GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

NOVEMBER 2018 | VOLUME 27, ISSUE 11

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Chairman, Greenleaf Trust

Economic Commentary

When you receive this edition of *Perspectives*, the torture of the midterm elections will have subsided. I imagine that, like you, I have felt pinned within the walls of a third grade playground for the past 120 days. The content of the odds, as well as the subject matter, seemed clearly created at an eight-year-old maturity level where one child points their finger at another shouting "you're lying" only to have the other retort, "I'm not a liar, you are." And in fact, "you are lying about me lying about you lying."

Well, we don't have to push the mute button anymore, at least for a while, and the consequences of the midterm elections will be known by all of us, including the aggregate body of investors.

As has been offered in previous editions of *Perspectives*, financial markets typically pull back in the weeks leading up to the midterms and rally in the months following the election results. The cause of this pre-election volatility can best be explained by both the anticipation of uncertainty and the post-election certainty arrived at by the outcome. 100% of the US Representatives and 35% of the Senators stood for reelection and thus, the balance of power was in question. Irrespective of popular belief, markets tend to be apolitical. In essence, markets don't *care* who is in power, they just want to *know* who is in power. Nick Juhle, our Vice President and Director of Research did a wonderful job of laying out the probable outcomes of the midterm election in the October *Perspectives*. The greatest probability was that the Democrats would gain control of the House and by a slim margin the Republicans would retain control in the Senate. On the surface, if that probability actually occurred as a result of the November 6th elections, markets would anticipate two years of legislative gridlock. I intentionally used the words "on the surface" because divided power in the legislative branch assumes a stalemate between parties. History would suggest the assumption to be shaky at best. When the leadership of the executive and legislative branches are held by one party it is natural to assume that the President will be able to pass whatever legislation is sent to the House and Senate, but reality paints an entirely different picture. If the legislation is significant, and requires 100% of the party in power's legislators, it is rarely successful. Although

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Commentary, continued

90% of legislators vote with their party, 90% is not enough when the margin of majority is slim. When divided government occurs it presents the opportunity for both parties to negotiate, because the divided control requires agreement to succeed in moving legislation forward.

Don't misinterpret my thought line. Coalitions of parties working across the aisle have recently enjoyed minimal success with significant legislation that changes tax law, entitlement programs or immigration. On the other hand, infrastructure, education and opioids might find more windows of opportunity.

Politicians have amazing levels of amnesia following elections, and the vitriol and mudslinging will be put on the shelf until the 2020 primary (silly season) begins in earnest. Until that time, investors can expect a post-midterm election playing field that remains fairly consistent for the next twenty-four months. The focus will be on the economy with specific scrutiny on consumer sentiment, employment, wage growth, business investment, durable goods orders, home sales, advance economic indicators, and the other remaining 37 economic data points that we, as well as other investment advisors, follow constantly.

"History is also clear that when there is divided legislative power, legislation gets done — but not around major policy that impacts the economy or fiscal policy."

Policy matters, and policies that encourage growth, investment, employment, productivity, trade and equitable taxation matter with respect to near term GDP. Policies that impact (for the better) fiscal budgets and deficits matter in the longer term and all of the above are important.

The historical reality is clear. The party in power, in all but two midterm elections dating back to 1910, lost enough seats in either or both of the legislative branches to lose legislative control.

History is also clear that when there is divided legislative power, legislation gets done — but not around major policy that impacts the economy or fiscal policy. The exception to this was The Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act of 1985, that was passed during the second term of Ronald Reagan and was responsible for the budget surpluses that were created during the Clinton administration.

Cynics might suggest that if you want to get a national park lodge renamed, or an existing highway dedicated, the legislative calendar in the next twenty-four months will be the time to do it. I am far more optimistic. I do not expect major public policy impacting the economy to occur and thus, the economic focus will, I think, be more of the same as a result of the midterm election.

Most economists hedge their forecasts; in fact, most economists argue with themselves as well as others — and since, at this writing, the midterms are six days away ,I feel compelled to offer this alternative.

If the Democrats fail to gain back the House and Republicans increase their majority in either or both legislative houses (low probability), significant political capital would have been earned and will be spent.

