GREENLEAF® TRUST

Perspectives

A Greenleaf Trust Newsletter

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Michael F. Odar, CFA®
President
Chief Executive Officer

How Was Your Summer?

Well, that was quick. I can't believe we just celebrated Labor Day marking the unofficial end of summer. Fall is upon us here in Michigan. The temperatures have dropped (seemingly overnight from a humid August), days are getting shorter, the college football season has begun, pumpkin flavored everything is available, and the kids are back in school. Conversation starters now include the question – How was your summer? I have always enjoyed the change of seasons from summer to fall. My only issue is that summer seems to go by faster and faster each year.

So, how was our summer? We had a wonderful productive summer at Greenleaf Trust. It started with our summer signature events in each of our markets. We began in June in Northern Michigan and ended in August in Kalamazoo. The events are held at unique venues with curated menus and live entertainment. The best thing about the events is we get to spend quality fun time connecting with hundreds of our clients and friends. If you haven't attended one of these events yet, we look forward to spending time with you next year.

At the beginning of August, we got to spend some quality fun time connecting with our teammates. All those pictures you see in our Annual Report are taken on the same day in Kalamazoo. Ask anyone here, it's one of their favorite days of the year. I know it's mine. Teammates from all of our offices are in town for pictures and quality time together. I especially enjoy seeing groups of teammates from different offices interacting like they work side by side every day. There is even a dunk tank involved at the end of the day.

Our Up Periscope meetings were held at the end of June. They are an integral part of the execution of our strategic plan and ultimately the achievement of our goals. If we are going to put a written plan together at the beginning of each year, it makes sense to us that halfway through the year we lift our heads up and see where we are at. The Executive Council (EC) meets with all of the division leaders from our Executive Leadership Team (ELT) to collectively assess where we are with respect to our annual goals. They are not come to the principal's office type of meetings, but instead collaborative meetings to celebrate successes and discuss where any help is needed. I am happy to report that we are right on track for 2025.

How Was Your Summer?, continued

"One of the highlights was spending time with our new Vice President, Senior Trust Relationship Officer in Naples, Jeannine Stetson."

Most recently, the Executive Council just returned from our annual Offsite. This year we met at our new office in Naples, Florida. Our Offsite is part of our strategic planning process and provides me and our senior strategic leaders (EC) time to focus and discuss our thoughts on what we need to do next year to achieve our long-term goal to Serve Clients More. These thoughts are then integrated with our team's thoughts from our Strategic Planning Survey to construct strategic initiatives for our Executive Leadership Team to address at our annual Advance in early October. One of the highlights was spending time with our new Vice President, Senior Trust Relationship Officer in Naples, Jeannine Stetson. She has 24 years of experience serving families in Southwest Florida in trust and estate administration, and we can't wait to have our returning "snowbirds" meet her.

I hope you get a sense of why we enjoyed our summer so much. It once again provided us with opportunities to nurture relationships with our clients and each other and continue to grow the breadth and depth of our capabilities to deliver more. I hope you enjoyed your summer as much as we did.

Nicholas A. Juhle, CFA®
Chief Investment Officer

Economic Commentary

After a summer characterized by mixed economic signals, investors and policymakers now look ahead to autumn for clarity on the path of inflation, growth, and interest rates. Policy changes enacted earlier in the year are beginning to filter through and could become more visible in the data ahead.

Market Performance Year-to-Date

Despite volatility, year-to-date market performance shows investors are cautiously optimistic. After a solid first half, markets continued higher throughout the summer months. Domestic large-cap equities are now up approximately 10% for the year, showing resilience despite the uncertain backdrop. International markets have seen some modest profit-taking but remain a bright spot, with developed and emerging market stocks accumulating gains of 23% and 19%, respectively. The bond market has also performed well, delivering roughly 5% returns year-to-date as investors discount slowing economic data and expectations for the Federal Reserve's next policy moves. The positive results of diversified portfolios prove the old adage that, even in dynamic times, patience pays when investing.

