GREENLEAF® TRUST

Perspectives

A Greenleaf Trust Newsletter

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Welcome Bill Manns to our Board of Directors

Our board of directors is very important to us and something we are really proud of. From day one of our existence we set out to build a board that would challenge us to continuously improve and hold us accountable. Each of the eight members plays a crucial role in our company's success through their support, advocacy, oversight, guidance, and strategic input. Their diversity of experiences, demographics, and backgrounds bring a wide range of perspectives allowing us to make the best corporate decisions aligned with our mission and vision. As we grow and strive to Serve Clients More, this has become more and more important.

As we have added new board members over the years, we have remained steadfastly committed to finding respected leaders with proven track records of success and skill sets that will compliment those of our existing board members and strengthen our corporate governance platform. This is why I am especially excited about welcoming Bill Manns to our board of directors this month.

Mr. Manns is President and Chief Executive Officer (CEO) for Bronson Healthcare - the largest employer and leading healthcare system in southwest Michigan. In 2024, Bronson was named one of the nation's 15 Top Health Systems by PINC AI. Bronson Methodist Hospital is recognized by Healthgrades as a Top 250 hospital in the nation and has received the Magnet® designation from American Nurses Credentialing Center four times. Bronson is also recognized as a top employer by Forbes, Newsweek, and the National Association for Business Resources. As the senior executive, he oversees a full range of services from primary care to critical care across more than 100 locations.

Mr. Manns, who joined Bronson in 2020, has more than 30 years of experience in healthcare leadership. He graduated from the University of Michigan with a bachelor's degree in Organizational Psychology and a master's degree in Health Services Administration. He received an honorary Doctor of Humane Letters degree from Kalamazoo College in 2022. In addition to his healthcare-specific background, he is experienced in LEAN and Six Sigma. His current professional memberships include the National Association of Healthcare Executives and the American College of Healthcare Executives.

Serving on the board of directors at Bronson Healthcare and being a part of

Welcome Bill Manns to our Board of Directors, continued

the search committee that brought him to Bronson in 2020 has provided me with firsthand knowledge of the skills that Bill brings to our board. Can you imagine becoming the new President and CEO of a health system in March 2020, the very start of the COVID-19 pandemic? With Bill's leadership, Bronson Healthcare not only navigated the historic challenges of the pandemic but reconstructed a way of operating that allowed it to strengthen the culture, improve quality outcomes, and achieve financial excellence in the years that followed. Bill will fit right in with our board with his integrity, strategic thinking, commitment to those we serve, community advocacy, extensive governance experience, and a team first mentality.

Welcome Bill.

Nicholas A. Juhle, CFA®
Chief Investment Officer

Economic Commentary

Over the Fourth of July holiday, I had a chance to take my kids out on a pontoon boat. As the day concluded, our fun in the sun was briefly interrupted by the challenge of docking some unexpected crosscurrents. It reminded me of what we as investors, and what our policymakers have been dealing with throughout the year. We are being pushed and pulled by the powerful crosscurrents of stubborn inflation, labor market, and shifting geopolitical tides. For now, markets are expecting a smooth landing, but we remain mindful of the currents that could carry us off track in the second half of the year.

Market performance year-to-date reflects this complex reality. After a volatile first half, domestic equities have shown renewed strength, with U.S. large caps now up approximately 9% for the year. International markets, which led performance earlier in the year, remain strong, with developed international and emerging market stocks each up about 18%. The bond market has seen more muted results as hopes for imminent rate cuts faded. Overall, a diversified portfolio has continued to generate positive returns, rewarding investors who have remained committed to their strategic allocation.

> "The "last mile" of the inflation fight—bringing it from under 3% back to the Fed's 2% target—is proving to be the most challenging."

Fiscal Policy Update:

As anticipated, the One Big Beautiful Bill Act (OBBBA) was signed into law on July 4. The Act funds many of the Trump administration's domestic priorities including:

- Making permanent many sunsetting tax cuts from the 2017 Tax Cuts and Jobs Act
- Adding new tax cuts for seniors, tipped workers, and overtime wages
- Increasing funding for border security and defense
- Reducing spending on Medicaid, food assistance, student loan programs, and clean energy tax credits

Importantly, the Act is expected to have a net stimulative, or expansionary, effect on the economy particularly between 2026 and 2028 as tax cuts come early while spending cuts come later. This is interesting considering early attempts by the so-called Department of Government Efficiency (DOGE) to significantly reduce

federal spending.