This accomplishment by a President, who has consolidated control over his party, would set the stage for a laser focus on campaign promises, as yet unmet, which include further tax cuts, more deregulations, more restrictive immigration policy and potential new nationalistic driven tariffs. Much of the above can be attempted through executive orders; however, those orders are temporary without legislative action to sustain them (witness the erosion of executive orders from administration to administration).

Looking through the windshield and assuming midterms create divided government and gridlock, let's examine our current state of affairs through the lens of our traditional economic indicators.

GDP

Real GDP rose at an annual rate of 3.5% in the third quarter of 2018. This result was released in what is referred to as the advance estimate and is subject to revision when the actual result is published, however, it was within the range of forecasted expectations. What caught some off guard in the release was the reduction in business fixed investment, which was more than offset by very strong consumer spending. Inventory growth continued to pick up and was probably due to expected consistency of demand as well as potential future tariffs starting January 1, 2019.

Consumer Spending

As we know, consumers drive nearly 70% of GDP growth and consumer spending rose in the quarter at a 4.0% annualized rate.

Home Sales

Home sales in the northeast region drove the negative results in new home sales which fell 5.5% in September and 2.8% for the previous quarter. Sales in the Midwest and South were flat while the West posted a strong 5.7% growth rate. Pending and existing home sales rose slightly for the period while inventory shrunk, but days on market increased slightly.

Consumer Sentiment/Confidence

Both indicators revealed continued near record levels of confidence. Recent investment market volatility was not reflected in consumer confidence and survey results indicated strong confidence in the job market.

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Commentary, continued

"The consumer is confident, employed and spending. Will the mid-term elections change that? No..."

ISM Index

Both the manufacturing and non-manufacturing index of supply management posted slightly softer, but still strong levels of 58.8 and 59.0 respectively.

Employment

Jobless claims remained stable at 210,000, while total non-farm payrolls increased by 250,000 in October, following average monthly gains of 211,000 over the prior twelve months. Average workweek hours remained consistent at 34.5 hours, while year over year average hourly earnings grew at 3.1%. Unemployment remained consistent at 3.7%.

Summary

The consumer is confident, employed and spending. Will the midterm elections change that? No, jobs are a function of labor demand, as are wages. Consumer behavior is driven by confidence and that confidence is directly correlated by what the consumer observes around them. In essence, it is very personal and very elastic. All of the current indicators suggest that the environment surrounding the consumer is currently stable.

Anxiety-Delayed Estate Planning

George F. Bearup
Senior Trust Advisor

I have often been mystified why individuals delay engaging in the estate planning process. I suspect that the most common reason that they avoid any estate planning is what psychologists call death anxiety, which can cause individuals to act irrationally, including all avoidance of any discussion that includes reference to their own mortality. While I am certainly no psychologist, it was nonetheless interesting over the decades when meeting with new estate planning clients to silently time in my own mind just how long it took in that meeting before the word death to finally be uttered; vague metaphors [e.g., the farmer who said when my last rooster crows] often were as close as clients would come before their death was mentioned. Sometimes I was the one who had to finally break the ice and talk about death as new clients were fully capable of talking around the topic for extended periods of time without using that dreaded word.

Death anxiety is described as the deterioration of an individual's decision-making capability, where out of avoidance the individual tends to make hurried, short-sighted or ill-advised decisions that will permanently impact their heirs. Thus, the individual's fear of making these bad decisions to simply get beyond their death anxiety causes them to delay any estate planning in light of having to confront that fear.

"Death anxiety [may lead to] the deterioration of an individual's decision-making capability, where out of avoidance the individual tends to make hurried, short-sighted or ill-advised decisions..."

