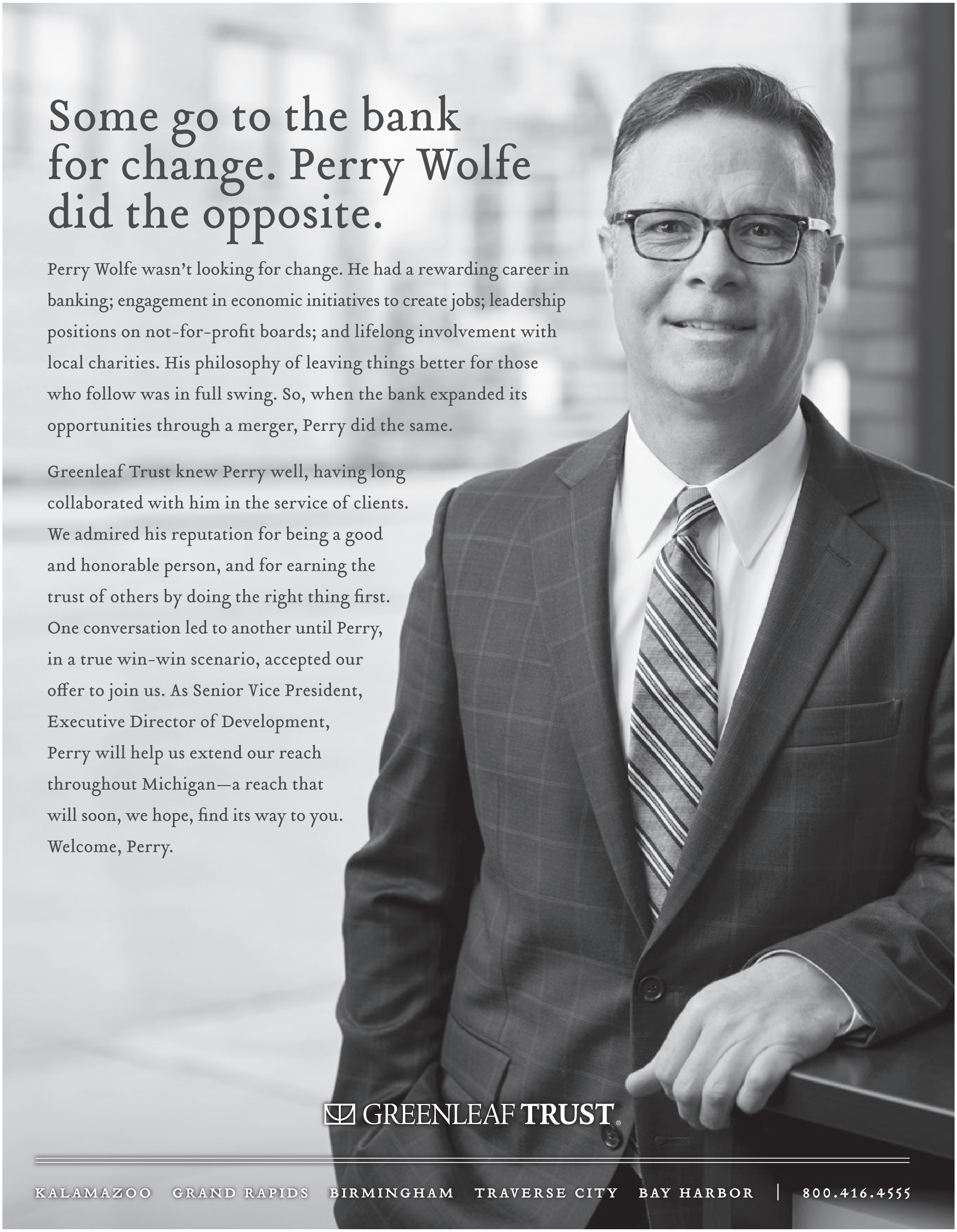
It is my pleasure to introduce Perry Wolfe, who joined the Greenleaf Trust team in January as senior vice president, executive director of development. In collaboration with our business development and marketing teams, Perry will lead the strategy and growth for markets outside of Kalamazoo.

The timing of Perry's arrival is fortuitous given the challenges many of our clients are facing as a result of the COVID-19 pandemic. Perry's 27+ years of experience in commercial and private banking have capably prepared him to provide excellent insight into the federal stimulus programs being offered to small business owners. We are thankful to have him on our team and hope you will utilize his expertise.

We continue to keep our clients, colleagues and community front and center in our thoughts and actions. We are grateful that we have the tools, technology and enduring corporate culture to provide timely and attentive service to our clients, and to help all of us move forward with purposeful growth.

All of us at Greenleaf Trust are doing everything possible to continue business as (un)usual. We recently completed our first "virtual interview" and welcome Vasantha Arunachalam, our new estate settlement associate, who will be joining the team in Birmingham on May 4. Vasantha brings 25+ years of experience in estate settlement administration. Additionally, we're holding virtual client meetings, "socially distanced" prospect meetings online and delivering virtual personalized plans for new clients.

Thank you for the continued privilege of serving you. We look forward to the time when we will see you again in person.