Fiscal Policy Update

Since the One Big Beautiful Bill Act (OBBBA) was signed into law over a month ago, the market has been digesting its long-term implications. The key takeaway remains the bill's delayed stimulative effect. The structure of front-loading tax cuts while pushing spending reductions to later years is projected to be mildly expansionary, particularly between 2026 and 2028. This dynamic could potentially work against the Federal Reserve's efforts to contain inflation, complicating the path for monetary policy in the years ahead.

Tariff Update

The September 2nd deadline for secondary tariffs looms, and uncertainty continues to weigh on sentiment. While negotiations with key trading partners are ongoing, progress has been slow, and many businesses are bracing for impact by activating contingency plans. The fiscal impact remains a critical variable. While the OBBBA is set to widen the deficit, tariff revenues provide a partial offset. Market participants appear to be pricing in the possibility for further delays in implementation, lessening the immediate impact of the tariff policy.

Mixed Economic Signals

After July's surprisingly soft jobs report and corresponding downward revisions to the prior months' reports, all eyes are on the August jobs data for confirmation of a cooling trend. Despite job additions slowing to a 3-month average of just 35K per month, the unemployment rate has remained steady at a healthy 4.2%. U.S. retail sales, for their part, advanced 3.9% year-over-year and 0.5% month-over-month. Adjusting for inflation, spending advanced 1.2% year-over-year and 0.3% month-over-month. The broad advance implies a healthy start to consumer spending in the second half of the year after uncertainty around trade policy dampened sentiment in the first half. While the labor market appears to be shifting into a lower gear, additional clarity on trade policy and a rebound in the stock market support greater confidence in consumers' spending power.

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Inflation: The Last Mile

The "last mile" in the fight against inflation continues to be a challenging trek. The latest Consumer Price Index (CPI) report for July showed a slight moderation in the headline number, which remained steady at 2.7% year-over-year, beating analyst expectations by 0.1%. However, the data revealed that vehicles (+4.8%), shelter (+3.7%) and food (+2.9%) inflation remains sticky, preventing a more decisive move

Economic Commentary, continued

toward the Fed's 2% target. The looming tariffs represent the most significant wild card, with the potential to create a new wave of cost-push inflation this fall, just as the labor market's cooling effect begins to take hold.

Fed Update

The combination of two consecutive soft employment reports and stubbornly high, albeit moderating, inflation has significantly shifted expectations for the Federal Reserve. Officials will have the benefit of an additional inflation report and another jobs report before meeting in September. Following the August jobs report, however, investor conviction has solidified and market consensus is now fully pricing in a quarter-point interest rate cut at the upcoming September FOMC meeting. This marks a notable change from the Fed's divided stance in July and reflects a clear pivot toward supporting a moderating economy, even as the final battle against inflation continues. Investors now anticipate between two and three 25bps cuts by the end of 2025.

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Staying Disciplined

The economic crosscurrents we felt in the summer are persisting into the fall and the outlook is clouded by slowing labor growth, looming tariffs, and the complex interplay between fiscal stimulus and monetary policy. In this environment, it's more important than ever to remain anchored to a sound, long-term strategy. While headlines may cause volatility, our core investment philosophy is unwavering and we continue to believe that a disciplined, diversified approach is the surest way to navigate uncertainty and achieve your financial goals. On behalf of our entire team, thank you for your continued trust.

Adding Heart to Your Estate Plan

Stacy L. Beekman, CTFA
Assistant Vice President, Senior Trust Relationship Officer

When most people think of estate planning, their minds go right to the typical legal documents of wills, trusts, and powers of attorney. These are important tools that primarily focus on the transfer of money and property, but most of the time, they don't tell the whole story. Your estate plan will share who gets what and how, but the plan doesn't always define who you were as a person and how deeply you cared for your family. You can share these thoughts with your family through a legacy love letter.