Other reasons also serve as helpful rationalizations to ignore engaging any type of estate planning during life. The excuses to not adopt an estate plan vary from person to person. Some of the frequently cited reasons why an individual will fail to address any estate planning while they are alive and capable of doing so include the fear of:

1) Professionals, such as lawyers, accountants and appraisers, who are both expensive and sometimes more eager to display their technical knowledge rather than listen to what their client actually wants to accomplish;
2) The planning process, which can be long, drawn-out, and frequently leads to multiple questions that are difficult to answer, or which cause an individual to confront the reality about their beneficiaries that is conveniently ignored;
3) Probate, with its mysterious procedures, Latin terms, court hearings, and expensive lawyers in tow every step of the way in that long and tortured public process;
4) Loss of privacy, because estate planning requires a disclosure of all of an individual's assets and debts in order for them to be properly

Anxiety-Delayed Planning, continued

addressed in a comprehensive estate plan;

5) Personalities, understanding that some estate planning provisions will hurt a family member's feelings, or worse, will foment post-death hostilities among beneficiaries;
6) Indecision that results from not knowing what to do, i.e., knowing the right thing to do for each beneficiary (e.g. will too much wealth impact the beneficiary's self-esteem or ambition?), or confronting the Warren Buffet conundrum of leaving 'enough money so that the children would feel that they could do anything but not so much that they could do nothing;'
7) Inflexibility, in the misguided belief that estate planning is simply a 'one-and-done' transaction, while recognizing that some planning steps, like lifetime gifts or transfers into trusts are, in fact both inflexible and irrevocable; and
8) Staleness, because often estate plans are designed to take advantage of, or otherwise intentionally avoid, federal and state transfer taxes, yet the tax laws seem to change annually, making many estate plans outdated shortly after they are signed. (Hood & Bouchard, 2012)

"… an estate plan can be viewed as the last opportunity to promote or preserve, in a manner of speaking, an individual's post-death self."

But there are other ways to look at estate planning beyond just the transmission of assets after an individual's death. While we often talk of leaving legacies, an estate plan can be viewed as the last opportunity to promote or preserve, in a manner of speaking, an individual's post-death self. An estate plan can be a form of symbolic immortality that can influence the lives of those who survive, both through the wealth that is passed along as well as the recognition and reflection of values that the individual embraced to create and preserve that wealth.

Completing an estate plan is an accomplishment in itself. A thoughtful plan which is tailored to the needs and abilities of beneficiaries, or to foster a charity's mission, reflects our own sense of self-worth and the enduring values embraced during life. A completed estate plan can be a final affirmation of one's life. At a minimum, adopting an estate plan will reduce the stress and chaos survivors will have to deal with after death suddenly arrives.

With any estate plan, overcoming the reasons for individuals to adopt one is the overall goal to provide some level of peace-of-mind, which should not be overlooked or discounted as a tangible benefit that is derived from what might prove to be an expensive and somewhat stressful process. Even literature assures us of the peace-of-mind that can be derived from completing even an imperfect estate plan. In Herman Melville's *Moby-Dick: or The Whale* (1851/2003) when Ishmael learned that his testamentary wishes were in order after he had signed his Will, he immediately expressed his sense of personal contentment: “After the ceremony was concluded on the present occasion, I felt all the easier; a stone was rolled away from my heart” (p. 249).

There are plenty of reasons to not engage in estate planning and finalize an estate plan even when most acknowledge that it needs to be done. Over half of the American population does not have even a simple Will. With the current distrust that our populace has in its elected officials it is surprising so many Americans are willing to permit legislators to write their Wills for them through each state’s intestate succession laws which control in the absence of an intentional estate plan. Better that you adopt your own estate plan than leave that important ‘peace of mind’ decision to politicians to write your Last Will and Testament for you!

Melville, H. (2003) Moby-Dick: Or, the whale. London: Penguin Books. (Original work published in 1851)

Hood, L. P. & Bouchard, E. (2012). Estate planning for the blended family. Vancouver: Self-Counsel Press.

“Better that you adopt your own estate plan than leave that important ‘peace of mind’ decision to politicians…”

The Nontraditional Responsibilities of a Trust Officer

Kevin E. Jawahir, CTFA
Vice President
Assistant Director of Personal Trust

Greenleaf Trust celebrated its 20th birthday in 2018. I have been a part of the team for nearly ten years and have taken some time to reflect on the responsibilities of my role as a trust relationship officer. While the illustrations in this writing are reflective of my experiences as a trust relationship officer, Greenleaf Trust clients are served by a client centric team consisting of a wealth management advisor, team service coordinator and trust relationship officer, all of whom are an integral part of serving our clients.