Some go to the bank for change. Perry Wolfe did the opposite.
Perry Wolfe wasn't looking for change. He had a rewarding career in banking; engagement in economic initiatives to create jobs; leadership positions on not-for-profit boards; and lifelong involvement with local charities. His philosophy of leaving things better for those who follow was in full swing. So, when the bank expanded its opportunities through a merger, Perry did the same.
Greenleaf Trust knew Perry well, having long collaborated with him in the service of clients. We admired his reputation for being a good and honorable person, and for earning the trust of others by doing the right thing first. One conversation led to another until Perry, in a true win-win scenario, accepted our offer to join us. As Senior Vice President, Executive Director of Development, Perry will help us extend our reach throughout Michigan—a reach that will soon, we hope, find its way to you. Welcome, Perry.
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Nicholas A. Juhle, CFA®
Senior Vice President
Director of Research

COVID-19: Where Are We Now?

About a month and a half ago on March 16, two things happened: 1) the S&P 500 dropped 12% and; 2) we hosted a conference call to discuss our outlook regarding COVID-19, the economic impact of containment efforts, and the market's response. At the time, we knew with certainty that our nation's experience with the virus and the resulting economic impact would get significantly worse in the days and weeks ahead. We noted that the market's response would be much less predictable in the short term and advised our clients to stay disciplined.

Flash forward to today. Risks remain extremely elevated, but the market has rebounded 30% from recent lows and there are indications that some of the worst days are behind us with respect to COVID-19 and the economic damage from containment efforts. Below, we provide our updated perspective on the disease, the economy and the market.

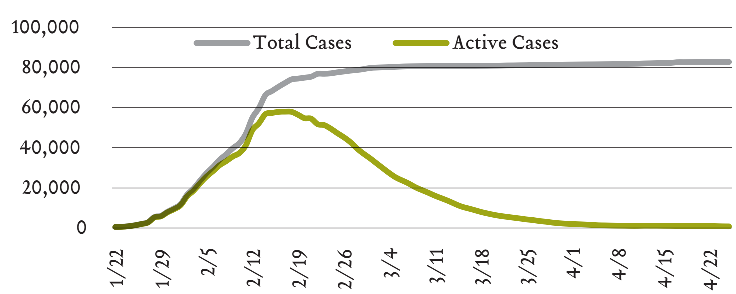
"As of this writing, there are over 3.2 million COVID-19 cases and over 220,000 deaths confirmed in 185 countries around the world... but growth is decelerating in key geographies including the US."

The Disease – Approaching Global Stabilization

As of this writing, there are over 3.2 million COVID-19 cases and over 220,000 deaths confirmed in 185 countries around the world. These numbers continue to climb higher, but growth is decelerating in key geographies including the US. COVID-19 was originally identified in Mainland China on December 30, 2019 and the country surpassed 500 cases by January 22. The virus then migrated to Europe, which surpassed 500 cases by February 26, and the United States, which surpassed 500 cases on March 8.

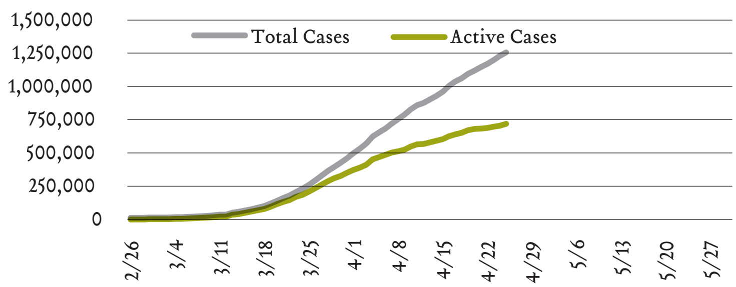
In the accompanying charts, we use the 500 case threshold as a common point in each region's outbreak. If we can draw any inferences from China's experience, we can do so with the knowledge that Europe is four to five weeks behind China and the United States is about two to three weeks behind Europe.

Mainland China



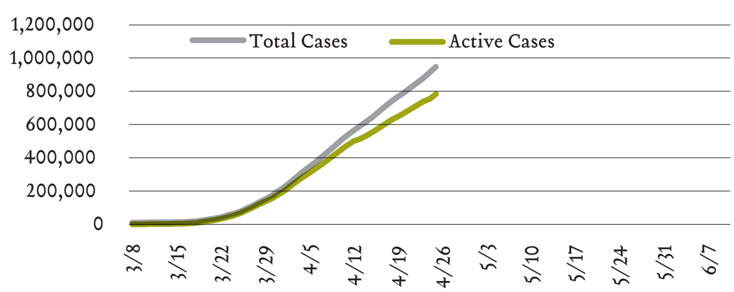
Throughout the pandemic, we have been closely monitoring "active" cases (total confirmed cases less deaths and recoveries). We believe active cases are particularly relevant because each active case represents risk in the form of an opportunity to further spread the disease. Active cases in mainland China peaked around 60,000 on February 17 and steadily declined to fewer than 1,000 today. The situation has stabilized in China, though the risk of resurgence remains high.

Europe



Europe appears to be turning the corner as well. The gap between total cases and active cases continues to widen and new case confirmations are decelerating across the region. In Italy, the original epicenter and leading indicator for broader Europe, daily case confirmations declined to 2,100 on April 29 from a peak of nearly 7,000 on March 21 and active cases have started to recede from peak levels captured on April 19. Similar patterns can be observed in Spain, France, and Germany, which bodes well for continued regional stabilization.

United States



The US is earlier in the process, though we are seeing early signs of stabilization here as well. Most confirmed cases remain active cases today, but the two have started to decouple. Active cases will continue to trend higher in the near term, with potential to peak sometime in May if containment efforts are effective. In New York, the US epicenter, daily case confirmations declined to approximately 4,600 on April 29 from a peak of more than 11,000 on April 15. In the state of Michigan, daily case confirmations have declined to 1,100 from a peak of 2,000 on April 3.

