GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

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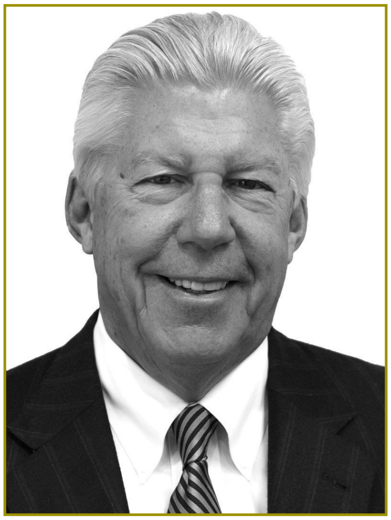


William D. Johnston
Chairman

In Memory of Ronald Nelson Kilgore, Our Beloved and Trusted, Leader, Friend and "Keeper of the Greenleaf Trust Culture"

On January 19th of 2025, The Greenleaf Trust community, inclusive of clients, teammates, board members and friends, lost a valued and important friend. Ronald Nelson Kilgore, our first Chief Executive Officer, passed away after a long and challenging illness.

A wise and important mentor of mine once told me that, "A reputation is a gift you give yourself every day. No one can take it from you, and no one can give it to you. It is the body of your work each and every day that creates your reputation." I cannot think of Ron without immediately thinking of this quote because of the reputation he built. It was my distinct honor to have known Ron for the past 45 years.

In 1997, Ron was serving as Senior Vice President and Senior Trust Officer for Arcadia Bank and Trust in Kalamazoo. He had previously served in leadership

In Memory of Ronald Nelson Kilgore, Our Beloved and Trusted, Leader, Friend and "Keeper of the Greenleaf Trust Culture", continued

roles at several Kalamazoo banks, including serving trust clients at American National Bank for nineteen years. I approached Ron with the idea of starting a new Michigan chartered bank that would not be in the deposit or lending business, but rather focus only on the fiduciary, trust and wealth management needs of clients. Our distinction, as I explained to Ron, is that we would not be starting the bank with the intention of selling it someday. Instead, our goal was to create a bank that would serve clients in perpetuity for generations to come. The idea intrigued Ron, and there was a glimmer in his eye when I told him that I thought he would be a great CEO and Director of Trust Services. Ron did not necessarily jump at the idea. Those who knew Ron well understand that he was not an impetuous person, but I knew he was interested. We agreed to keep in touch as I developed the idea further. There was a great deal of consolidation going on in regional banks, and within six months of our initial conversation, Ron's employer, Arcadia Bank and Trust, was sold to FMB Corp. Then, in a matter of weeks, FMB was acquired by Huntington Bank. The idea of serving clients in perpetuity and for generations to come resonated with Ron, so he agreed to join me in the creation of Greenleaf Trust. We took nearly a year to craft our bank charter application for the State of Michigan. With Ron's wisdom, guidance and experience, as well as the legal expertise of Gregg Stover, we migrated our way through the regulatory processes. We received our Michigan bank charter in May of 1998 and opened our doors for business at 491 West South Street in Kalamazoo in July of 1998.

"The idea of serving clients in perpetuity and for generations to come resonated with Ron, so he agreed to join me in the creation of Greenleaf Trust."

Ron went to work recruiting a talented, experienced trust operations team. With zero clients and a team of six, we began what would become a fabulous business and banking success story that today totals thousands of clients and over 20 billion dollars of assets. Our clients are served by nearly 200 Greenleaf Trust team members in six Michigan cities, and also in Delaware as Greenleaf Trust of Delaware.

Through every step of our journey, Ron Kilgore's fingerprint is etched in our success. Ron served as a founding member of the Greenleaf Trust Board of Directors and was critically important in the crafting of our bylaws, policies and procedures. He served as Director of Trust Services and Senior Vice President and Board member until his retirement after twenty-six years of faithful and dedicated service to our clients and team.

At our twenty-fifth anniversary celebration in 2023, we honored Ron with a resolution signifying his Emeritus status of "Keeper of the Greenleaf Trust Culture." Great organizations are defined by possessing great organizational cultures multiplied by great workplace cultures. These organizations do not create winning cultures by chance, but, rather, by design. Greenleaf Trust's business success is not simply because we began with a vision and mission to serve clients in perpetuity for generations to come. Instead, it happened because we created a culture that put us on the same side of the desk as our clients, absent from any conflicts of interest. Serving clients in a team delivery model in a spirit of continuous improvement modeled by honest and honorable behavior was natural to Ron, who was compelled to teach it to others whom he led. To build and sustain great cultures, organizations must be full of "Keepers of the Culture." I had the benefit of having Ron at my side for these past two plus decades. The opportunity to be mentored by this masterful, kind, gentle "Keeper of our Culture" is one of the most important privileges of my life.