Tariff Update:

Early July was notable not just for the OBBBA, but also because it coincided with the end of the 90-day 'pause' on the reciprocal tariffs announced in April. Tariff negotiations are ongoing with some countries further along in the process than others, however it would appear that nothing is set in stone. Secondary tariffs are expected to begin on September 2nd. While the OBBBA is projected to increase deficits, tariff revenue is currently being collected that partially offsets that expansionary fiscal impulse. In June, the U.S. government collected $27 billion in tariff-related revenue, bringing the year-to-date total to over $100 billion. Tariff policy remains in flux, but we have seen estimates of $200bn-$300bn in projected revenues next year which still nets an estimated deficit of $2.0tn-$2.2tn in 2026.

Labor Market Update

While the U.S. labor market had previously been characterized as "solid", the July jobs report took some wind out of the sails. Nonfarm payrolls increased by just 73K in July (vs. consensus of +104K) and the jobless rate rose to 4.2% from 4.1% a month earlier. Previously reported figures for May and June were cut by approximately 260K combined suggesting the labor market may be more than just moderating. While 4.2% unemployment remains historically low, the updated figures place year-to-date results well below expectations entering the year. Job gains have averaged 85K per month in 2025 compared to expectations for 121K per month when the year began and compared to average gains of +128K over the prior 12 months.

Inflation: The Last Mile Proves the Hardest

After months of gradual cooling, the latest inflation data presented an unwelcome surprise. The Consumer Price Index (CPI) for June rose 2.7% compared to a year ago, an acceleration from prior months. However, core month-over-month inflation, which excludes volatile food and energy prices, came in at just 0.2%. This suggests that some companies have been able to shield customers from price increases by building inventory ahead of tariffs and/or absorbing part of the higher costs. The "last mile" of the inflation fight—bringing it from under 3% back to the Fed's 2% target—is proving to be the most challenging.

Fed Update:

Following its July session, Fed officials kept interest rates unchanged in a split decision noting ongoing inflationary risks related to tariff policy and a labor market that remained solid. Following the July jobs report released on August 1, investors solidified expectations for two quarter point cuts later this year and raised 2026 expectations to five cuts from four to five cuts previously. The next FOMC meeting is slated for September and policymakers will have the benefit of another employment report and a few more inflation reports prior to determining the path forward.

Growth and Earnings: Beating a Lower Bar

Second quarter earnings season is underway. Growth expectations moved lower throughout the quarter due to tariff-related revisions which took forecasts from 9.4%

"The next FOMC meeting is slated for September and policymakers will have the benefit of another employment report and a few more inflation reports prior to determining the path forward."

Economic Commentary, continued

when the quarter began down to just 4.8% when the quarter ended. With 34% of S&P 500 constituents reported as of the end of July, overall earnings growth is currently tracking to 6.4%. The largest seven companies in the S&P 500 – AKA the Magnificent 7 – are again expected to generate an unusually large share of overall second quarter earnings growth. In aggregate, the Magnificent 7 are forecast to report average growth of 14.1%, while the remaining 493 S&P 500 constituents are expected to grow earnings just 3.4%.

Don't Get Blown Off Course

The current environment demands a steady hand. While the path of the economy is uncertain, our core investment philosophy is not. We continue to believe that disciplined, long-term investing is the most reliable path to achieving your financial goals. If the waters get choppy in the second half of 2025, remember not to get blown off course and to lean on your dedicated client centric team to help steer the ship. On behalf of the entire team, thank you for your continued trust and partnership.

Beneficiary Well-Being Trust: Reflections One Year In

Dawn McGill
Vice President and Senior Trust Officer

As we approach the one-year anniversary of the enactment of the Beneficiary Well-Being Trust statute under Section 3345, Title 12 of the Delaware Trust Act of 2024, it's a fitting moment to reflect on what we've learned. As corporate trustees and key participants in the planning and administration of these trusts, we have begun to see the early impact of this innovative statute on beneficiaries and fiduciaries alike.