> "In the state of Michigan, daily case confirmations have declined to 700 from a peak of 2,000 on April 3."

The Economy – April Showers Bringing May Flowers?

Efforts to limit the humanitarian toll of COVID-19 have come at substantial economic cost. Flowers in May seem like a bit of a stretch, but

COVID-19: Where Are We Now?, continued

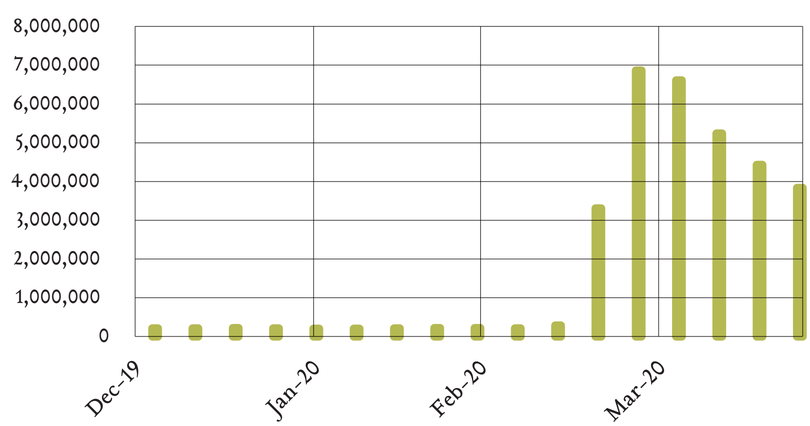
there are indications that April may have marked the worst period of this experience. The economic picture will be far from rosy in May, but has the potential to be an improvement over April as portions of the economy begin to reopen.

The shutdown of large portions of the economy drove the most sudden and severe shock to ever hit the labor market. In the six weeks ended April 25, more than 30 million Americans (16% of the labor force) filed for unemployment benefits. Importantly, weekly claims peaked at 6.9 million during the week ended March 27 and trended lower throughout April – these outcomes are far from good in absolute terms, but trending favorably.

With regard to actual unemployment levels, the March jobs report (delivered on 4/3) highlighted 4.4% unemployment and 701K job losses, based on survey data from the second week of the month – just before claims spiked. Incorporating recent claims data, we believe the April jobs report (due on 5/8) will reveal unemployment in the high teens, which could very well be the peak. Heading into May, two factors could drive incremental hiring that would begin to reduce the total level of unemployment: 1) employers taking Paycheck Protection Program (PPP) benefits are incentivized to rehire laid off workers quickly in order for loans to be forgiven and; 2) portions of the economy will begin to reopen resulting in job creation.

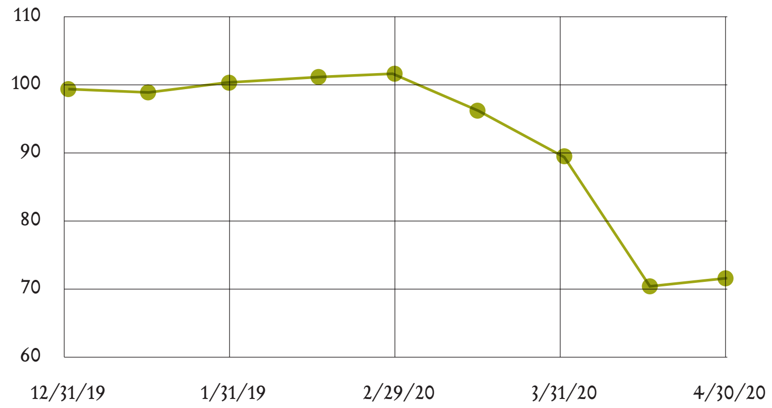
"… employers taking Paycheck Protection Program (PPP) benefits must rehire laid off workers before the end of April in order for loans to be forgiven…"

Initial Jobless Claims YTD



In addition, US consumer sentiment (University of Michigan Consumer Sentiment Index) declined precipitously throughout March, but appeared to find a bottom in April. Mounting COVID-19 cases, business closures and job losses drove sentiment down 30 points from 101.0 at the end of February to 71.0 by mid-April where it remained at month end. Decelerating jobless claims and stimulus programs are likely supporting current levels of sentiment. The Preliminary May sentiment reading (due on 5/15) will help to confirm whether sentiment has indeed stabilized and may even show some improvement over April as the economy slowly begins a reopening process. If this is the case, we should also see month over month growth in retail sales beginning in May (reported in June).

U of M Consumer Sentiment YTD



Whether or not April marks the economic bottom of this experience, most of the fallout is expected to show up in the second quarter. Economists who recently updated their forecasts expect a second quarter GDP contraction of more than 30% (seasonally adjusted annualized rate) with individual estimates ranging from +0.4% to -65.0%. For perspective, the economy contracted "just" 8.4% in the fourth quarter of 2008. Consensus expectations also call for a return to growth beginning in the back half of the year netting a full year economic contraction of about 4% compared to 2.3% growth in 2019. We believe these expectations are directionally reasonable, though significant uncertainties remain.

"Whether or not April marks the economic bottom of this experience, most of the fallout is expected to show up in the second quarter."

The Market – Expressing a Cautious Optimism that the Worst is Over

Equity markets are forward-looking by nature. The S&P 500 fell 34% from a late February high of $3,386 — not based on what had happened, but in anticipation of what was expected to happen. This sharp drawdown occurred as investors came to grips with the unfortunate realities that COVID-19 cases would rise substantially, that unemployment would spike, and that GDP would contract significantly.

