GREENLEAF TRUST

Perspectives

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Growing Our Own

Have you ever grown your own vegetables? It takes hands-on work and time, but there is a certain satisfaction you get from nurturing them from seed to full-grown plant. There are also environmental and nutritional benefits. And they seem to taste better than the ones you buy at the store. We believe in a similar approach when it comes to talent.

We recognized the benefits of growing our own talent a long time ago and developed our Associate Program to address our growing need for talent that fits our culture. Our plan from day one has been to find really talented people and integrate them into a culture that engages and inspires them. We can teach and develop the skills needed for each role. It's much more difficult to teach talent and cultural fit.

With this in mind, our Associate Program is very similar to an apprenticeship or physician residency. The roles for the program are focused on our Client-Centric Team. Specifically, we have been strengthening that team over the years with Wealth Management and Trust Relationship Associates that will grow into Wealth Management Advisors and Trust Relationship Officers. The associates typically have an academic background and a few years of work experience in our industry. Upon hiring, they are thoughtfully paired with an experienced Wealth Management Advisor or Trust Relationship Officer depending on their role. They work directly alongside their mentors and learn technical skills as well as practical, real-world insights into client care. The 3–5-year program also allows us to invest in their continued education, provide them with hands-on training, and develop their knowledge set with diverse experiences. The design is to ensure that they have long careers at Greenleaf Trust. Since we began the program 12 years ago, we have had seven teammates grow into either Wealth Management Advisors or Trust Relationship Officers. Today we have 14 associates in the program in four different locations in Michigan.

The benefits we have experienced from the program have been measurable. First, the program allows us to develop the proper skills in associates that serve our clients best. We can better mitigate the impact of old habits from different employment experiences that can accompany

Growing Our Own, continued

more senior professionals. The length of the program also helps us ensure there is a cultural fit with the associate. We have seen engagement scores increase across the organization with the attention and commitment from senior teammates in the development of associates. And as we all become more "experienced", succession planning becomes more and more important to make sure clients, and their families receive the right continuity of service. Finally, the investment we all make in the associates is recognized with loyalty and commitment to our mission.

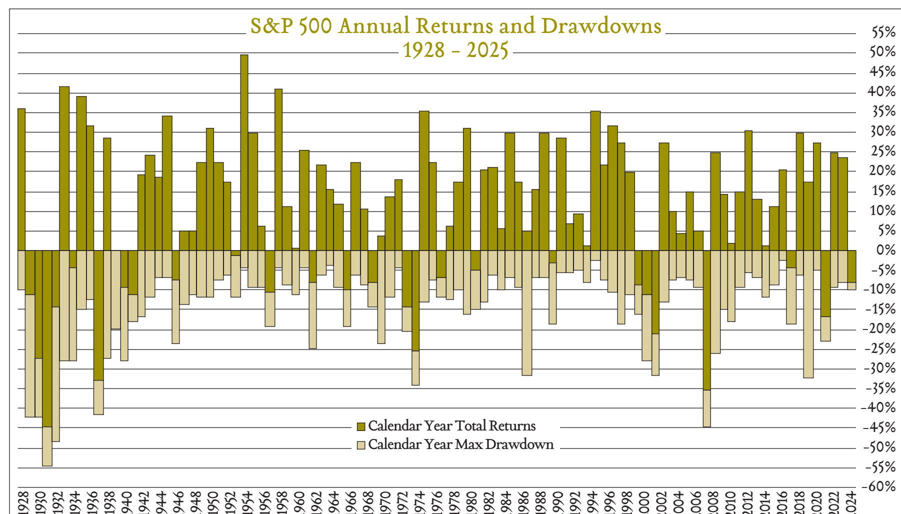
Nicholas A. Juhle, CFA®
Chief Investment Officer

Economic Commentary

Market volatility made a sudden resurgence in the first quarter of 2025, unnerving many investors. While market participants have enjoyed relatively subdued volatility over the last two years, the experience of 2023 and 2024 was more the exception than the rule. In this article, we will explore the drivers of recent volatility and put the present condition within its proper historical context.