My professional title combines two sets of responsibilities: trust officer and relationship officer. While this could be considered two distinct positions, at Greenleaf Trust we blend these accountabilities.

The person who establishes a trust (the grantor) likely has specific goals in mind when he or she designs the instrument. The grantor may wish for the trust to be utilized for a specific purpose like health or education, desire that monies are held in trust for the benefit of his or her bloodline, may wish to set aside funds to assist beneficiaries to purchase a home, start a business or pay for a wedding if the grantor is no longer living. The reasons to establish a trust are plentiful as are the duties of the trust's administration.

> "Traditionally, trust administration is thought of as an individual, in this case employed by Greenleaf Trust, acting in a fiduciary capacity for the best interest of the beneficiary."

Traditionally, trust administration is thought of as an individual, in this case employed by Greenleaf Trust, acting in a fiduciary capacity for the best interest of the beneficiary. The customary responsibilities include, but are not limited to, distributing funds in the manner prescribed in the trust, keeping current on tax and investment changes which may impact the trust, and consulting with other advisors (attorneys, accountants, etc.) in order to ensure coordinated trust management efforts.

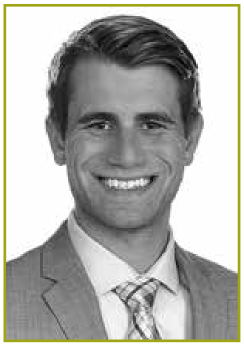
During my tenure at Greenleaf Trust, I have performed these responsibilities with regularity. As a relationship officer, I have additionally undertaken numerous nontraditional responsibilities. I have had the privilege of working very closely with clients or trust beneficiaries in the capacity of a mentor (financial, life choices and otherwise). I have provided guidance on home or car purchases and other spending choices. With beneficiaries I have talked through educational decisions (trade school, community college, four-year institution, and budgeting for the school year). I have discussed employment opportunities (full-time, part-time, retirement and healthcare benefits packages). I have reviewed business plans. I have provided guidance to an adult child, ironically the beneficiary of a trust established by her parents, on how to arrange and pay for in-home care as her parents age and face capacity issues. I have provided guidance to multiple generations, including grandparents, children, grandchildren, spouses, ex-spouses, in-laws and soon-to-be spouses.

In these instances, my voice must remain impartial. I do not have a hidden agenda nor will I report what has been discussed. By objectively listening, guiding, serving and educating in a meaningful way, I strive to make the individual comfortable to speak freely so the best outcome can be identified. It is often said in our offices that proper planning can preserve more wealth than most investments can create. My objective is to deepen the relationship to help create financial security from one generation to the next generation.

As individuals create trusts, as mentioned previously, specific uses of the funds (education, healthcare, etc.) are commonly prescribed. It would be helpful if grantors also included the "mentoring services" as a material purpose of their trust, thus providing guidance to both the fiduciary and the beneficiary as to what is expected under the terms of the trust. For example, a statement by the grantor such as "my goal in using this trust is that the trustee will mentor the beneficiaries to make wise choices with regard to trust distributions and their personal budgeting" could be included in the document.

Greenleaf Trust was founded with this philosophy: clients first, employees second, and shareholders last. This remains in the forefront of each of our minds as we serve on behalf of clients. As client centric team members we have attended client birthday parties, weddings and, unfortunately, funerals. At Greenleaf Trust, we believe the best way to serve your needs is to get to know you as an individual. I thoroughly enjoy my role as a trust relationship officer and client centric team member as I am allowed and encouraged to develop strong relationships with those we serve.

"It is often said in our offices that proper planning can preserve more wealth than most investments can create."



Jacob A. Barker
Associate Manager Selection Analyst

Capital Gains Distributions: A Hallmark of the Holiday

Just as brisk mornings, hot chocolate, and quality time with loved ones are hallmarks of the holiday season, so too are capital gains distributions. These distributions are traditionally made in late November to mid-December, which can create a tax liability for investors regardless of whether they have recently sold shares. For us at Greenleaf Trust, advisors begin preparing for this annual event well in advance, with the goal of ensuring the best tax outcomes for each client through the management of capital gains distributions. Given the financial implications of these distributions, we believe a robust strategic plan that is cognizant of individual client circumstances can be very additive to an investor's long-term capital appreciation. To explain capital gains distributions and how Greenleaf Trust approaches taxes in fund portfolios, it is our pleasure to once again republish our hallmark article on the topic originally written by our Director of Research, Nick Juhle.