The Purpose and Promise of Beneficiary Well-Being Trusts

At its core, the Beneficiary Well-Being Trust is designed to support not only the financial education of beneficiaries but also their mental and emotional well-being. The trust structure facilitates a broad spectrum of services and programs aimed at preparing beneficiaries for responsible wealth stewardship and fostering a deeper connection to their family's history, values, and legacy.

> "At its core, the Beneficiary Well-Being Trust is designed to support not only the financial education of beneficiaries but also their mental and emotional well-being."

Under Section 3345, "beneficiary well-being programs" are defined to include a wide range of offerings such as:

- Educational initiatives: seminars, courses, workshops, short-term university programs
- Personal support: counselors, coaches, group or one-on-one meetings
- Family-centered experiences: family retreats, meetings, reunions, and custom programs

These programs may be tailored to:

- Prepare beneficiaries—individually or as a group—for the responsibilities of inherited wealth through training in financial literacy, wealth and estate planning, intergenerational transfers, entrepreneurship, philanthropy, and understanding

family business fundamentals.

- Educate beneficiaries on family history, governance, values, and dynamics, while promoting connection and mental well-being across generations.

Deliberate and Purpose-Driven Distributions

Crucially, trustees are expected to exercise discretion and deliberation when approving distributions for well-being programs. The statute does not authorize blanket coverage of personal or recreational expenses under the guise of "family events." For example, a family vacation in and of itself would not qualify as a reimbursable family reunion. However, if a portion of that gathering is structured to include qualified programming—such as sessions on family governance, legacy education, or next-generation financial training—then that specific segment of the event may be considered an allowable expense under the trust.

This ensures that trust funds are used intentionally, in alignment with the trust's broader objectives of preparing and empowering beneficiaries.

Flexibility Within Traditional and Directed Trust Structures

One of the most powerful aspects of the Beneficiary Well-Being Trust concept is its flexibility. The statutory framework under Section 3345 can be incorporated into both traditional irrevocable trust structures and directed trusts.

In a traditional irrevocable trust, the trustee can directly oversee and administer well-being programs as part of their fiduciary responsibilities. Alternatively, in a directed trust structure, the trust instrument may assign the responsibility for designing and implementing well-being initiatives to a distribution adviser, family governance adviser, or other designated party, while the trustee administers payments accordingly.

This flexibility allows settlors, trustees, and advisers to tailor the trust structure to meet the specific needs of the family—whether by maintaining centralized control with the trustee or enabling more collaborative governance among multiple fiduciaries.

Expanded Trustee Powers Under the Delaware Trust Act 2024

In addition to Section 3345, the 2024 amendments to the Delaware Trust Act introduced a new paragraph (32) to Section 3325 of Title 12. This provision formally authorizes all Delaware trustees to provide or engage professionals in connection with beneficiary well-being services. When trustees offer these programs directly, they may also receive additional compensation beyond their standard fiduciary fee.

This expansion of powers not only supports the administration of Beneficiary Well-Being Trusts but also strengthens Delaware's reputation as a leading jurisdiction for progressive trust planning.

Looking Ahead

This first year has revealed the transformative potential of the Beneficiary Well-Being Trust model. By encouraging structured, purpose-driven education and support, these trusts represent a fundamental shift in how wealth is passed down—not only transferring assets but also preparing the next generation to use them wisely. Trustees, in turn, are called to play a more active and thoughtful role in balancing financial oversight with strategic engagement in beneficiary development.

> "By encouraging structured, purpose-driven education and support, these trusts represent a fundamental shift in how wealth is passed down..."

Jamie Botsko, CFP®, AIF®
Family Office Wealth Advisor

“There is something about setting sail on ship that harkens to freedom itself.”

Sailing the Stormy Seas

Americans often romanticize pirates. We entertain ourselves with their stories, make movies about them, and from young ages, make believe about being pirates. Every year, there are neighborhood kids that dress as pirates for Halloween, and if you spent a year reading novels about pirates, you probably would not run out of entertaining books. Mark Twain captured the sentiment best when he wrote, “now and then we had a hope that if we lived and were good, God would permit us to be pirates.” (Life on the Mississippi, Twain, 1883) While there are a variety of reasons why pirates capture our imagination, there can be no swashbucklers, no buccaneers, no privateers without a sailing ship. There is something about setting sail on ship that harkens to freedom itself. Sailing ships can take you to new destinations, they can bring you home, and they can allow you to chase – even accomplish – dreams! In some ways, a tall, 3-masted sailing ship makes an incredible metaphor for wealth, wealth planning, and the impact they can have on lives. Let’s weigh anchor and see.