Whether we like it or not, volatility is an inherent characteristic of the stock market. Since 1928, the median drawdown of the S&P 500 index in a calendar year has been approximately 12%. This historical data underscores the idea that market fluctuations are not only normal but should be expected. As illustrated in the chart below, market drawdowns occur every year to varying degrees. Meanwhile, the median calendar year return has been 14.7% over the same period. During the first quarter of 2025 the S&P 500 experienced a correction, defined as a decline of 10% or more from a recent peak. While the decline was uncomfortable for investors, it is helpful to know that market corrections are actually quite common, occurring about once every two years historically. Moreover, bear markets, defined as a decline of 20% or more from a recent peak, occur about once every four years.

> "In this article, we will explore the drivers of recent volatility and put the present condition within its proper historical context."



Understanding the Drivers of Volatility

Several factors have contributed to the recent spike in market volatility. Chief among these is the uncertainty surrounding US trade policy. The ongoing evolution of tariff proposals led to volatility in equity markets throughout February and March. US consumers, businesses, and investors are all facing a complex situation due to tariff announcements, postponements, exceptions, reversals, and retaliations.

To illustrate the dynamic nature of the trade policy landscape, consider the following:

- **Canada and Mexico:** Tariffs were announced in February, scheduled for early February, delayed, and then became effective in early March. Subsequently, 30-day exemptions were granted for some industries. Applicable rate is 25%, except for energy and potash fertilizer from Canada being assessed at 10%.
- **China:** 10% tariffs were announced in February and increased to 20% in March. Affecting approximately $430B in goods.
- **European Union:** Tariffs were announced in late February, and as of this writing the effective date has yet to be determined. The proposal consists of a 25% tariff on roughly $600B worth of goods.
- **Steel and Aluminum:** Tariffs were announced in February and became effective in March, with ongoing changes to exemptions and expansions.
- **Autos:** On March 27th, 25% tariffs on imported vehicle and vehicles parts starting April 3rd.
- **Other Sectors:** Policy changes or considerations are also in flux for copper, reciprocal actions, semiconductors, pharmaceuticals, timber, lumber, derivatives, and agricultural products.

Looking ahead, early April will be a crucial period as exemptions expire and further decisions on tariffs are considered.

So long as the real economy remains on solid footing, the short-term policy gyrations should do little to derail the long-term capital market outlook, so let's take a look at how economic data is shaping up through the first quarter. A primary indicator of consumer strength, retail sales, advanced slightly in February, up 0.3% year-over-year after accounting for inflation. This report adds to the evidence that consumer spending is moderating amid tariff uncertainty and ongoing inflationary pressures but remains positive for the time being. As for inflation, the February CPI reading published in March showed inflation coming down slightly, landing at 2.8%. This beat analyst expectations and was below the 3% inflation reported for January, but does not reflect price increases that may result from recently announced tariffs. Lastly, The labor market continues to show resilience. In February there were 151K jobs added,

"So long as the real economy remains on solid footing, the short-term policy gyrations should do little to derail the long-term capital market outlook"

Economic Commentary, continued

which fell below expectations but represented an increase month-over-month. The unemployment rate ticked slightly higher to 4.1%, indicating some cooling amidst economic uncertainty.

Looking forward, economists are not as sanguine about the future and have marginally increased their estimates of the probability of a recession over the next twelve months. Beyond trade policy, several other factors are contributing to this pessimistic outlook. Federal government employment policies, for example, have the potential to impact a substantial number of direct and contract employees in 2025. While the impact may be relatively modest when put in the context of the overall labor market, it does introduce additional uncertainty.

"While the impact may be relatively modest... it does introduce additional uncertainty."

Navigating Volatility: A Long-Term Perspective

In the face of volatility, it's essential to maintain a long-term perspective and adhere to sound investment principles.

- **Embrace Volatility as Normal:** Recognize that volatility is a normal and expected part of investing. It is the trade-off investors accept in exchange for the potential for greater long-term returns.
- **Focus on Your Investment Plan:** Remember that your wealth management plan was created with market volatility in mind.
- **Avoid Market Timing:** Attempting to time short-term market fluctuations is generally not a successful strategy. It's difficult to predict market movements consistently, and trying to do so can often lead to missed opportunities or losses.
- **Maintain a Long-Term View:** Focus on the long-term growth potential of the market. While short-term fluctuations can be unsettling, history has shown that the market has generally trended upward over the long run.

Policy uncertainty, evolving trade proposals, and various economic and political factors have driven increased market volatility in recent weeks. However, it's crucial to remember that volatility is a normal part of investing. By maintaining a long-term perspective, and adhering to a well-crafted investment plan, investors can navigate these challenges and work towards achieving their financial objectives.