> "For us at Greenleaf Trust, advisors begin preparing for this annual event well in advance, with the goal of ensuring the best tax outcomes for each client…"

Most investors are familiar with basic tax principles for individual shares of stock. Mr. Smith buys shares of ABC Company for $100 and sells them for $110 realizing a $10 profit, or gain, on which he is expected to pay taxes. If Mr. Smith holds the shares for more than one year, the gains are considered long-term and subject to a federal tax rate of up to 23.8% (in 2018). If Mr. Smith holds the shares less than a year, the gains are short-term and taxed as ordinary income. The key here though, is that Mr. Smith has to sell the shares to realize the gains. He controls the timing, and has the ability to delay realization of gains and the resulting tax liability for as long as he holds the shares. The same concept is only partially true when it comes to mutual funds.

A share in a mutual fund represents a share in a portfolio of stocks (or other investments), and the price of that share (the net asset value or NAV) fluctuates with the prices of the underlying securities. The mechanics here are really no different than in the individual stock example above. Mr. Smith buys shares of the ABC Fund for $100, the underlying securities in that fund collectively appreciate by 10%, and Mr. Smith sells them for $110, realizing a $10 gain and the associated tax liability. Pretty straight forward right? Here's where it gets a little more complicated.

If a mutual fund sells a holding in which it has a gain, it has to distribute that gain to the fund's shareholders in the year it was realized. If the mutual fund buys shares of ABC Company for $100 and sells them for $110, it has to distribute the $10 gain (short or long-term) to shareholders who are responsible for the tax liability. Instead of distributing gains after every transaction, funds typically make a single distribution at year-end which incorporates all gains netted against any offsetting losses or applicable loss carry forwards.

So there are two ways a fund investor can realize gains: 1) by receiving a capital gain distribution from the fund; and 2) by selling a fund share for more than the purchase price. Mechanically, capital gains distributions are processed similarly to dividends. There is a record date (holders of record on this date will receive the distribution), and an ex-date (the first day you can buy the fund without receiving the distribution). This means that a fund could set a record date of December 15 and if our friend Mr. Smith bought shares on December 14, he would receive the distribution and a tax bill. Likewise Mr. Smith could have bought shares earlier in the year and sold them on December 14th and he would avoid the distribution altogether.

Perhaps this seems unfair. The fund accumulates gains all year and then distributes them to whoever happens to be holding the shares on the record date. Fortunately, there is a mechanism in place that prevents fund investors from being taxed twice – specifically, the distribution results in a corresponding reduction to the NAV or price of the fund share, which effectively reduces any gain in the shares themselves.

To illustrate, let's say Mr. Smith buys one share of ABC fund for $100 on December 14 and the fund distributes $10 in capital gains on December 15. Mr. Smith receives the $10 and will pay taxes on that amount (clearly unpleasant), and his share immediately re-prices to $90. Sounds like a lose-lose, but it means Mr. Smith's share could appreciate as much as $10 (from $90 back to $100) before he would realize gains on a sale.

"Fortunately, there is a mechanism in place that prevents fund investors from being taxed twice..."

For each of the past several years, the average distribution across our client holdings was between three and five percent. This year, our estimate of the average distribution across our client holdings is somewhere between five and six percent. Current estimates show that funds with significant foreign equity exposure expect to make higher distributions than funds with other types of holdings.