Consider that a captain would look at a ship before setting out on a voyage, taking stock of what needs and planning for even unexpected situations. They would have a good idea of where they wanted to go, about how long it might take, and the general needs for provisions on the way. They would certainly understand the dangers of the voyage and make plans to mitigate them when possible. And they would also have a good idea on how to adjust to new realities once out to sea, to keep the ship moving in the right direction while keeping the crew safe, or how best to alter plans if necessary. In many ways, you can see how the whole idea of a sailing ship is like a wealth plan. The analogy is not perfect, but it does allow us to look deeply at one aspect of planning from a slightly different angle: What do we do when storms arise?

For investors, market volatility is inevitable. It is as inevitable as waves on the high seas. And yet, there are times when unusual volatility, or unexpected market downturns, rise up like massive storms to threaten our plans, threatening even to divert us to new destinations. Survival for sailing ships at sea in the midst of a terrible storm is not a sure thing: It requires a good, sound ship, and a wise captain. Conventional Hollywood wisdom tells us we must do two things in a storm: 1. Batten down the hatches. 2. Reduce sail to keep the masts from snapping or the sails from tearing. While these Hollywood idioms may be prudent, they do not tell us the whole story. All sailing ships require one thing for movement, steerage, and control: wind. All storms come with two major components: precipitation and wind. If a sailing ship is to survive a storm, it must be able to steer and move, as the most dangerous position for a ship in a storm is to be broadside to a wave. The full force of a 90-foot wave smashing into the side of a ship will inevitably roll it over and sink it. So a wise captain works to keep a ship from turning sidewise in a storm by steering and pointing his bow in the right direction. But that is not all. A wise captain cannot simply make do with bobbing along in the right direction. A wave crashing onto the stern (or poupe in French) of the ship, has a strong chance to swing the ship broadside to the next wave. In a storm,

while battening down the hatches makes sense so that you do not take on additional unwanted water, reducing sail is a more delicate notion. When faced with the trauma of a storm, captains pack on sail, but not so much that the masts splinter and break from the strain. The reason is simple: Wind gives you speed to race with the waves, especially when on the crest of the wave. But ships can falter a bit and slow in the trough between waves when the wind is blocked by the mountain of water. So you need a lot of speed to maintain safety and steerage as the ship travels down between the waves before catching wind again on the other side. This is the key to surviving the storm: You do not reduce your sail to nothing. You pack on as much as is necessary to maintain speed and control.

Backing away from the dark, green skies of the South Atlantic storm for a second, let us think about portfolios and a question many clients have posed to me: What do we do if there is a recession? Really, at the heart of it, this question is about market volatility. What do we do if we face certain market declines? One of the realities is that economic recessions are surrounded by years of positive market behavior. Think of it like the waves in a storm. You have peaks surrounding the troughs and valleys. And like a ship on the high seas, portfolios can use these peak times to build up speed (i.e., larger portfolio balances) in preparation for the coming downturn. The freshest example (2025 tariff turmoil) makes the point. We saw incredibly strong returns in 2023 and 2024 leading up to a painful market correction in 2025. Investors that "packed on sail" to keep steerage during volatility saw the ability to pick up speed and avoid disaster as markets rebounded around April 9. But if an investor were to remove sail when they are in the storm, they risk losing steerage at a time when they can least afford it!

"We saw incredibly strong returns in 2023 and 2024 leading up to a painful market correction in 2025."

It is discipline in the face of danger that leads us through storms. And in market volatility, we see the opportunity to act with discipline for the sake of our plans and our portfolios. We make wealth plans to get us from where we are to where we are going. We make wealth plans to help accomplish our goals. Ultimately, wealth plans represent that same freedom that sailing ships offer: the chance to be able to live on our terms, to dream, to achieve. Just remember that sometimes we have to batten down the hatches and pack on some sail!