The body of one's work reveals who one is. What is obvious to all who knew Ronald Nelson Kilgore is that he made a huge, impactful difference and did so without ego or hubris. He lived his life with a big servant heart. Well done, my friend, well done. You will be missed.

"Serving clients in a team delivery model in a spirit of continuous improvement modeled by honest and honorable behavior was natural to Ron, who was compelled to teach it to others whom he led."

Michael F. Odar, CFA®
President
Chief Executive Officer

"The national charter designation simply allows us greater opportunities geographically."

The Next Chapter of Purposeful Growth

We went to the state of Michigan 27 years ago with a unique business plan. At that time, the banking industry was going through one of its consolidation phases. Although beneficial to shareholders, we felt like the banks were losing sight of what's most important – the clients. The disruption also created turnover in talent within a relationship-based service. We wanted to create a privately owned Trust-Only Michigan chartered bank. We would find really talented people and together create a client-first culture that would engage and inspire those teammates to help our clients achieve their financial goals. Our independence would also be a critical component of our model. Since then, we have grown purposefully in size and sophistication, which was always our intent.

Today, we are excited to announce the next chapter of this journey. The Office of the Comptroller of the Currency (OCC) has accepted and approved our application to become a nationally chartered bank.

What does this mean for existing clients? The national charter designation simply allows us greater opportunities geographically. Really, we are now just able to purposely grow outside the state of Michigan. Our approach to growth has always been purposeful and will remain that way. Our culture and talent are foundational to our clients' success. Our commitment to our unique client-centric service model remains unchanged. Client-centric teams for clients will not change as a result of this. Our services are just now more accessible to a wider group of clients across the U.S. Our independence will also remain a steadfast focus for us. Functionally, the only change is in the form of regulatory administration that moves from the State of Michigan to the Federal Government's OCC.

As part of this next chapter, we are now able to act on a request we have received for years from clients who either live or spend their winters in warmer climates. They want us closer to where they are. So, we are also excited to announce that this spring we will be opening our newest office in Naples, Florida. We have already begun the search for the right talent that fits our culture and believe we have found a location that will be centrally located and convenient for our clients in the area.

We appreciate the trust our clients have put in us all these years and believe our next chapter will allow us to continue to Serve Clients More.

Economic Commentary

Nicholas A. Juhle, CFA®
Chief Investment Officer

Happy New Year! My colleague Chris Burns and I began 2025 traveling together to deliver our 2024 Year-in-Review and 2025 Outlook seminar. We presented in six Michigan markets including Kalamazoo, Grand Rapids, Petoskey, Traverse City, Midland, and Birmingham before concluding on an unseasonably cool day in Florida that still felt seasonal compared with temperatures back home. It was a pleasure to engage with so many clients and friends. If you were among those in attendance, thank you for joining us. If you were not able to participate this year, a video recording of our Kalamazoo presentation is accessible on our website.

Following two historic years, with the S&P 500 achieving consecutive annual gains of more than 25% for the first time since 1997-1998, equity markets continued their upward trajectory returning 2.8% for the month. In the US, investors weighed a strong labor market, which is generally a positive indicator, with the implication that labor market strength may make Federal Reserve rate cuts less likely. This tension was compounded by volatility driven by evolving developments in the AI space and left equity markets in flux in January.

In the bond market, expectations for 2025 rate cuts now call for one to two 0.25% cuts in the back half of the year. The 10-year treasury rate briefly approached 4.8% in January before retreating to 4.54% by month end. Globally, monetary policy divergence is expected to increase, driven by a stronger U.S. economy and geopolitical uncertainties abroad which could heighten volatility in currency markets and impact trade flows.

Globally, elections were a dominant theme in 2024, with over 60 countries – representing roughly half of the world's population - heading to the polls. Incumbents fared poorly at the ballot box, leading to notable leadership changes. While the immediate impact of these changes on capital markets is likely to be limited, the long-term impacts bear watching. If 2024 was the year of elections, 2025 will be defined by how campaign promises translate into policy.

"If 2024 was the year of elections, 2025 will be defined by how campaign promises translate into policy."

In the US, we will be monitoring policy's potential impact on inflation. The annual CPI inflation rate in the US rose to 2.9% in December 2024. Markets responded positively, with both stocks and bonds rising on the release. While inflation has come down significantly from its peak of 9.1% in 2022, it remains above the Federal Reserve's 2% target, adding complexity to the economic landscape. Fed policymakers have done a good job reining in inflation without causing major disruptions to the labor market. This last leg of the journey may prove challenging, but the hard work is largely in the rearview mirror.