A Beneficiary's Well-Being: A New Approach to Trusts

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

Delaware has long been recognized as a leading jurisdiction in which to establish a trust. Delaware regularly creates laws that are intended to conduct a trust creator's intentions while promoting flexibility in the administration of a trust that might continue for hundreds of years. Moreover, Delaware's Chancery Courts are highly respected in their knowledge and understanding of how trusts are administered and will hold trustees accountable when they serve trust beneficiaries. It should come as no surprise then that in 2024 Delaware again took the lead to create the first Beneficiary Well-Being Trust Act. [12 Del.Chancery Section 3345(b).]

To state the obvious, many trusts are created from a restrictive perspective, where the trust is designed to protect a beneficiary from the perceived negative impact of inheriting wealth, either by limiting access to the assets held in the trust, e.g. the beneficiary is viewed as a spendthrift or substance abuser, or restricting access to information about the trust out of a fear that the beneficiary will not become self-reliance, e.g. they will become a trust fund baby. [A recent example is Michigan's recently adopted silent trust statute which authorizes a trustee to not tell the beneficiary about the existence of the trust or its assets for potentially a couple of decades.]

Delaware's new well-being statute goes in the opposite direction. It creates an approach where a trust is used as a financial resource to pay expenses that are designed to prepare the trust beneficiary for the challenges of inherited wealth, to encourage, fiscal responsibility, and to promote what it describes as the beneficiary's psychological well-being. Delaware's well-being statute is intended to support, rather than inhibit, a beneficiary's engagement, education, understanding of family history, family dynamics, transparency, and ultimately the beneficiary's well-being.

> "It creates an approach where a trust is used as a financial resource to pay expenses that are designed to prepare the trust beneficiary for the challenges of inherited wealth..."

Existing trusts can 'opt in' to this new statutory regime, regardless of the trust's terms. New trusts can expressly adopt this authorized beneficiary well-being approach, where a trust beneficiary is given the right to receive and participate in well-being programs as part of their interest under the trust and the trustee is expressly empowered to spend trust assets to create, provide and monitor the well-being programs designed for the trust beneficiary.

The well-being statute authorizes the trustee, through frequent communication with the trust beneficiary, to create what constitutes well-being programs that include: seminars, courses, programs, workshops, counselors, personal coaches, short-term university programs, group or one-on-one meetings, counseling, family retreats and reunions, and customized programs that are designed to engage the trust beneficiary to better understand

A Beneficiary's Well-Being: A New Approach to Trusts, continued

the beneficiary's challenges and responsibilities regarding wealth. The statute's goal is that through direct and frequent communication with the trust beneficiary the trustee will review the beneficiary's progress, life goals, and assess his/her wealth consumption, financial literacy, and money management skills.

The well-being statute gives the power to the trustee: "to provide financial and education services to the beneficiaries either individually, or as a group, regarding multi-generational asset transfers, developing wealth management and money skills, financial literacy and acumen, business fundamentals, entrepreneurship, personal financial growth, knowledge of family businesses, and philanthropy, and/or educate beneficiaries about the beneficiaries' family history, family's values, family governance, and connection among family members."

"Consequently, the hope is that a trusted relationship will extend beyond the trustee-trust creator to include the trust beneficiary."

One common reality about an estate planning trust is that the trustee usually only has a relationship with the individual who creates the trust. When it comes time for the trustee to interact with trust beneficiaries, usually on the trust creator's death, the trustee is often replaced with a successor trustee that has minimal or a total lack of a relationship between the trustee and the trust beneficiaries. With a beneficiary well-being trust there must be communication between the trustee and trust beneficiary to identify what is necessary by way of programs or counselors, or some other type of education to assure the beneficiary's ultimate well-being. Consequently, the hope is that a trusted relationship will extend beyond the trustee-trust creator to include the trust beneficiary.

The philosophy behind a well-being trust is that it will promote a sense of psychological well-being in the beneficiary. Behind that is what is known in psychology circles as the 'self-determination theory' of psychological well-being, which attributes an individual's mental health to three separate human behaviors: autonomy (the ability to exert personal agency over one's life), relatedness (the ability to be in a relationship in a productive social system,) and competence (skills that improve efficiency and performance to complete a task.) A well-being trust is thus intended to support, rather than inhibit, these three human behaviors. More than using a trust as a legal structure that focuses exclusively on preserving and protecting financial wealth, it shifts the purpose of the trust to a source of wealth that can support not only the beneficiary's financial needs but also provides the tools that are critical to sustain the trust beneficiary's well-being throughout each phase of that beneficiary's life.