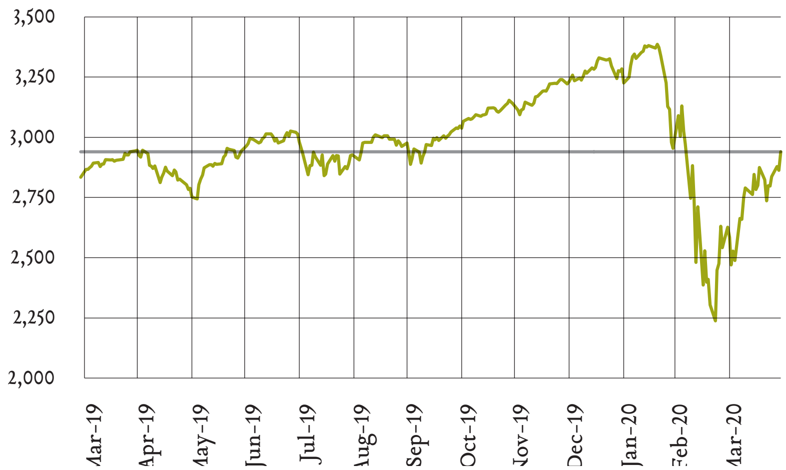
As of this writing, US stocks had bounced more than 30% from the March 23 low, and remained just 14% below the late February peak. Investors have started to look beyond the medical and economic crises present today in anticipation of brighter days to come. From our perspective, the market may be leaning a little too optimistic given heightened uncertainty and numerous opportunities for the narrative to deteriorate. For these reasons, we expect volatility to remain elevated and believe it wouldn't take much to retest lows, though the short-term path for stocks is highly unpredictable. In the intermediate to longer term, we

COVID-19: Where Are We Now?, continued

> "As of this writing, US stocks had bounced more than 30% from the March 23 low, and remained just 14% below the late February peak."

think stocks will continue to reward disciplined investors.

S&P 500 Price Trailing Twelve Months



Conclusion

Remember, the most important investment decision you will ever make occurs when you and your advisor determine the appropriate high-level asset allocation for your portfolio (simply the ratio between stocks, bonds, alternative assets, and cash). That decision is based on a deep understanding of your unique goals and circumstances, and your ability and willingness to take risk. The short term can be exceedingly unpredictable, but over the long term we know to expect bumps along the way (some larger than others). Don't lose sight of the fact that your financial plan, and the investment portfolio supporting that plan, were developed with a long-term lens and maintaining discipline during periods of uncertainty is the most reliable course for growing and preserving wealth. Please contact any member of our team if you have questions.

Sources:
Bloomberg LP
World Health Organization (WHO) Daily Situation Reports
Johns Hopkins University & Medicine Coronavirus Resource Center
National Health Commission for the People's Republic of China

Signing Estate Planning Documents Remotely – A New Normal?

Judy Grace, J.D.
Vice President
Senior Trust Relationship Advisor

With the uncertainty that the pandemic has brought to our current situation, many individuals have taken the time to review their estate planning documents and determined that they need to make some changes. The challenge that has presented itself during these trying times is that people have determined that they want to make changes to their documents, but their attorney's physical office is closed and face-to-face meetings to sign documents cannot happen. While this may not be the time to make non-urgent changes to documents, for those that need to make changes, such as frontline workers or those that are ill, either their own illness or the illness of someone named in their documents who needs to be replaced, the ability to sign new documents is essential.

Michigan did have in place the ability to have a document notarized remotely, but only a handful of vendors were recognized by the State to perform notary services remotely. The pandemic created a need for more notaries that have the authority to notarize virtually along with the need to be able to remotely witness the signing of documents. Therefore, with the help of the State Bar of Michigan's Probate and Estate Planning Section, Elder Law Section, and many others, Governor Whitmer signed Executive Order No. 2020-41 on April 8, which temporarily allows, among other provisions, remote witnessing and notarization of legal documents. This order will remain in place until May 6, 2020. The possibility that this order will be extended is considerable due to the many questions that remain about when Michigan businesses can return to business as usual.

The following is a summary of sections of the order that address remote notarizing and witnessing requirements:

1. Any notary who currently holds a valid notarial commission in Michigan may provide a notarial act utilizing two-way real-time audiovisual technology (e.g. Zoom, GoToMeeting), provided that:
   a) The two-way real-time audiovisual technology must allow direct interaction between the individual seeking the notary's services, any witnesses, and the notary. A conference call is not sufficient. All parties must be able to see and speak to each other.
   b) The notarial act must be recorded and saved for ten years. Whatever audiovisual service is chosen must have the capability to be recorded.
   c) The individual seeking the notary's services and any witnesses, if not personally known to the notary, must present evidence of identity

"…people have determined that they want to make changes to their documents, but… face-to-face meetings to sign documents cannot happen."

Signing Estate Planning Documents Remotely, continued

during the conference. This can be accomplished by having the individual and the witnesses hold up a copy of their driver's license or passport to the camera so the notary can identify them.

d) The individual must state that he currently is located in Michigan or if he is not currently located in Michigan during the signing, he must state that the document to be signed either is subject to the jurisdiction of the State, or involves property located in the State.

e) The individual, the witnesses and the notary must be able to sign the documents in a manner that would show any subsequent change or modification of the remote notarial act to be tamper evident.

f) The individual or the individual's designee must send to the notary the entire signed document the same date it was signed. The document can be sent via fax, mail or electronically. Many drafting attorneys will offer to be the individual's designee and take the responsibility that the documents are passed on to the witnesses and notary who, most likely, are part of the attorney's staff.

g) Once the notary receives the copy with all necessary signatures, the notary must notarize the document and send it back to the individual or the individual's designee.

h) The official date and time of the notarization is the date and time when the notary witnesses the individual sign the documents.