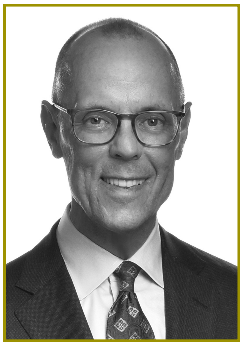
Credit is due as inflation has moderated while the U.S. economy remains on strong footing with GDP for the fourth quarter of 2024 coming in at 2.3%, missing expectations for 2.5% growth. Economists have lowered their

Economic Commentary, continued

recession estimates to 20% for this year, down from 50% just one-year prior. December saw 256,000 nonfarm payroll additions and a 0.1% reduction in the unemployment rate to 4.1%. Retail sales grew at an annual rate of 3.9% in December, or 1% real growth after accounting for inflation. This continued strength will afford policy makers more flexibility as they aim for a soft-landing.

As always, we look forward to sharing our views as we navigate the first quarter and the balance of 2025. We encourage investors to lean on discipline and the benefit of a long time horizon during periods of uncertainty. On behalf of the entire team, thank you for allowing us to serve on your behalf. Best wishes for the year ahead.

Transition to Retirement: Run Your Own Race



Douglas P. Bajor, CFA®, CPA, CFP®
Retired Senior Wealth Management Advisor

"So you're scared and you're thinking that maybe we ain't that young anymore. Show a little faith, there's magic in the night." ***Born to Run*** *by Bruce Springsteen*

My transition to retirement began officially in January 2024 after working full time for nearly forty-three years. I informed Greenleaf Trust about my intentions to retire in November 2022 so that there would be adequate time to hire and train my replacement including introductions to all of our clients. This lead time also allowed me to better mentally prepare for the transition. And, yes, I was scared because retirement is a clear sign that I am not that young anymore. In preparing for this transition, certain key themes became apparent.

- Need to run your own race
- Seek progress, not perfection
- Recognize where my heart is
- Avoid the hedonic treadmill
- Express gratitude daily

"In preparing for this transition, certain key themes became apparent."

Run Your Own Race

I have been competing in races since 1973. With over fifty years of racing experience, I know that my best performances occurred when I prepared well and ran at a pace within my ability.

Everyone has different needs for retirement. Some people want to travel. Others want to remain active in their business or profession. Others want to take care of the needs of their family more fully after focusing so hard on their career for many, many years. So, I knew that our retirement had to match our needs rather than what people thought that we should do.

"We are also very active in managing our health and healthcare coverage."

Seek Progress, Not Perfection

As my wife and I entered retirement, I knew that we would have many things to address including healthcare, updating estate plans, pension/retirement asset issues, home maintenance, becoming our own IT (information technology) department, vacation plans, and caring for our greyhound, Gracie. But we wanted to address these issues at a manageable pace rather than attempting to do everything at once or with rushed deadlines. A little progress every day helped to maintain positive momentum.

Recognize Where Your Heart Is

A key verse in the Bible for me is Matthew 6:21: *"For where your treasure is, there will be your heart also."* This verse is key to how I want to spend my time. My wife, our dog, my brothers, and my friends need my attention, and I enjoy spending time with them. I still love competing and ran twenty races during my first year of retirement. I have several charities that I support including our church, my old high school (now called "Detroit Cristo Rey"), Michigan State University, the Pope Francis Center for the homeless, and the Michigan Humane Society (and other rescue groups). My love for the investment markets remains strong, and I am active with the CFA Society Detroit, serve on the investment committee for the Children's Center of Detroit, and provide advice to people regarding their retirement portfolios and careers.

One of the best things about retirement is to be able to have lunch and dinner most days with my wife and to walk Gracie twice per day. After many years of long workdays including working lunches, it is nice to enjoy good food, conversation, and companionship.

Avoid the Hedonic Treadmill

The book, **The Soul of Wealth**, by Daniel Crosby provides many wonderful life lessons. In particular, Dr. Crosby warns about avoiding the hedonic treadmill where a person pursues more and more wealth and material goods but is never satisfied. He encourages people to be true to their values and to use their wealth to experience new things, spend on others, appreciate their health, bypass materialism, and fund life necessities. He discourages spending on things that we do not need to impress people that we do not even like.

Throughout this first year of retirement, we have actively made efforts to donate, share, or recycle items that we do not use or need. When we go to a store, we always ask ourselves if we really need an item. Or is it just a "feel good" purchase that will collect dust or otherwise complicate our lives? We are also very active in managing our health and healthcare coverage.

Express Gratitude Daily

One way that we try to appreciate retirement is by being grateful for what we have and the friends and family with which we have been blessed. We recognize that we are most fortunate to be able to retire. We are grateful for our health and for access to excellent healthcare when we do not feel so fine. We recognize that we do not have everything that we might want, but we are fortunate in many, many ways.

"Life is a journey and seeking wisdom from others can help you tremendously."