Embedding Empathy into Retirement Plans

Rosalice C. Hall, MBA, CRPS®
Senior Relationship Manager – Team Lead

Retirement plans have undergone significant changes over the last 20 years as the opportunity to make tax-advantaged contributions has improved and the need to save for one's own retirement has become more essential. For executives involved in shaping employee benefits, the conversation around retirement plan design is evolving. Retirement plans have traditionally been viewed through the lens of regulation, risk and return. But in today's workplace it's about human outcomes. Retirement plans

Embedding Empathy into Retirement Plans, continued

present a key opportunity for organizations to show employees they are seen, heard, and valued. Leading organizations recognize that empathy is both a moral virtue and a strategic asset in building plans that resonate across diverse employee populations. The plan design can reflect organizational values, leadership philosophy and long-term vision. Retirement plan sponsors who take a holistic view understand that their workforce's financial security impacts performance, culture and retention.

Meeting Employees Where They Are

Empathetic retirement plan design starts with a mindset shift that acknowledges employees bring different life experiences, financial challenges and retirement goals to the table. For plan sponsors, this means crafting plans that support real-life scenarios without compromising operational or fiduciary standards. A 25-year-old employee navigating student debt has different priorities than a 60-year-old preparing for retirement.

> "Do plan features reflect a multigenerational workforce with different definitions of financial wellness?"

Features like automatic enrollment and auto-escalation remain powerful tools to increase participation and savings, while also providing opt-out options that respect personal choice. These features are particularly valuable in reaching younger or under-engaged participants without adding significant administrative complexity. From an empathetic standpoint, they also reduce decision fatigue, eliminate unnecessary barriers and support those who may lack financial confidence. That's empathy operationalized.

Self-Certification of Hardships: A New Provision to Adopt

One of the most impactful regulation changes in recent retirement plan policy is the IRS's allowance for Self-Certification of Hardship Withdrawals. Starting in 2025, the process for participants facing acute financial emergencies has been simplified by removing the need to provide extensive and potentially sensitive documentation. Plan fiduciaries who adopt the self-certification policies are no longer liable for verifying the legitimacy of the hardship, unless they have knowledge to the contrary. The change allows the employer to provide a practical and compassionate lifeline to the employee by allowing participants to access funds in urgent situations.

Early adoption shows that plan sponsors are eager to be relieved of the burden of determining the legitimacy of employees' hardship claims, especially when the employee is in a moment of vulnerability. The employer retains the right to restrict hardships to only employee's personal deferrals; limiting the hardship sources helps to preserve a portion of the employee's account balance for retirement. The change is a subtle but powerful way to build trust and demonstrate respect for employees and their life circumstances.

Flexibility Without Friction

A well-designed retirement plan must accommodate financial disruption. Allowing flexible employee contribution rate changes enables participants to adjust their deferral rate according to their cash flow needs, while maintaining long-term savings momentum. This flexibility acknowledges that financial realities fluctuate; employees may be navigating debt, caring for aging parents, or recovering from personal setbacks.

When plans allow participants to modulate their savings rates, take a plan loan or a distribution without penalty or judgment, they create space for real life. According to data in the T. Rowe Price Reference Point Report, there has been an increase in the 401(k) loan utilization and loan amounts distributed by participants from 2023 to 2024.

On the flip side, also starting in 2025, a "super catch-up" contribution for participants aged 60 to 63 can be elected as a design provision. It allows for increased savings by those nearing retirement, in part because many Americans have inadequate retirement savings and need a little boost. These optional provisions demonstrate an understanding of the competing cashflow and retirement savings priorities employees face.

Clear, Compassionate Communication

Retirement savings can feel abstract or intimidating for many individuals because they are not confident in their financial literacy. Empathetic communication simplifies complex concepts and delivers messages in clear and personalized formats. It is said that a benefit is only realized when it's understood. At Greenleaf Trust, we are continuing to enhance our participant experience through multiple communication channels and approaches. We aim to provide understandable and effective communication that empowers people to make informed decisions and feel confident in their financial futures. We want all employees to be able to retire with dignity.

Financial wellness tools with interactive retirement projections can help participants visualize their future and take informed action. These tools not only improve participant outcomes, but they also reinforce the sponsor's reputation as a thoughtful and progressive employer. Greenleaf Trust provides retirement plan participants access to Savology, an interactive financial wellness tool that provides financial planning and financial literacy resources. At no additional charge, the program aims to help people take control of their financial future and improve their overall well-being.

> "A well-designed retirement plan must accommodate financial disruption."