Fortunately, our hands are not completely tied when it comes to taxes. In fact, several steps in our process are inherently geared toward managing tax liabilities generally and specifically as they apply to externally-managed funds. First of all, this discussion does not apply to 401(k)s, IRAs, or other qualified accounts and we ensure clients are maximizing these vehicles in the context of a broader wealth management plan. For non-qualified accounts, our portfolio construction and fund selection processes carefully consider the assumed tax impacts of the strategy or fashion in which our clients are investing. We carefully

Capital Gains Distributions, continued

consider turnover rates, as it is usually the case that higher turnover (more trading) means more realized gains while lower turnover means the opposite. We also evaluate the tax characteristics of different investment vehicles for our clients. This emphasis on tax efficiency is part of what led us recently to increase the use of index-tracking exchange-traded funds (ETFs), which usually experience less turnover and are generally more tax efficient than the average actively-managed mutual fund. We also monitor funds closely for manager or prospectus changes which may drive higher turnover if the portfolio is repositioned. Additionally, we analyze capital gains estimates to inform decision-making around year end - under unique circumstances, there may be benefits to strategic repositioning during the distribution season based on a host of account-specific factors. You can rest assured that we are thoroughly examining every account for opportunities.

"Nobody looks forward to paying taxes and rational investors will make every effort to avoid, minimize, or delay them."

Lastly, perhaps a little perspective is in order. Nobody looks forward to paying taxes, and rational investors will make every effort to avoid, minimize, or delay them. Greenleaf Trust is in your corner working diligently to ensure that we're sheltering, minimizing, and delaying every chance we get. But at the end of the day, taxable gains are, well… gains. So don't lose sight of the fact that while taxes are a certainty, they're also a certain indicator of a growing portfolio.

Market Timing Can Be Costly

Andrew L. Riker, CFP®
Vice President
Senior Wealth Management Advisor

As of October 30th, the S&P 500 is down about 9% for the month, and the NASDAQ is experiencing its worst month since 2008. The market gains realized during the first nine months of the year have been erased in a month. Needless to say, October has not been a fun month for equity investors. The market decline has naturally resulted in nervousness and fear for investors. It may be tempting to try to placate these emotions by reducing or eliminating stock exposure, however, history suggests that staying the course (assuming you are on the right course) will result in a better long-term outcome.

Stock market corrections, defined as a 10% drop in stock prices, are not uncommon. In fact, on average, the market experiences a correction every year. Despite the average annual recurring nature of market corrections, it's very difficult to successfully time the market. Timing the market successfully requires two correct decisions: when to get out and when to get back in, and the odds are not on the market timer's side given the positive general trajectory of the market.

A recent study from Cambridge Associates, which analyzed UK and US equity markets from 1900, found that being out of the market for just the two best quarters since 1900 reduced cumulative real returns by over two thirds. According to Morningstar, missing out on just the ten best trading days from 1980-2018 (nearly a forty-year period) resulted in an ending balance that was less than half the value of staying in the market for the entire period of time. John Bogle, founder of the Vanguard Group of mutual funds, wrote of market timing: "After nearly 50 years in this business, I do not know of anybody who has done it successfully and consistently. I don't even know of anybody who knows anybody who has done it successfully and consistently."

> "Despite the average annual recurring nature of market corrections, it's very difficult to successfully time the market."

If the above isn't convincing enough, there is an online tool that helps to illustrate the risks of trying to time the market. The simulator (found via the following link: https://qz.com/487013/this-game-will-show-you-just-how-foolish-it-is-to-sell-stocks-right-now/) picks a random 10-year history of the S&P 500, challenging players to spot and avoid the downturn, as the chart progresses through time. You start with $10,000 invested. Hit "sell!" when you think you should take your money out of the market. Hit "buy!" when you want to get back in. Note: you can only sell and buy once. This was a very humbling exercise for me, as I suspect it is for anyone who believes they can consistently beat the game or consistently time the market.

It's difficult for individuals to avoid letting emotions factor into investment decisions, which is why one of the important roles we play

Market Timing, continued

as trusted advisors is to help client's maintain a disciplined and objective investment approach. On the front end of each client relationship we gather as much information as possible so that we can prepare what we refer to as a customized in-depth wealth management plan. A boiled down version of the wealth management plan lives on in what we call an investment policy statement that we review at least annually with each client. These measures, along with our desire to be in frequent contact and develop solid relationships with our clients, helps us ensure that client's asset allocations are tailored to each individual client based upon their unique circumstances, including their goals and objectives, time horizon, and risk tolerance. Rather than making drastic adjustments to allocations based upon market volatility, allocation adjustments are based upon changes in client's unique circumstances. This results in the avoidance of the costly impact of market timing while ensuring participation in the long-term reward of positive stock market returns.