2. The requirements for witnessing remotely are similar to the notary requirements in that two-way audiovisual technology must be used, the individual must present evidence of identity, the individual must state he is located in Michigan, or the documents are subject to Michigan jurisdiction. Additional requirements for witnessing are:

a) The witnessed act must be recorded and saved for three years.

b) The individual must state to the witnesses during the meeting what document he is executing.

c) Each title page and signature page of the document being witnessed must be shown to the witnesses via the camera so that the witnesses can clearly identify the document, and every page of the document must be numbered with both the page number and the total number of pages of the document.

d) Each signing of the document must be viewed up close for the witnesses to observe.

e) The individual or his designee must send the entire document to the witnesses within 24 hours of when the document is executed.

f) Within 24 hours of receipt, the witnesses must sign as witnesses and return the signed copy back to the individual or the individual's designee.

There are a few challenges for complying with these requirements. The

"The requirements for witnessing remotely are similar to the notary requirements in that two-way audiovisual technology must be used..."

individual needs access to a computer, phone, etc. with a camera and needs to know how to use it. For those that have tried to set up a Zoom call with an elderly friend or family member, they know this can be difficult. Additionally, if the individual signing documents does not have a scanner or fax at home, he needs to be able to mail documents back the same day as the day of signing, so pre-addressed and postage prepaid envelopes may ease that burden.

The easiest way to sign the documents and return them to the notary and witnesses is through the use of some form of electronic signature such as DocuSign. The documents can be sent from the attorney to the individual electronically. The individual can nominate his attorney as his designee to forward the documents on to the witnesses and notary. Once the individual signs electronically during the audiovisual call, the documents will be sent back to the attorney electronically who will have the witnesses and notary sign. Once these steps have all been completed, the fully executed documents can be sent back to the individual.

While the order is only temporary, the feeling certainly is that the option for electronic signatures, and virtual witnessing and notarizing will be a permanent part of our estate planning future. What clients, attorneys and, notaries learn through this trial period will form best practices and most likely, will be the foundation for permanent legislation.

"The easiest way to sign the documents and return them to the notary and witnesses is through the use of some form of electronic signature..."

George F. Bearup, J.D.
Senior Trust Advisor

What's in a Name (or Gender)?

One of the habits developed over four decades as an attorney was to skim the 'legal notices' section in the morning newspaper. While I no longer practice law, out of that habit I still look at the published legal notices. One that caught my eye a couple of weeks ago was a legal notice where an individual had petitioned the local probate court to change their legal name. Why that published notice jumped out was the proposed name [I have substituted the names] change to: *The Petitioner wishes to change his legal name from Robert Smith to Roberta Johnson.*

That simple newspaper notice prompted me think about the impact of a commonplace name change on an existing Will or trust in which Robert-Roberta is named as a beneficiary. What happens if Robert-Roberta's father dies with a Will that expressly bequests a substantial sum to 'my son, Robert'? Is Robert-Roberta entitled to receive that bequest on his (her) father's death? Does the name change, from Robert to Roberta, disqualify the father's child from the bequest?

Probably a voluntary name change will be treated much like a daughter who married and changed her name to her married name, so that the parent's presumed intent is that their daughter will receive the inheritance, despite their daughter taking her married name.

"That simple newspaper notice prompted me think about the impact of a commonplace name change on an existing Will or trust…"

However, would that same presumed parental intent be applied to a bequest under the Will *'to my son, Robert'*? It is hard to predict how a probate judge would decide that question if it arose. Such a presumed intent might be even more strained if the father's Will provided '*I bequeath to my son, Robert Smith IV, the amount of $____.*' Identifying Robert in the Will with reference to his formal given name, including the fact that he is the fourth in the family with that same name may not be significant to persuade the probate judge to deny Robert-Roberta the inheritance. However, if added to the change in names is fact that Robert-Roberta's father had no contact with him after the formal name (and/or sex) change the probate judge might reach a different interpretation of the father's bequest *'to my son, (who is the fourth in the family with the same name)'*. More likely, if Robert's father was angered by his son's change of name, he would change his Will and remove the bequest to Robert, but there are frequent occasions when revising estate-planning documents will take a back seat to other life activities.

To get back to the legal notice, where Robert asks the probate court to legally change his name to Roberta, if Robert actually goes through with a gender change medical procedure (along with his legal name change) would that change in Robert's gender affect the interpretation of his father's Will? The father's bequest's expressly uses the word *son*, which is gender specific, and probate judges are required to give full effect to each word used in a Will or a trust.

We live in an era where cultural norms are rapidly changing. That evolution includes the issue of gender identity. Several recent statistical studies have found that over 1.4 million Americans now identify as *transgender*. These changing norms were reflected in the 2015 Supreme Court decision *Obergefell v Hodges*, which legally recognized same-sex marriage in all states. One explanation for the apparent increase in gender identity discussion in today's society was the *Obergefell* Court's observation: "The Constitution promises liberty to all within its reach, a liberty that includes specific rights that allow persons, within lawful realm, *to define and express their identity* (emphasis supplied.)"