There are, to be expected, some unanswered questions about how a well-being trust functions and is taxed.

One question is whether the expenses incurred by the trustee to create, provide and monitor a well-being program for the trust beneficiary is a taxable distribution to the beneficiary or a non-taxable administrative expense

incurred by the trust. The Delaware statute which directs the trustee to pay these expenses ('the trustee shall pay") and it classifies these expenses as 'administrative expenses of the trust.' The answer to this first question will turn on whether the trustee considers the expenditure as 'necessary and appropriate to carry out the trust's stated purpose.' If the trustee determines that a well-being program is an administrative expense, then it would not be considered a taxable distribution to the trust beneficiary.

Yet a second question deals with the tax deductibility of the well-being expenses that the trust incurs. Federal tax law provides that a trust's administrative expense which would not have been incurred if the property were not held in the trust, is fully deductible by the trust. In other words, an expense is not deductible by the trust if the expense is unrelated to the trust's administration. [IRC 67(e).] No doubt the IRS will soon get involved in answering this question if well-being trusts become popular estate planning devices.

> "Yet a second question deals with the tax deductibility of the well-being expenses that the trust incurs."

Delaware's Beneficiary Well-Being Trust is a new way to look at how a trust can be used to help trust beneficiaries thrive as they move through their life stages to prepare them for the joys and responsibilities of wealth. While questions remain about how those well-being expenses will be taxed, or even if those expenses are deductible by the trust, a well-being trust may provide a fresh approach to how wealth is inherited.

From The Slopes to the Settlements: Why Estate Planning Requires More than Math

Kristen M. Tidd, CTFA
Vice President, Senior Trust Relationship Officer-Team Lead

Being open to trying new things is essential for personal and professional growth. New experiences challenge our assumptions, expand our perspectives, and often reveal strengths we didn't know we had. This year I opted to challenge myself to try downhill skiing. I signed up for lessons knowing I'd need someone to guide me through the basics. Following my lesson, I stood at the top of the slope, albeit the smallest slope offered at the resort. The crisp winter air filled my lungs, but my breath came short, jagged. Kids half my size zipped past, their confidence mocking my nerves.

"Just lean forward and let gravity do the work," my instructor had said. Gravity? I trusted gravity too well—that was the problem. With a deep breath, I pushed off. Immediately, my knees wobbled, my balance teetered.

From The Slopes To The Settlements: Why Estate Planning Requires More Than Math, continued

Then—disaster. A rogue bump, a miscalculated shift, and suddenly I was airborne. For one brief moment, I felt like I was flying. Then, I was tumbling, limbs tangled, snow flying, a ski detaching like it couldn't get away from me fast enough. I came to a stop in a heap. Silence, except for my own ragged breathing. Then laughter—mine, breathless and relieved. Bruised but not broken. I sat up, shaking snow from my jacket, and looked back up the slope.

"Okay," I muttered, retrieving my ski. "Time for round two!"

Stepping outside our comfort zone, whether on the slopes or in life's bigger challenges, teaches us resilience and adaptability. Just as my first attempt at skiing showed me that falling isn't failure but part of the learning process, navigating complex situations—like estate planning—requires a willingness to recognize that what seems fair on the surface may not always feel fair in practice. The same way I had to adjust my approach to skiing, families must carefully consider the dynamics at play when structuring their estate plans, ensuring that their intentions align with the realities of their children's relationships and expectations.

"Stepping outside our comfort zone, whether on the slopes or in life's bigger challenges, teaches us resilience and adaptability."

Parents often distribute their estate equally to avoid conflict, but this approach doesn't always ensure fairness. One couple, for example, chose equal shares for their three children, hoping to prevent disputes caused by in-laws they saw as disruptive. They believed this plan would eliminate resentment and legal challenges, yet equal division doesn't always mean equal treatment. Control over the trust and its administration can create tensions, especially when emotions run high after a parent's passing. True fairness requires considering not just equal shares but also the unique family dynamics at play.

Trust administration can create unintended inequalities, even when assets are divided equally.