Summary

A key step to making a successful transition to retirement is to work with excellent advisors including an estate planning attorney, a strong CPA, and a wealth manager such as Greenleaf Trust. These firms can help with important tasks such as preparing estate planning documents, candidly discussing needs and goals, and preparing a sustainability analysis to evaluate potential spending levels. Access to such advice can provide tremendous peace of mind as a person moves forward with retirement. Life is a journey and seeking wisdom from others can help you tremendously. Remember to run your own race as you move forward!

Protect Your Identity This Tax Season: Request a Tax Filing PIN

Oliver E. Krings, CISSP, ABCP
Chief Information Officer and Chief Information Security Officer

As tax season approaches, safeguarding your financial information has never been more critical. Tax fraud continues to rise, with identity thieves targeting unsuspecting individuals to file fraudulent returns and claim refunds. Good news, however, as you have a simple and effective tool to enhance your security: the IRS Tax Filing PIN.

What Is an IRS Tax Filing PIN?

The IRS Tax Filing PIN, also known as an Identity Protection PIN (IP PIN), is a six-digit code provided by the IRS to help taxpayers verify their identity. This code adds an extra layer of security to your tax return, ensuring that only you or your authorized representative can file under your Social Security Number (SSN).

"Good news…you have a simple and effective tool to enhance your security…"

Why Requesting a Tax Filing PIN Is Essential

- **Prevent Tax Fraud:** An IP PIN prevents cybercriminals from filing fraudulent tax returns using your personal information. Even if your SSN is compromised, the PIN ensures unauthorized filings are blocked.
- **Enhance Peace of Mind:** With a PIN in place, you can rest easy knowing your tax return is protected from identity theft, allowing you to focus on other financial goals.
- **Comply with IRS Best Practices:** The IRS encourages individuals, especially those who have been victims of identity theft or are at higher risk, to request an IP PIN to strengthen their tax filing security.

Who Should Request a PIN?

Although anyone can opt for an IP PIN, it is especially beneficial for:

- Individuals who have previously experienced identity theft.
- High-net-worth individuals or those with complex financial portfolios.
- Individuals who want to take a proactive approach to cybersecurity.

How to Obtain an IP PIN

Requesting an IP PIN is straightforward:

- **Online Application:** Visit the IRS Get an IP PIN tool and verify your identity through their secure portal.
- **Paper Application:** For those unable to apply online, Form 15227 can be mailed to the IRS. Eligibility requires meeting certain criteria.
- **Renew Annually:** Remember, the IP PIN is valid for one tax year and must be renewed annually to maintain protection.

Protect Your Identity This Tax Season: Request a Tax Filing PIN, continued

Greenleaf Trust's Commitment to Your Security

At Greenleaf Trust, we prioritize your financial well-being and security. Our team is here to provide guidance and resources to help you navigate tax season with confidence. By requesting an IRS Tax Filing PIN, you're taking a proactive step in protecting your financial future.

For additional assistance or questions, don't hesitate to contact any member of your client centric team. Together, we can ensure a safe and stress-free tax season.

Nicole E. Asher, CFP®, CPWA®, CHFC
Senior Vice President,
Senior Wealth Management Advisor

Will Social Security Run Out? Balancing Your Three-Legged Stool During Uncertain Times

"When we speak of the three "legs" of income in retirement they are pensions, Social Security, and personal savings."

The Traditional Three-Legged Stool

From its origin, Social Security has been likened to one leg of a three-legged stool. By definition, a three-legged stool, is a system, concept or situation that relies on three equally important components, where if any one of them is missing or weak, the whole thing becomes unstable and cannot function properly.

When we speak of the three "legs" of income in retirement they are pensions, Social Security, and personal savings. Unfortunately, over the years, two of the legs have become unstable. Employer pensions have been largely scaled back as they face challenges with regulatory changes, costs and increased life expectancies. Social Security and the trust fund reserves that support it face serious headwinds.