Michelle M. Gray
Participant Services Specialist

Retirement Planning: What to Consider as Year End Approaches

As you get ready to prepare for the holidays, we don't want you to forget about your retirement accounts. There are several things to consider as year end nears:

1) Required Minimum Distributions – Are you 70½, no longer working and have pre-tax contributions in your retirement account? If so, the IRS requires you take an annual Required Minimum Distribution. If you're still working, however, and not a 5% (or more) owner in the company you are employed by, you can waive those distributions until you're no longer working. Required Minimum Distributions are not required from Roth IRA accounts.
2) Maxing out your employer sponsored retirement plan contributions – the maximum for 401(k) contributions in 2018 is $18,500 for individuals under age 50. If you are 50 or older, or turning 50 any time during the 2018 calendar year, you may also contribute the additional catch-up contribution of $6,000. If you have not already maxed out your 401(k), you may want to consider doing so with any year-end bonuses you receive. Unlike IRAs, contributions need to be made by December 31 in order to qualify for 2018.

3) Maxing out your individual retirement account (IRA) contributions – The maximum IRA contribution for 2018 is $5,500 for individuals under age 50. As with qualified plans, the IRS allows catch-up contributions in IRAs. The IRA catch up contribution for those age 50 or older, or anyone turning age 50 in 2018, is $1,000. Unlike qualified plans, you have until you file your 2018 taxes to make IRA contributions for the 2018 tax year.
4) Consider consolidating your retirement plans. Do you have multiple retirement plans? Perhaps you've left your 401(k) or 403(b) plans with your former employer. Year end is a great time to evaluate your accounts and determine if it makes sense to consolidate them. There are several things to consider as you're thinking about your different accounts. For instance, what are the fees that are being paid? Some employers pay all of the plan fees for their employees in their employer sponsored retirement plans. For that reason, it may make sense to roll IRAs or former qualified plans into your current plan. Even if your employer doesn't pay the plan fees, typically fees within your 401(k) or 403(b) are lower because you're getting the benefit of the fees being negotiated on the entire plan balance. Larger plans typically have lower plan fees. If you're interested in learning more about rolling your IRA or former employer sponsored qualified plan into your retirement plan with Greenleaf Trust, please contact our participant call center at (866) 553-8400.
5) Preparing for 2019 – although not official yet, it appears that the employer sponsored retirement plan contribution limits in 2019 will be increasing by $500. The proposed elective deferral limit will be $19,000 for those under age 50. The catch up contribution will remain the same at $6,000 for those age 50 or older or anyone turning age 50 in 2019. The proposed IRA contribution limit is also increasing by $500 to $6,000 for individuals under age 50. The IRA catch up contribution will remain the same at $1,000.

"There are several things to consider as year-end nears..."

We trust you've had a prosperous and healthy 2018 and that 2019 will be even better! If you have any questions about your qualified plan, please don't hesitate to contact our participant call center at (866) 553-8400.

Stock Market Pulse

Index	10/31/18	Total Return Since 12/31/2017
S&P 1500	625.55	2.59%
Dow Jones Industrials	25,115.76	3.41%
NASDAQ	7,305.90	6.73%
S&P 500	2,711.74	3.00%
S&P 400	1,825.10	-2.78%
S&P 600	949.96	2.52%
NYSE Composite	12,208.06	-2.62%
Dow Jones Utilities	733.84	4.15%
Barclays Aggregate Bond	104.59	-2.36%

P/E Multiples	10/31/18
S&P 1500	19.1x
Dow Jones Industrials	17.1x
NASDAQ	21.3x
S&P 500	19.0x
S&P 400	19.3x
S&P 600	22.9x

Key Rates

Fed Funds Rate	2.00% to 2.25%
Tbill 90 Days	2.26%
T Bond 30 Yr	3.39%
Prime Rate	5.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	625.55	19.1x	1.92%
S&P 500	2,711.74	19.0x	1.95%
Dow Jones Industrials	25,115.76	17.1x	2.21%
Dow Jones Utilities	733.84	17.9x	3.29%

Spread Between 30 Year Government Yields and Market Dividend Yields: 1.47%

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