- **Trustee Control:** Naming one child as successor trustee grants them full control over trust assets, payments, appraisals, and legal decisions, often leading to resentment from siblings with less access and oversight.
- **Trustee Compensation:** If one child serves as the trustee, they may take a legally entitled fiduciary fee, causing tension among siblings who see this as an unfair financial advantage, despite the work involved. Conversely, a trustee who declines the fee may feel burdened and unappreciated.
- **Trustee Responsibilities:** Managing the trust can take a toll on the trustee's personal and professional life, while their siblings remain free of responsibility.
- **Trustee Liability:** The trustee may bear personal financial risk, such as IRS claims for unpaid estate taxes, furthering feelings of unfairness.
- **Specific Bequests:** Equal cash gifts to grandchildren can feel unequal when children have different numbers of offspring, leading to perceived favoritism.
- **Personal Property Division:** Items like artwork and jewelry, meant to

be split "equally," often cause disputes due to varying financial and sentimental values.

Some options to consider as remedies for the above potential pitfalls are the following:

- **Trustee Control:** Parents can appoint co-trustees or a neutral third-party corporate trustee like Greenleaf Trust to ensure shared decision-making and prevent conflicts. Requiring periodic reporting to beneficiaries can also enhance transparency and trust. Additionally, a trust protector can be designated to oversee the trustee's actions and intervene if necessary.
- **Trustee Compensation:** The trust document should clearly define the terms of compensation if an individual is named. An alternative approach is to provide the trustee with a stipend or an extra inheritance in lieu of a fiduciary fee. Open discussions with beneficiaries about the trustee's role and compensation can also help set expectations and avoid resentment.
- **Trustee Responsibilities:** Managing a trust can be time-consuming and burdensome for a family member, so allowing the trustee to delegate tasks to professionals—such as accountants, attorneys and investment managers—can alleviate some of the workload. Establishing a beneficiary advisory board can foster collaboration among siblings, ensuring that decisions are made with input from all parties. For those seeking a completely impartial approach, a corporate trustee can handle administrative duties while a family member oversees more personal decisions.
- **Trustee Liability:** The trust should retain sufficient funds to cover tax obligations before making distributions. Indemnification clauses can be included to protect trustees from personal financial risk, and trustee liability insurance can provide an extra layer of security against unforeseen claims.
- **Specific Bequests:** Concerns over specific bequests, whether real or perceived, can be addressed by structuring gifts as percentages rather than fixed amounts, ensuring fairness across varying family sizes. Another option is to establish a shared family pool for grandchildren's education or other collective benefits, which can help reduce perceived favoritism. Clear communication about the reasoning behind these decisions is crucial to maintaining family harmony.
- **Personal Property Division:** When dividing personal property, parents can create a memorandum of personal property specifying who should receive sentimental items. A rotating selection process among beneficiaries can also ensure a fair distribution. For valuable assets such as artwork and jewelry, obtaining professional appraisals can help maintain fairness and prevent disputes.

Fairness in estate planning, like learning a new skill, requires careful

"Fairness in estate planning, like learning a new skill, requires careful consideration, flexibility, and an understanding that equal is not always equitable."

From The Slopes To The Settlements: Why Estate Planning Requires More Than Math, continued

consideration, flexibility, and an understanding that equal is not always equitable. Just as I adjusted my approach to skiing after my first fall, families must be willing to adapt their plans to reflect the nuances of their relationships and the realities of trust administration. A well-thought-out estate plan goes beyond equal shares—it accounts for responsibilities, emotional dynamics, and potential conflicts to create a structure that fosters harmony. By recognizing these complexities and implementing thoughtful mitigating strategies, parents can craft a legacy that truly supports their children, not just in numbers, but in fairness and intent.

The Evolving Landscape of Tariffs: Implications for Global Trade and Investment Strategy

Michal Mikrut, CFP®
Senior Wealth Management Advisor

"While tariffs are often seen as a way to protect local industries from foreign competition, they also come with a range of unintended effects."

Tariffs—taxes imposed on imported goods—have emerged as powerful economic chess pieces in the current global landscape. Once merely tools for protecting domestic industries and generating government revenue, tariffs now stand at the center of global economic strategy, reshaping everything from your monthly grocery bill to international power dynamics. As geopolitical tensions heat up between major players like the U.S. and China, and policies shift toward neighbors like Mexico and Canada, understanding these tax mechanisms has become essential not just for corporate executives and market analysts, but for anyone planning their financial future in an unpredictable world.