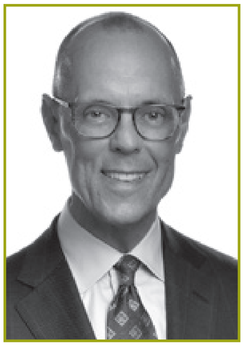
Self-selected gender identification is becoming more common. Fifteen states (with more on the way) now permit driver's licenses to be issued with a nonbinary gender designation. Other states have followed suit and changed their insurance laws to require unisex tables to be used to price auto and life insurance premiums.

"With these cultural and self-identity currents rapidly circulating through our society, it might be wise for Wills and trusts to be reviewed, and possibly updated..."

With these cultural and self-identity currents rapidly circulating through our society, it might be wise for Wills and trusts to be reviewed, and possibly updated, to add a clause that addresses the grantor's intent with regard to self-selected gender identification, or a physical change in a beneficiary's gender. For example, a simple provision added to a Will or trust might state: *Any gifts, bequests, or devises to a named individual who survives me shall not be altered, forfeited or eliminated if such individual changes or reassigns their name or gender, or who holds themselves out as transgender individual.*

While a named beneficiary is still the same person after their name change, or their gender reassignment, the legal rules that are normally followed to construe a Will or trust to ascertain the grantor's intent are not always as forgiving. A bequest to an individual described as *my child* would be enforced, regardless of the change of name or gender of that individual. However, a reference to that individual by their name coupled with their gender, e.g. *my son, Robert*, could create an interpretation problem for the probate judge to resolve if the named beneficiary later changes their gender.

Self-selecting transsexual identities and gender reassignments are just one more reason to periodically review your Will or trust instrument to confirm that your wishes are described clearly, and that those wishes reflect this unique situations of each beneficiary.



Doug P. Bajor, CFA®
Senior Wealth Management Advisor

Long-Term Care, the Discussion No One Wants to Have

The recent coronavirus pandemic has brought nursing homes in the into the spotlight for the many challenges that the elderly face. Given medical advances, people in general are living longer and their families are tasked with the responsibility of providing the best care options for them. And yet, the discussion about how to pay for nursing home costs is one that no one wants to have. This commentary will provide you with background on the cost of care, and potential ideas on how to plan for coverage of these expenses. Also, we hope to clarify some common misconceptions that exist, especially with regard to Medicare.

Some key statistics from the Administration on Aging regarding who may require nursing home care are as follows:

- Someone turning 65 today has almost a 70% chance of needing some type of long-term care.
- Women require care longer (3.7 years) on average than men (2.2 years).
- 20% of today's 65-year-olds will require long-term care for more than five years.

From a personal perspective, my mother recently passed away on January 31 after spending three and a half years in a nursing home in southeast Michigan. She was nearly 95 years old. These last few years were especially challenging for her, but she generally received very good care from the staff and doctors. However, she also had two previous nursing home stays — one for over eight months after neck surgery, and the second for nearly three months after a mild heart attack. While some of these costs were covered through Medicare, as will be discussed below, the vast majority was paid through my mother's financial resources.

> "Many people are of the opinion that Medicare will cover the costs of long-term care."

Nursing home costs, especially for a private room, are expensive and persistent. Many life insurance companies have some type of cost estimator for the type of care that a person would like to receive (i.e. private room, semi-private room, assisted living, etc.) by state and/or region. For example, New York Life estimates that the cost of a private room at skilled nursing home in the southeast Michigan area will average over $129,000 per year. A semi-private room would have an average cost of nearly $117,000 per year. If we were to assume that a person would need long-term care in twenty years, these costs adjusted by 3% annual inflation would rise to $233,000 and $211,000 per year, respectively.

Many people are of the opinion that Medicare will cover the costs of long-term care. However, Medicare is only intended to pay for a maximum of 100 days if you require skilled services or rehabilitative care.

To qualify, you must be over 65 years old and have had a hospital stay of at least three days. Medicare will cover 100% of the cost for the first 20 days, but the patient or their family are responsible for a co-pay of $176 per day (for 2020) for the next 80 days. After 100 days, 100% of the cost is borne by the patient or their family.

In order to defray these additional costs, there are a few options to consider:

Traditional Long-Term Care Policies

Some people elect to purchase a stand-alone long-term care policy to help pay for some or all of the cost. The best time to purchase such a policy is between ages 50 to 74 years old. Typically, the earlier that a policy is initiated, the lower the potential premium costs. Many of the policies will have a maximum fixed pool of benefits, an initial elimination period where costs are covered by the insured or their family, a maximum monthly payment amount and an inflation adjustment factor. For example, consider a 65-year-old who is in generally good health. The annual premium for such a policy would be nearly $4,100 with a monthly maximum benefit of $7,000 per month, a 90 day elimination period and a maximum total benefit of $250,000 (adjusted for inflation at 3% annually). These factors can be adjusted and vary based on age and health condition.

The drawbacks of long-term care insurance include premium increases over the life of the insured that can be significant, and the possibility that a person could pay premiums for life without ever using the coverage provided by the policy.

> "Some people elect to purchase a stand-alone long-term care policy to help pay for some or all of the cost."

Long-Term Care Annuity

Another approach is to purchase a long-term care annuity. The annuity provides long-term care benefits at a multiple of the initial investment amount (premium). In this approach a person makes a larger one-time premium payment. For example, a 65-year-old could make a premium payment of $100,000 with compound annual inflation protection of 5%. At age 66, this policy would provide long-term care benefits of $360,000 and nearly $418,000 at age 70. If the person never uses the policy, the $100,000 would be returned to their heirs.