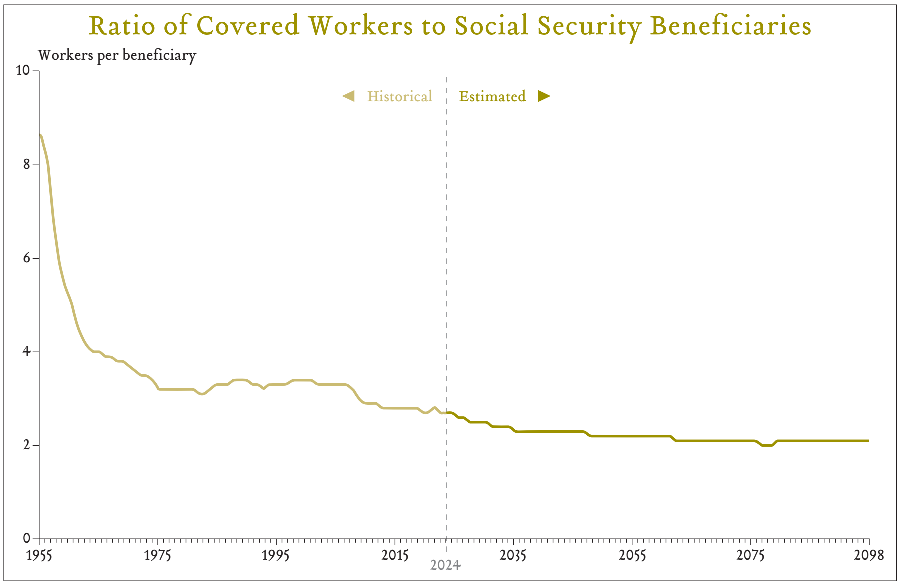
Understanding the 2035 Timeline

Social Security benefits are vital components to the retirement of millions of Americans. According to the latest annual report of the board of trustees of the Social Security trust funds, the trust funds reserves are currently estimated to become insolvent in 2035. This is one year later than previously projected. The Trustees note that this is because of low unemployment, a strong economy and higher job and wage growth. Before we all start panicking, let me assure you that this does not mean that Social Security payments will be coming to an end. It is estimated that when the fund is depleted, that benefits will not go away, but that only 83% of benefits will be payable. The estimate is that at the current pace, this 83% could drop to 73% of benefits by 2098. While this is a significant cut for those who rely on Social Security as their primary source of retirement income, it does not mean that Social Security will be gone. Yes, it is facing serious obstacles, but there are solutions.

Current State of Social Security

A US population that is living longer combined with a declining birth rate are the main stressors on Social Security. In 1950, the ratio of workers paying into Social Security to those collecting was 8.6:1. Today it is 2.7:1 and is expected to decline to 2.3 :1 by 2036. Social Security is currently funded through the Federal Insurance Contributions Act (FICA) taxes and Self-Employment Contributions Act (SECA) taxes. FICA payroll taxes are what both employers and employees currently pay and is currently 6.2% each (12.4% total). Self-employed individuals pay the total amount for both employers and employees but do receive a special tax deduction that reduces this higher rate. FICA is only taxed on up to $176,100 (for 2025) of a person's income.

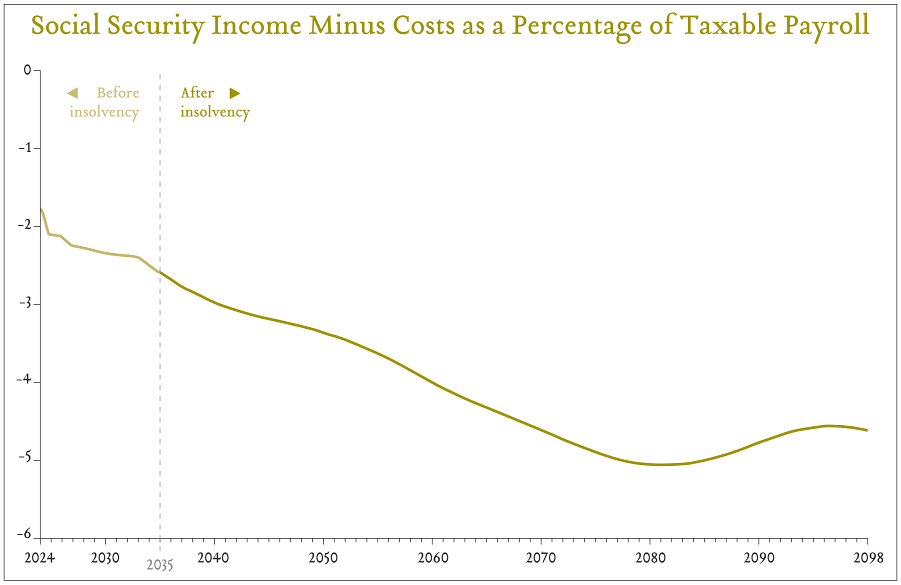
> "With these changes in demographics Social Security is paying out more than it is taking in..."



SOURCE: 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds

With these changes in demographics Social Security is paying out more than it is taking in, hence the potential shortfall. In 2023, Social Security paid out benefits to over 71 million Americans to the tune of about $1.39 trillion but only received $1.35 trillion in revenue. In 2024, those figures were estimated to be expenses of $1.48 trillion offset by revenue of $1.38 trillion.

Will Social Security Run Out? Balancing Your Three-Legged Stool During Uncertain Times, continued



SOURCE: 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds

"Overall, about 83% of earnings were taxed in 2023 as compared with 92% in 1937."