Impact of Tariffs on Economic Growth

The imposition of tariffs can trigger a series of economic consequences, both domestically and internationally. While tariffs are often seen as a way to protect local industries from foreign competition, they also come with a range of unintended effects.

Increase consumer prices:

Tariffs typically raise the cost of imported goods, which in turn increases prices for consumers. This is particularly evident in industries that rely heavily on foreign products, such as electronics, automotive parts, and textiles. As businesses often pass on the higher costs of imports to consumers, inflationary pressures mount.

Create a drag on GDP growth:

While tariffs may benefit certain domestic industries, they may also

hurt the broader economy. The increased cost of goods and services resulting from tariffs can reduce consumption and investment, key drivers of GDP growth. Higher input costs for businesses, particularly those relying on imported materials—lead to lower production output, less innovation, and reduced efficiency. This effect may be lessened by offsetting tax cuts domestically.

Impact FX rates for the domestic currency:

Tariffs can exert pressure on the domestic currency by influencing trade balances. For example, if tariffs reduce exports or increase the cost of imports, it can lead to a worsening of the trade deficit, which may weaken the domestic currency. A depreciating currency makes imports more expensive, contributing to inflation. While a weaker currency can boost export competitiveness in the short term, it can also raise the cost of foreign debt, goods, and services, creating additional economic pressures.

Lead to higher interest rates:

In response to rising inflation and currency depreciation caused by tariffs, central banks may opt to increase interest rates to cool down the economy. Higher rates are intended to control inflation by making borrowing more expensive, thus reducing consumer spending and business investment. The interplay between tariffs, inflation, and interest rates can thus create a cycle of economic contraction, especially if higher rates persist over time or offsetting economic policy is not implemented effectively.

Disrupt supply chains and reduce business investment:

Tariffs disrupt established global supply chains, which often rely on the cost-effective movement of goods and materials across borders. As tariffs increase the cost of imports, businesses may find it more expensive to source raw materials or intermediate products, leading to delays and inefficiencies. Additionally, the uncertainty created by shifting trade policies can make businesses hesitant to invest in new projects, expansion, or hiring.

Protect jobs in targeted industries but reduce jobs elsewhere:

While tariffs can shield jobs in industries that are directly protected, such as steel manufacturing or automobiles, they can also create job losses in other sectors. For example, industries that rely on imports—such as retail, electronics, and consumer goods—may see job cuts as businesses struggle with higher costs or reduced demand. Workers in industries dependent on global supply chains may also face layoffs or reduced hours, creating a net loss of employment in some sectors while others see net gains.

"Workers in industries dependent on global supply chains may also face layoffs or reduced hours, creating a net loss of employment in some sectors while others see net gains."

Increase volatility and reduce business confidence:

Changes in tariff policies can lead to heightened market volatility as we

have recently seen, as businesses, investors, and consumers react to the uncertainty surrounding trade relationships. Volatility often arises from unpredictable tariff announcements, retaliatory measures, and shifting trade agreements. This uncertainty can make companies more cautious about making long-term investments or strategic decisions, reducing business confidence and slowing economic expansion. When businesses and investors are unsure about future costs, it leads to a more reactive approach to investment, which can undermine broader economic stability in the short run.

Generate government revenue, but at a cost to economic efficiency:

One of the key benefits of tariffs is their ability to generate revenue for governments. However, this comes at the expense of economic efficiency. Tariffs distort market dynamics by raising the price of imported goods, which may reduce consumer welfare and creates inefficiencies in production. Although governments collect revenue through tariffs, the potential economic losses resulting from these inefficiencies—such as lower consumer spending, higher production costs, and less competitive industries—can outweigh the fiscal gains over the long term if offsetting income tax reductions are not effectively executed. This trade-off between immediate revenue generation and long-term economic productivity is an important consideration for policymakers.

The historical example of the **Smoot-Hawley Tariff Act** of 1930, which raised tariffs on over 20,000 imported goods, shows how protectionist measures can provoke retaliatory tariffs from other countries. In the worst cases, these actions can escalate, creating a global trade slump, and ultimately exacerbate the very economic problems tariffs are meant to solve.

"Investors should pay particular attention to the potential long-term effects on industries that rely on efficient, cost-effective global supply chains."