Hybrid Long-Term Care Policies

A hybrid long-term care policy combines the benefits of a life insurance policy with long-term care coverage. If long-term care is required, the policy will pay benefits toward those expenses. The long-term care benefits paid are deducted against the life insurance death benefit over

Long-Term Care, the Discussion No One Wants to Have, continued

time. If long-term care is never needed, the life insurance death benefit will be paid out at the policy owner's passing. Similar to the annuity, a larger up front premium is typically required to purchase these policies.

Self-Insure

Some people may choose to forgo any type of long-term care coverage and rely on their portfolio resources to cover any potential costs. Such a plan may be prudent, but should be a conscious decision after weighing the different options as listed above.

"A health savings account (HSA) can be used to pay policy premiums with certain maximum amount limitations based on age."

Long-term care policy premiums are considered a qualified medical expense for purposes of calculating your medical deductions. Keep in mind, you are only able to deduct the amount of your total medical expenses that exceed 7.5% of your adjusted gross income.

A health savings account (HSA) can be used to pay policy premiums with certain maximum amount limitations based on age.

We would welcome the opportunity to prepare some examples of how long-term care costs could potentially impact the sustainability of your portfolio.

Also, while considering costs is important, it is also critical to have created a healthcare power of attorney so that someone else can make medical decisions for you if you are not able to do so. In a similar way, an advance directive can help guide your family with end of life decisions.

The discussion of long-term care is not comfortable for most people. But given the significance of the costs and the desire to provide the very best care possible for yourself and other family members, it is important to have a candid discussion with your key advisors including your attorney, CPA and Greenleaf Trust.

Actions to Avoid with Your Retirement Savings Amid COVID-19

Lisa A. Hojnacki
Participant Services Coordinator
Team Lead

Recently, investors have faced unprecedented times as the impact of COVID-19 on the economy continues. After a strong decade for US equity markets, it comes as no surprise that the market's recent drop and continued volatility is unnerving and downright scary for many. Nevertheless, a key concept to investing in a retirement plan is to not allow fear to impact decision making that may hurt the long-term goal.

Under the CARES Act recently passed into legislation on March 27, rules allowing access to workers' assets held in employers' retirement plan benefit programs were eased and the financial impact of taking a withdrawal was lessened by the waiver of the 10% early withdrawal penalty for those under age 59½. While not everyone will be able to avoid withdrawing from their retirement savings during this time due to job loss or loss of income, it is important to reserve utilizing this option unless all other resources have been exhausted. Investors may fail to recognize the long-term impact of locking in losses on paper by selling equities at a low price and missing future gains.

While it is clear these are unprecedented times, it is also important to remember that market volatility is normal, and previous significant market declines due to economic disruptions have always recovered and rebounded even higher. Research proves that missing out on the best performing days of the market regardless of the bad days can hurt long term returns. Not only does a withdrawal lock in the price of the investment on paper, but it will also include the loss of years of compound interest that will not be there for its intended use as income in retirement years.

Another common action that many investors take during periods of volatility is to sell out of their equity investments: whether it be stocks, individual mutual funds or target-date funds, for a purchase into a cash investment (i.e. a money market fund). The same concept applies when making a sale as when making a withdrawal. The sale of the equity investment locks in the price of the investment and any losses at that point are captured on paper. While the mindset of the investor is to protect their savings and avoid further losses, the outcome is often missed returns and compound interest resulting in a lesser total balance of savings at retirement age. Instead, investors should design their portfolios based on their risk tolerance and time horizon to retirement. Investors

"While the mindset of the investor is to protect their savings and avoid further losses, the outcome is often... a lesser total balance of savings at retirement age."

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entering into their retirement years and beyond should typically more heavily allocated to less risk-bearing investments such as bonds and therefore should not be as affected by volatility.

Like individual investors, employers also face fears, and oftentimes difficult financial decisions during significant economic disruptions. Some employers may choose to pause company-matching contributions due to their larger financial needs as a result. This can often have an effect on how much employees then choose to contribute to their employer's retirement plan benefit. Employees may see their employer's drop or stop in matching contributions as a sign they should do the same, but in fact, if the employee still has a job and is not worried about their cash flow, the more they contribute when the markets are down, the better. The investor is buying their investment at a lower share price during times of volatility. Employees who lower or stop contributing all together won't know when the market will rebound, or their employer will resume making matching contributions, and could end up buying at a higher price and missing the potential gains of the rebound, once again resulting in a lower balance come retirement age.

So in short, while we recognize the guidance to stay disciplined to your long-term investment strategy can seem counterintuitive and over-simplified during times like these, history shows those who favor discipline come out ahead in the end. Asset allocation and diversification historically beat market timing in dealing with volatility and continues to be the most reliable course of action for growing and preserving retirement savings throughout your years as an investor.

Today's World of College Savings and Student Loans

Allison L. Birmingham, CWS®, CCFS™
Senior Wealth Management Advisor

Undoubtedly, we have each endured a moment of fear over the last couple of months. Whether it be watching over your children, allowing your teen to take your car for the first time, worrying about catching a virus with no certain cure, or trying to keep your small business afloat during a pandemic; we want to keep our families safe. Nevertheless, times like these will also cause fear for our financial future. With so much change, and an abundance of news outlets, it becomes increasingly difficult to grasp just what information affects you personally. The SECURE Act, CARES Act and the Coronavirus pandemic have each made their impact on college savings vehicles and student loans.