Accommodative Plan Features

Empathy requires business leaders to reconsider who their plans are built for. Are part-time workers excluded from participation? Are phased retirement distribution options available for those who wish to stay engaged longer? Do plan features reflect a multigenerational workforce with different definitions of financial wellness? An accommodative approach considers employees at all life stages—part-time workers, new entrants or those nearing retirement who may need catch-up strategies or phased retirement options. Thoughtful design helps ensure no one group is left behind, and it provides strategic risk management in an economy where talent is increasingly transient and the employees' expectations are rising.

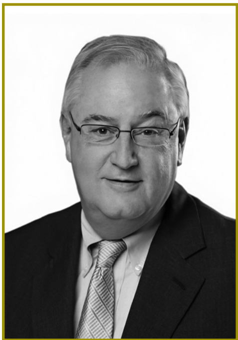
Building a Culture of Care

Ultimately, embedding empathy into a company's retirement plan design can help cultivate a culture of care. When employees feel that their long-term wellbeing is a true priority, trust grows, engagement deepens, and their organizational loyalty strengthens. The retirement plan can be designed to be compliant and compassionate. It can help to shape the values your organization stands for while helping to put

Embedding Empathy into Retirement Plans, continued

employees on a path to retiring with dignity.

In conclusion, empathy is no longer a soft skill relegated to interpersonal interactions in today's evolving workplaces. Empathy is becoming a strategic pillar in organizational planning, especially in the design of employee benefits. Empathetic retirement plan design goes beyond compliance and cost efficiency; it acknowledges the diverse financial realities and emotional experiences of a multigenerational workforce. Every employee brings a unique financial background and life stage to the table. Empathy in retirement plan design means recognizing financial volatility as a reality that many individuals face and providing flexibility in the contributions and distribution provisions as a response. A thoughtfully constructed retirement plan that balances fiduciary responsibility with a more holistic view of the employees can demonstrate empathetic leadership to its employees and shareholders.



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

Letters of Wishes- Do They Work?

With trusts now becoming much longer in duration with the elimination, or curbing, of the rule against perpetuities in many state statute, i.e., a dynasty trust for multiple generations, and the greater use of discretionary trusts where the trustee decides whether, and when, to distribute income or principal among several trust beneficiaries, it is natural for the trustee to want as much information as possible in order to administer the trust. This is why the trust creator is often encouraged to leave a companion letter of wishes to provide a guide to the trustee as to the creator's wishes when discretionary decisions are made about the trust and its administration decades into the future.

Yet sometimes the use of a letter of wishes can pose a problem, since the letter might be inconsistent with the actual trust terms, which creates an ambiguity. The trust instrument's distribution terms might be inherently subjective, like may distribute for the beneficiary's health, education, support and maintenance; if so, that is why a trustee often appreciates a companion letter of wishes to provide it with more guidance and background information to carry out the trust creator's intent. However, such a letter may also be much more restrictive than the trust's use of the term's sole discretion.

> "...a trustee often appreciates a companion letter of wishes to provide it with more guidance..."

Courts have taken varying positions when it comes to letters of wishes, but they often decline to consider a letter of wishes when the trust's terms are clear and not ambiguous. As a rule, the trust creator's intent is determined contemporaneously with the execution of the trust, not when a letter is written long after the trust is established. The trust creator's intent is usually determined at the time of the creation of the trust, not when a letter of wishes is written.

A letter of wishes can create practical challenges as well for the trustee, since the letter can create unrealistic expectations of the trust beneficiary, even if the letter is non-binding. Or the letter can have language or explanations of 'why' some trust provisions were included which might cause the trust beneficiary emotional distress or resentment.

There are also occasions when a letter of wishes will direct the trustee on how investments are to be made with trust assets, which directions are inconsistent with the trustee's fiduciary duty to abide by the prudent investor rule when it invests trust assets. While a letter of wishes can provide insight into the trust creator's intent for the trust and how its assets are intended to benefit trust beneficiaries, that intent cannot override the objective standards of the prudent investor rule, absent some statutory provisions that authorize additional flexibility afforded the trustee in making trust investments.