Potential Solutions

With FICA being the primary source of funding for Social Security, one option to help replenish Social Security Trust funds is to increase current FICA rates from the current 12.4%. When FICA originated in 1937, it was 2%. It has slowly increased over the years. In 1950 we saw the first increase to 3%, by 1960 we were at 6%, 1970 it was 8.4% and 1980 at 10.10%. In 1990 it was raised to 12.4% and has not been raised since.

Another solution tied to FICA is to raise the current wage cap that FICA is assessed. The wage cap is updated annually based on the increases in the average wage. In 2023, 6% of workers had income that exceeded this threshold, as compared to 3% of workers at its inception. Overall, about 83% of earnings were taxed in 2023 as compared with 92% in 1937. Currently, any income over $176,100 (for 2025) is not assessed the 12.4% FICA tax. This option would raise or remove the current wage cap.

In addition to changes to FICA, other options that have been vetted are changing the formulas used to determine an individual's benefits, reducing the cost-of-living adjustments (COLA), and changing retirement ages, or some combination, to name a few.

Action Steps

So what does this mean for you? If you are currently receiving Social Security benefits, it is likely that you will not see any change for the next 10 years. After that, a reduction in benefits may occur unless the systemic issues are addressed.

If you are like me and still working, it is likely that when we do file, we will still receive benefits from Social Security, but they may be less than what we were expecting. It could also mean that depending on what course of action is chosen to remedy the problem, we could face higher taxes, reduced after-tax income, or a delay on when we can file for benefits.

No matter where you are in your Social Security timeline, if you are concerned about how this will affect your current and or future lifestyle, ask your financial advisor to run an analysis and model your retirement with a reduction in Social Security benefits and or reduced after-tax income. What you might find is that, while it is not ideal to face reduced benefits, you are still able to live comfortably. If not, start planning now to address that shortfall and bring balance back to your three-legged stool.

"...start planning now to address that shortfall and bring balance back to your three-legged stool"

Wendy Z. Cox, J.D., CTFA
Director of Personal Trust,
Chief Fiduciary Officer

Dawn Moore
Vice President, Senior Trust Officer

"...each state retains unique differences in both substance and whether the laws in that state have been tested by the courts."

Estate Planning Opportunities Abound

With the receipt of our national charter and our continued Delaware limited purpose trust company charter, we now have additional tools for bringing our clients the best planning opportunities. Many states have adopted "uniform acts" which create greater consistency between state laws. However, each state retains unique differences in both substance and whether the laws in that state have been tested by the courts. In helping our clients, we are always looking to make the best decision balancing both the substance of the law and the protections of the law.

In the chart below, we compare key trust laws in Delaware, Michigan and Florida. A few key highlights are:

Silent Trusts

A silent trust permits the trust to be kept secret from the beneficiary for a period of time. During the silent period, information regarding the trust is provided to a designated representative. This permits a grantor to set aside trust assets for younger beneficiaries or beneficiaries with lifestyle concerns, such as spending habits or addictions, for a period of time. Delaware and Michigan have enacted silent trust statutes, but Florida has not.

Trust Modifications

A revocable trust can always be modified by the grantor. It is sometimes necessary to modify an irrevocable trust because of a change in circumstances. Irrevocable trusts can be modified in a variety of ways. A trust can be "decanted" to another trust containing different or additional provisions. The beneficiaries may be able to agree to a judicial or non-judicial settlement agreement to address changes, a modification by consent, or a merger or consolidation of trusts. The law varies greatly between the states and should be reviewed to determine the best course of action based on specific circumstances.

Directed/Divided or Separate Trusts

The states use different language to say the same thing. A directed trust is a type of trust that gives other participants in the trust more control over how the trust is carried out. This allows the trust creator to separate the trustee's responsibilities and assign them to other trustees, directors or advisors. For example, different individuals may be appointed to make decisions regarding investments, distributions or management of specific assets. All three states permit these types of trusts. Delaware has the advantage of being first with well-established case law.

"...Greenleaf Trust looks forward to providing you with the best solutions for your families' needs."

Community Property Trusts

Florida enacted the Florida Community Property Trust Act which is a joint trust between spouses and which has very specific requirements. Couples may choose to add specific property to the trust. It works best where couples have highly-appreciated property, real estate or stocks, which would likely be sold upon the first spouse's death and which would benefit from a step-up in basis. Michigan and Delaware have not enacted a similar statute.

Well-Being Trusts

In 2024, Delaware was the first state to enact a beneficiary well-being trust statute. The primary purpose of the beneficiary well-being trust is to provide wealth management training and services for the beneficiaries' mental health and well-being and to educate beneficiaries about their family history and legacy, family values and dynamics, family governance, and philanthropy. With reference to this statute in the trust instrument, a trustee can provide or pay for beneficiary needs that are normally at trustee discretion under support. Michigan and Florida have not enacted a similar statute.