We are often asked, "What can I do with my leftover 529 funds?" With the establishment of the SECURE Act, there are now more answers to this question beyond submitting a beneficiary change form via the web. Under the SECURE Act, distributions from 529 College Savings Accounts are now exempt from federal income tax if funds are used to repay student loans. As with most regulations, there is a limit of $10,000 of qualified distributions over a lifetime for a single 529 plan beneficiary. The portion of student loan interest that is paid for with tax-free 529 plan earnings is not eligible for the student loan interest deduction.

As for the fluctuation in value experienced in your college savings accounts: resist panic and the urge to make dramatic decisions — markets go up and down. If time is near to begin withdrawals to cover college costs, and your investments are not allocated within an age-based selection, you may consider speaking with your advisor (if applicable), or shifting your asset allocation more conservatively, as you may not be afforded the time to wait out the current bear market should economic recovery remain slow. Foremost, college savings should remain a priority just as it was when the fund was established.

> "As for the fluctuation in value experienced in your college savings accounts: resist panic and the urge to make dramatic decisions..."

Should the reliance on student loans become a more realistic option given the lack of regular funding to your college savings vehicle due to income loss, or simply the reduction in account values given market volatility, there is some good news. In connection to the economic shutdowns, the Federal Reserve Board made two emergency interest rate cuts on March 3 and March 15 which brings the rates within a range of 0% to 0.25%. This will save borrowers significantly as federal student loan rates will drop (to be determined in May for the 2020-2021 academic year). Experts have anticipated a 1.0% to 1.5% drop on these rates, even before fear of the coronavirus began affecting businesses.

College Savings & Student Loans, continued

The interest rate reduction will not affect existing federal student loans. Also, you cannot borrow next year's federal student loans early. The interest rates on variable-rate private student loans will react more quickly, typically phasing in the new interest rates over a one- or three-month period. Borrowers of federal loans could refinance their federal student loans into private student loans, however, even with the interest rate reductions, federal student loans are likely to maintain more attractive rates. Borrowers who refinance their federal student loans will lose the flexible repayment benefits they provide. Right now, thanks to the CARES act, many federal loans are on a temporary payment pause through September 30, 2020 — also not accruing interest during those months. With any refinancing, there are pro and cons, so carefully consider which is the best choice based on your personal financial picture.

> "Borrowers who refinance their federal student loans will lose the flexible repayment benefits they provide... [and] many federal loans are on a temporary payment pause through September 30, 2020..."

While considering the best vehicles for funding higher education, ensure it is not lost that the future of student loan forgiveness has been a hot topic leading into the 2020 election. Student loan balances have now exceeded that of credit card debt. Because of this astronomical figure, and college costs increasing faster than any other cost (including Disney World admissions!), candidates on both sides have shared their plans for student loan forgiveness in some variation. As the Democratic field has whittled down, and candidates provide more details on their respective presidential plans, there is much to be said on the student loan debate.

- Former Vice President Joe Biden hopes to make community college tuition free for all. He has also planned to increase the amount and reach of the Pell Grant program, to focus heavily on income-based repayment plans for borrowers and to provide $10,000 in student loan forgiveness for each year (up to five years) that an individual works in a designated public service job.
- Alternatively, the Trump administration has shared their plans for cutting the Public Service Loan Forgiveness program entirely (which has been reduced gradually since taking office), as well as the elimination of Supplemental Educational Opportunity Grant Programs. Ultimately, Congress works to ensure education spending cuts are slow and steady, and therefore, proposals made by the Trump Administration will be enforced in this manner.

The US Government confirmed in early February they plan to forgive $207.4 billion in student loans over the next decade. The bulk of this is likely to be allocated among borrowers with graduate or professional school accolades. In less than 8 months, Americans will be closer to knowing the fate of their personal outstanding student loan debt.

Whatever the case, it is in the borrower's best interest to continue paying the minimum amount due on their outstanding student loans, on time — steering clear of making excess payments on debt with the possibility of forgiveness.

As the novel coronavirus continues to make daily headlines, time is of the essence for recent college graduates. A word of advice: move forward as quickly as possible in your job search. It is difficult to predict where things may be a month from now, and the best thing you can do is secure an offer.

The road ahead will not be an easy one — market volatility, new regulations, postponed deadlines and new challenges. What should remain intact, however, are your financial priorities. There are lending tools for higher education, but not for retirement. Hold on tight, the road will be bumpy. Keep your head up and stay focused on your goals.

"… it is in the borrower's best interest to continue paying the minimum amount due on their outstanding student loans, on time…"

Stock Market Pulse

Index	4/30/20	Total Return Since 12/31/2019
S&P 1500	660.05	-10.34%
Dow Jones Industrials	24,345.72	-14.07%
NASDAQ	8,889.55	-0.57%
S&P 500	2,912.43	-9.30%
S&P 400	1,646.36	-19.73%
S&P 600	771.11	-24.09%
NYSE Composite	11,372.34	-17.58%
Dow Jones Utilities	778.29	-10.77%
Barclays Aggregate Bond	2,335.85	4.98%

P/E Multiples	4/30/20
S&P 1500	19.5x
Dow Jones Industrials	17.9x
NASDAQ	35.1x
S&P 500	19.6x
S&P 400	17.5x
S&P 600	20.7x

Key Rates

Fed Funds Rate	0.00% to 0.25%
Tbill 90 Days	0.06%
T Bond 30 Yr	1.28%
Prime Rate	3.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	660.05	19.5x	2.08%
S&P 500	2,912.43	19.6x	2.08%
Dow Jones Industrials	24,345.72	17.9x	2.66%
Dow Jones Utilities	778.29	19.4x	3.33%

Spread Between 30 Year Government Yields and Market Dividend Yields: -0.80%

GREENLEAF TRUST® 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