Investment Considerations Amid Tariff Changes

Investors should pay particular attention to the potential long-term effects on industries that rely on efficient, cost-effective global supply chains.

Industries such as electronics, automobiles, and consumer goods often depend on imported components, raw materials, or intermediate products from different regions to maintain competitive pricing and efficient production processes. When tariffs are introduced, they can increase the cost of these imports, putting pressure on businesses to either absorb the additional costs or pass them on to consumers. In the short term, this can reduce profit margins and negatively affect stock prices as investors react to the immediate impact of rising input costs.

However, the long-term effects are more complex and multivariate. Over time, businesses will typically adapt to the higher costs of imports by reconfiguring their supply chains. For instance, they may shift production

to countries with lower tariffs or invest in local suppliers to reduce their reliance on imports. This can take several years, but once implemented, these shifts could lead to a more sustainable business model that is less vulnerable to changes in trade policy. Additionally, some industries may turn to innovation, investing in new technologies or more efficient production methods to offset higher input costs. This proactive adaptation may open new growth opportunities as companies become more resilient and capable of maintaining profitability despite tariff pressures.

In the long run, industries that adapt successfully to tariff changes may emerge stronger and more diversified, with supply chains that are better equipped to handle future disruptions.

Investors who maintain a forward-looking perspective, supported by a strategic Investment Policy Statement (IPS), can identify opportunities in companies and sectors that are making these adjustments. While short-term volatility might create some challenges, the long-term opportunities for growth, innovation, and market expansion can provide significant returns for investors willing to look beyond immediate market fluctuations.

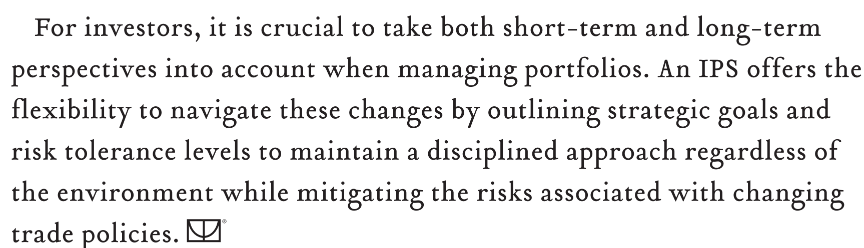
“Over time, businesses will typically adapt to the higher costs of imports by reconfiguring their supply chains.”

An IPS can help investors navigate these changes by providing a framework for adjusting portfolio allocations in response to shifting economic conditions. It can outline how to adapt to short-term volatility using tactical ranges when appropriate, while maintaining a long-term investment strategy that accounts for potential tariff-induced shifts in market conditions.

Conclusion

Tariffs remain a powerful tool in shaping international trade, but their impact extends far beyond trade balances and import-export dynamics. Understanding the full range of consequences—from potentially higher consumer prices to short-term disruptions in supply chains, from increased near-term volatility to long-term shifts in market behavior—is essential for anyone navigating the complexities of global trade and investment.

For investors, it is crucial to take both short-term and long-term perspectives into account when managing portfolios. An IPS offers the flexibility to navigate these changes by outlining strategic goals and risk tolerance levels to maintain a disciplined approach regardless of the environment while mitigating the risks associated with changing trade policies.



Chris A. Middleton, CTFA
Chief Retirement Plan Officer

Retirement Readiness for Generation X

It is easy to find opinions on Baby Boomers and Millennials, but Generation X (Gen X) seems to get less media attention. Generation X, born between 1965 and 1980, is often referred to as the "sandwich generation" due to its unique position between Baby Boomers, who are in/nearing retirement, and Millennials, who are still establishing their careers. As Gen X ages into their late 40s and 50s, they face significant headwinds in retirement planning, such as rising healthcare costs, and lingering student loan debt. Despite these hurdles, there are significant benefits that corporate retirement plans have offered Gen X to increase their retirement readiness.

One of the greatest benefits for Gen X's retirement planning has been the widespread availability of corporate retirement plans, particularly 401(k) accounts. Notably, this generation has experienced multiple recessions and market downturns during their careers, such as the dot-com bubble burst in 2000, and the 2008 global financial crisis. Even such, many have had the opportunity to take advantage of employer-sponsored retirement plans that provide a reliable means of saving for the future.

> "Notably, this generation has experienced multiple recessions and market downturns during their careers..."