With our expanded charter and our expertise in Delaware, Michigan and Florida trust laws, your team at Greenleaf Trust looks forward to providing you with the best solutions for your families' needs.

(Comparison Chart on Next Page)

Estate Planning Opportunities Abound continued

"In the chart… we compare key trust laws in Delaware, Michigan and Florida."

Comparison Chart

Benefit	Delaware	Michigan	Florida
Silent trusts - also known as quiet or blind trusts	Permitted - silent period is defined within trust instrument	Permitted - maximum period of time 25 years from the date the trust becomes irrevocable	Not permitted
Notice requirements	Delaware has no notice requirements when taking over as trustee.	Within 63 days after acceptance, trustee required to provide qualified beneficiaries of trust existence, full name and address of trustee and the right to request a copy of the relevant provisions	Upon death of settlor, trustee required to file notice with settlor and trust information with court Within 60 days after acceptance, trustee required to provide qualified beneficiaries of trust existence, full name and address of trustee, the right to request copy of the trust, and that the fiduciary lawyer-client privilege applies with respect to the trustee and any attorney employed by the trustee.
Ease of modification	Decanting - known for ease of decanting statute	Decanting - can be limited to administrative decanting if trustee's ascertainable standard is HEMS *Material change of trust	Decanting - limited to trustee having absolute power, and limited by ascertainable standard HEMS Requires 60-day written notice period
	Non-judicial settlement agreement can be used while grantor is alive or deceased Most commonly used in place of court petition	Non-judicial settlement agreement cannot terminate or modify trust Cannot violate material purpose of the trust	Non-judicial settlement agreement cannot terminate or modify trust Used for: approval of trust accounting, transfer place of administration, liability of trustee action relating to the trust, removal and appointment of trustee
	Merger and consolidation	Division or consolidation	Combination and division of trusts
	Modification by consent - used while grantor is alive Grantor and beneficiaries sign trust modification document	Not available	Non-judicial modification by consent Can be used while grantor is alive or deceased. Requires unanimous consent of trustee(s) and all beneficiaries

Benefit	Delaware	Michigan	Florida
Avoid state income Tax & state capital gains	Yes, if no Delaware residents Delaware return not required unless Delaware sourced income	If the grantor was a Michigan resident at time the trust became irrevocable, and no beneficiaries reside in Michigan, then with Delaware or Florida situs there is no income tax. Exception for Michigan source income	No Florida or Delaware state income tax. If trust is FL situs, does require trust to file Florida tangible personal property tax return and tax due based on tangible property owned by the trust
Directed trusts	Permitted - well-established case law	Permitted - no case law to date	Permitted - no case law to date
Divided/separate trusts	Permitted	Permitted	Permitted
Spendthrift protection	Permitted - protection provided with Delaware trustee appointment, even if language is not in trust agreement	Permitted - protection provided within statute, even if language is not in trust agreement	Permitted
Asset protection trusts	Permitted - can be set up as a directed trust Trust can be protected from alimony and/or child support	Permitted - no protection for child support and/or alimony	Permitted - restricted to providing asset protection for medical, future liability caused from accident Can be structured so trust assets do not move from grantor estate allowing beneficiaries to receive full step-up in basis
Power to adjust between income and principal	Permitted	Permitted	Permitted
Total return unitrust ("TRU")	In 2000 Delaware enacted the very first total return unitrust statute 3% to 5% Can be converted back to income trust	Michigan does not have specific statute to convert income only trust to a unitrust BUT does have ability to create grantor retained unitrust from trust inception up to 5%	Up to 5% and can be converted back to income trust
Rule against perpetuities	Repealed for personal property No maximum	Repealed for personal property with a maximum 360-year rule for trusts	Up to 1,000 years after creation of trust
Charitable reporting to attorney general	No	Yes	Yes
Community property trust act	Not permitted	Not permitted	Permitted with specific language
Well-being trusts	Permitted	Not permitted	Not permitted

"With our expanded charter and our expertise in Delaware, Michigan and Florida trust laws, your team at Greenleaf Trust looks forward to providing you with the best solutions for your families' needs."

Student Loan Payments – You Can Match on That!

Jaron Tuttle, QKA®
Senior Recordkeeping Specialist

"Plan sponsors that wish to make a match on loan repayments must first adopt the provision to their plan."

Pension plans are a thing of the past and Social Security may not be enough to live comfortably on after retirement. Fortunately, the Revenue Act of 1978 introduced another way to save money for retirement, introducing the 401(k). The evolution of retirement savings and the 401(k) have been a saving grace for many individuals allowing them to put money aside for retirement. Their savings can also be increased if their employer offers an employer contribution in the form of a profit share or match. From my experience working in the retirement plan industry, an employer match is a commonly used incentive for employee retention and overall morale. But if an employee can't afford to put money aside, they could be missing out on additional savings their employer offers!