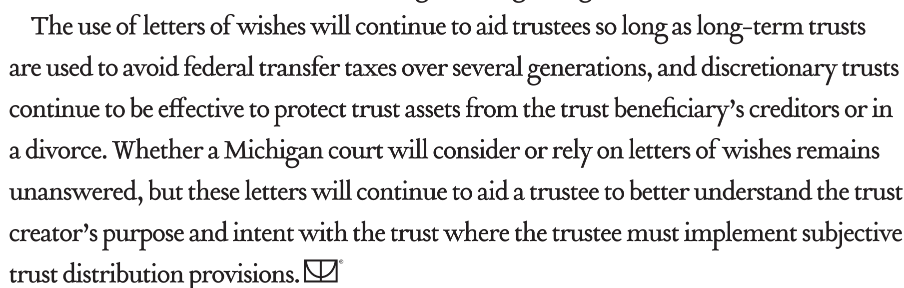
Unfortunately, Michigan's common law and its Trust Code do not expressly authorize the use of a letter of wishes or how they are to be used by the trustee, or whether the trustee must provide copies of the letter of wishes to the trust beneficiaries. In fact, many courts will decline to consider the trust creator's later-written letter when the terms of the trust are unambiguous. Courts are normally reluctant to consider 'extraneous' documents or writings when called upon to interpret or construe the terms of the trust. In contrast, though, a trustee is expected to consider all relevant evidence, not just the trust's terms, when it administers the trust for the sole benefit of the trust beneficiaries.

"While this Delaware legislation is a good start to ensure the legitimate use of letters of wishes, there are still some unanswered questions."

With this background on letters of wishes, it is interesting to note that in 2019, Delaware amended its trust statute to codify the use of letters of wishes when a trustee administers a trust. That statute defines a letter of wishes as a non-binding record from the creator of the trust, called the trustor, which has precatory language that expresses the trustor's wishes about the trustee's discretionary powers. This Delaware statute stipulates that the trustee "may consider precatory language" but the trustee is not bound to do so, and the trustee's failure to follow such language in the letter of wishes does not imply any improper conduct by the trustee. Under this Delaware statute a court is also authorized to consider the letter's precatory language, regardless of the trust instrument's ambiguity or clarity. In addition, a Delaware trustee is exempt from any duty to show the letter of wishes to trust beneficiaries, absent a court order. In short, contrary to the common law regarding letters of wishes, Delaware's statute expressly provides a framework that emphasizes the non-binding nature of a trust creator's letter of wishes while providing some degree of judicial recognition of that letter.

While this Delaware legislation is a good start to ensure the legitimate use of letters of wishes, there are still some unanswered questions. One is what is the weight to be given to the letter of wishes by a judge in a dispute between the trust beneficiaries and the trustee? Another is the lack of direction given to the trustee when it tries to balance the trustor's wishes with the trustee's fiduciary duty to act in the best interest of all trust beneficiaries when faced with conflicting or ambiguous guidance in the letter.

The use of letters of wishes will continue to aid trustees so long as long-term trusts are used to avoid federal transfer taxes over several generations, and discretionary trusts continue to be effective to protect trust assets from the trust beneficiary's creditors or in a divorce. Whether a Michigan court will consider or rely on letters of wishes remains unanswered, but these letters will continue to aid a trustee to better understand the trust creator's purpose and intent with the trust where the trustee must implement subjective trust distribution provisions.



Stock Market Pulse

Index	7/31/2025	Total Return Since 12/31/2024
S&P 1500	1,419.74	7.90%
Dow Jones Industrials	44,130.98	4.72%
NASDAQ	21,122.45	9.81%
S&P 500	6,339.39	8.58%
S&P 400	3,151.25	1.81%
S&P 600	1,345.10	-3.60%
NYSE Composite	20,458.44	8.53%
Dow Jones Utilities	1,101.03	14.10%
Barclays Aggregate Bond	2,271.05	3.75%

P/E Multiples	7/31/2025
S&P 1500	26.2x
Dow Jones Industrials	23.4x
NASDAQ	34.7x
S&P 500	26.9x
S&P 400	19.5x
S&P 600	21.5x

Key Rates

Rate	
Fed Funds Rate	4.25% to 4.50%
T Bill 90 Days	4.22%
T Bond 30 Yr	4.90%
Prime Rate	7.50%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	1,419.74	26.2x	1.25%
S&P 500	6,339.39	26.9x	1.22%
Dow Jones Industrials	44,130.98	23.4x	1.65%
Dow Jones Utilities	1,101.03	19.9x	3.13%

Spread Between 30 Year Government Yields and Market Dividend Yields: 3.65%

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