The 401(k) plan, which became more popular in the 1980s and 1990s, has provided Gen X participants with a convenient, tax-advantaged vehicle for retirement savings. This structure provides workers a turn key way to contribute a portion of their income pre-tax, reducing their taxable income while allowing their investments to grow without immediate tax consequences. Roth contributions can also be allowed, which provides the opportunity for tax free withdrawals in retirement. For many, these plans have helped ensure that they have some financial security despite other economic challenges.

Moreover, many employers match employee contributions to their 401(k) accounts, providing an added incentive to save. These employer contributions have significantly boosted retirement balances, helping Gen X participants catch up for lost time in their retirement savings.

Over the years, corporate retirement plans have evolved to make saving for retirement easier and more automatic for employees. One of the key innovations in recent years is the advent of auto-enrollment and auto-escalation features in 401(k) plans. These features automatically enroll employees in retirement plans and gradually increase their contribution rate over time, helping workers save more without having to actively make decisions.

For Gen X, who may have faced competing financial priorities in their

earlier years, auto-enrollment has been a game-changer. With many people struggling to prioritize long-term savings while managing short-term expenses like mortgages or education costs, automatic contributions ensure that employees are consistently putting money aside for retirement. Additionally, auto-escalation allows individuals to gradually increase their savings rate as their income grows, helping them build their retirement nest egg over time.

Institutional level investment options are usually out of reach for average investors, but are a common place for a well-operated retirement plan. These fund menu options tend to boast stronger long term returns, in part due to lower expense ratios offered within institutional share classes. In addition, most plans now offer target-date funds, which automatically adjust the investment mix based on a participant's expected retirement date. This allows Gen X participants to focus on other aspects of their financial planning while the fund managers handle the investment strategy. Additionally, some employers offer personalized retirement planning tools or guidance through in-house advisors or external services, giving Gen Xers valuable insights into their retirement goals and how to achieve them.

These services have helped Gen X navigate an increasingly complex financial landscape, where making the right investment choices can make a substantial difference in the size of a retirement portfolio.

Another benefit for Generation X is the ability to take advantage of catch-up contributions. The IRS allows individuals over the age of 50 to contribute more to their 401(k) accounts than younger workers. This catch-up provision has been especially important for Gen Xers, who may not have been able to save enough earlier in their careers due to factors like debt, caregiving responsibilities, or other financial constraints.

The SECURE Act 2.0, signed into law in December 2022, further strengthens this benefit by expanding catch-up contribution limits. The legislation also provides greater flexibility for individuals to save for retirement later in life, ensuring that Gen Xers have more opportunities to catch up on their savings as they approach retirement.

While Generation X faces a range of retirement challenges—from student loan debt to healthcare costs—corporate retirement plans have been a powerful tool in helping them navigate these obstacles. Employer-sponsored retirement benefits, 401(k) matching, auto-enrollment, and institutional investment options, have allowed Gen X participants to save for retirement more efficiently and securely. By continuing to make use of employer-provided resources, Gen X can build a stronger foundation for the future, no matter what challenges lie ahead.

"The legislation also provides greater flexibility...ensuring that Gen Xers have more opportunities to catch up on their savings as they approach retirement."

Stock Market Pulse

Index	3/31/2025	Total Return Since 12/31/2024
S&P 1500	1,261.87	-4.49%
Dow Jones Industrials	42,001.76	-0.87%
NASDAQ	17,299.29	-10.26%
S&P 500	5,611.85	-4.28%
S&P 400	2,919.22	-6.11%
S&P 600	1,277.06	-8.94%
NYSE Composite	19,395.86	2.13%
Dow Jones Utilities	1,024.05	5.15%
Barclays Aggregate Bond	2,249.91	2.78%

P/E Multiples	3/31/2025
S&P 1500	23.4x
Dow Jones Industrials	22.1x
NASDAQ	24.8x
S&P 500	24.0x
S&P 400	17.6x
S&P 600	18.1x

Key Rates

Rate	
Fed Funds Rate	5.25% to 5.50%
T Bill 90 Days	4.21%
T Bond 30 Yr	4.57%
Prime Rate	7.50%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	1,261.87	23.4x	1.38%
S&P 500	5,611.85	24.0x	1.36%
Dow Jones Industrials	42,001.76	22.1x	1.69%
Dow Jones Utilities	1,024.05	20.5x	3.32%

Spread Between 30 Year Government Yields and Market Dividend Yields: 3.19%

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