Secure Act 2.0 made numerous changes in the retirement industry. One of those changes brought us the Qualified Student Loan Program (QSLP) that became effective for plan years starting on or after January 1, 2024. This optional provision allows employers to provide a matching contribution to eligible plan participants that are making qualified student loan payments. Many participants may be unable to defer into the plan due to repayment of student loan debt.

The idea of QSLP stemmed from a private letter ruling in 2017 filed by a global healthcare company that wanted to provide retirement benefits to their employees burdened by student loan debt. This benefit allowed employees to continue paying down their student loan debt while also increasing their retirement savings.

Plan sponsors that wish to make a match on loan repayments must first adopt the provision to their plan. This requires the plan document to be amended, and participants are provided with a Summary Material Modification (SMM) or Summary Plan Description (SPD). As of now, there is no formal language developed in pre-approved plan documents to accommodate for the QSLP provisions. However, the sponsor, in good faith, can still implement this benefit in their plan operations and adopt the provision to their document once the language is drafted.

For a participant to receive matching contributions on their student loan payments, the loan must be a qualified education loan incurred by the employee to pay for qualified higher education expenses. The word "incurred" is fundamental in determining the qualified status of the loan. The loan can be for the participant, participant's spouse, and even the participant's dependents (additional rules apply), but the participant must be legally required to make the loan payments to qualify for the match.

Only payments made by the participant are eligible to receive the matching contribution.

Once it is determined the loan is qualified, the participant must certify the loan payments were made. This certification must include the amount of loan payments, date in which payments were made, confirmation that payments were made by the participant, proof the loan was used for qualified higher education expenses, and a statement the loan was the obligation of the participant. Various options are available for the participant to certify the loan payments.

The employer matching contribution is determined and calculated based upon the normal matching formula the employer has elected, using the annual loan payments as the participant's "deferral" contribution. The loan payments eligible to be matched are limited to the annual 401(k) deferral limit, which is $23,500 for 2025. Once calculated, the match is deposited into the participant's account just as the normal match would be and subject to the same vesting schedule if applicable. Any conditions to receive the employer match also apply to the student loan payment matching contribution.

There are various benefits to implementing the QSLP into a 401(k) plan. It provides an attractive benefit for the employer to recruit and retain employees, helps employees increase their retirement savings if they are unable to defer, and is a tax-deductible contribution for the employer! There are even nondiscrimination testing advantages that could benefit some plan sponsors if they are prone to failing those annual tests.

But like everything else, there are some drawbacks. There are questions regarding the operations and qualifications of the QSLP that the Internal Revenue Service (IRS) have not answered. The requirements of certifying the validity of the student loan payments can also increase the burden on the plan sponsor. I could imagine there would be additional tasks needed to update payroll appropriately.

Thankfully, QSLP are an optional provision for plan sponsors. I believe this type of benefit is useful and innovative, allowing retirement plan participants to pay down those nagging student loans but also creating a foundation for their retirement savings.

Additional guidance was released by the IRS in August of 2024 giving us a better understanding of the functionality behind the QSLP. The guidance provided more details on the qualifications in determining if a participant is eligible to participate in the QSLP, but I wouldn't expect readers to want to delve into that from this simple article. If this is something that interests you, feel free to reach out to the Greenleaf Trust Retirement Plan Division for more details. We're always happy to help our community understand the ins and outs of the retirement world.

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Stock Market Pulse

Index	1/31/2024	Total Return Since 12/31/2024
S&P 1500	1,362.23	2.84%
Dow Jones Industrials	44,544.66	4.78%
NASDAQ	19,627.44	1.66%
S&P 500	6,040.53	2.78%
S&P 400	3,239.04	3.85%
S&P 600	1,448.24	2.91%
NYSE Composite	19,998.82	4.85%
Dow Jones Utilities	999.54	1.82%
Barclays Aggregate Bond	2,200.64	0.53%

P/E Multiples	1/31/2025
S&P 1500	26.6x
Dow Jones Industrials	24.3x
NASDAQ	40.9x
S&P 500	27.2x
S&P 400	20.8x
S&P 600	23.3x

Key Rates

Fed Funds Rate	5.25% to 5.50%
T Bill 90 Days	4.23%
T Bond 30 Yr	4.79%
Prime Rate	7.50%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	1,362.23	26.6x	1.27%
S&P 500	6,040.53	27.2x	1.24%
Dow Jones Industrials	44,544.66	24.3x	1.59%
Dow Jones Utilities	999.54	24.0x	3.36%

Spread Between 30 Year Government Yields and Market Dividend Yields: 3.52%

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