A legacy love letter is not a legal document, it's not about numbers or assets, nor does it carry any binding instructions for your estate plan. Instead, it is a very personal, emotional message that speaks from your heart. In your own voice, it allows you to express your love, reflect on fun memories, offer wisdom, and say goodbye to your loved ones in a very personal way.

These types of letters can be very impactful. For example, many of us have felt the effect of grief at some point in our lives. It's an emotion that is overwhelming and can be difficult to get through. Sometimes a love letter can provide a loved one with comfort, healing, and a close connection to you during one of the most difficult times in their lives. It's something they can hold on to in moments when they miss you most.

A letter can also provide a sense of personal legacy. We often think of legacy in terms of wealth or property, but your legacy is also your character, your personal beliefs, your wisdom, and your experiences. By sharing these parts of yourself through a love letter, you have an opportunity to provide a true personal picture of who you are and in a way that is greater than your estate planning documents ever could.

If your estate plan includes decisions that might surprise or disappoint someone, such as unequal distributions, your voice in a personal letter can explain your reasoning with compassion. By thoughtfully explaining why, whether it's due to prior financial support, differing needs, or personal circumstances, a letter can reduce confusion or resentment and guide the family in your desire to preserve harmony after you are gone.

For younger generations, your letter becomes a piece of family history. Grandchildren and great-grandchildren, having the opportunity to read your letter years from now, can give them the ability to learn who you are and the love you have for your family. I am a believer that children learn not just from what we do as adults around them, but also from what we believe and share with them. Allowing them to learn who you are and in your own voice, is meaningful and can help them stay connected to their family roots.

When you think about who you would like to write a legacy love letter

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Adding Heart to Your Estate Plan, continued

"The best time to write your letter is now while your thoughts are clear and intentional.

to, there are no rules or guidelines to follow. You might consider writing one to your spouse or partner, children, grandchildren, siblings, parents, extended family members, close friends, or possibly a mentor who has helped shape you into the person you are today. A love letter can be written to any person who has played a meaningful role in your life.

The best time to write your letter is now while your thoughts are clear and intentional. Waiting until later risks forgetting important details, having to write under pressure when words may not come as easily, or losing the opportunity all together due to unforeseen circumstances. Doing it now also allows you to reflect thoughtfully on what truly matters, revise as needed, and ensure the letter serves its purpose. Once the letter is complete, be sure to let your executor and/or your estate planning attorney know the letter exists. If you choose to leave your message through a video recording rather than a handwritten or typed letter, be sure to leave instructions on how it can be accessed.

At the end of the day, money can be spent, property can be divided, but your words carry a power to last far beyond your lifetime. Long after the details of your estate plan are settled, your legacy love letter will continue to provide comfort, inspire, and keep your family connected to you. So, the next time you revisit your estate plan, don't forget to include the piece that speaks directly from your heart. Your voice, your words, your love ~ it's a precious inheritance to share with your family.

Mollie A. Felt, CFP®
Senior Wealth Management Associate

Major Updates to 529 Plans in 2025: What Parents and Students Should Know

As another school year approaches, my boys, ages 5 and 6, await their turns in Kindergarten and first grade. Given school is the one constant in their lives, I often find myself thinking about their 529 plans and the opportunities their futures may hold. Since they're still so young, much is uncertain, but I'm determined to ensure that financial barriers don't hold them back. When I began my own college journey, I didn't have education savings set aside, so I've made it a personal goal to provide that support for my children. In July 2025, President Trump signed the One Big Beautiful Bill Act (OBBBA) which introduced major updates to education savings plans—changes not only our team believes are impactful for every parent to understand, but also for

me personally.

To begin, a 529 college savings plan is a state-sponsored, tax-advantaged investment account designed to help families save for education-related expenses. While contributions aren't tax-deductible at the federal level, the account's growth and withdrawals are tax-free when used for qualified education expenses.

In 2025, contribution limits align with the annual gift tax exclusion—up to $19,000 per individual, per beneficiary. There's also the option to "superfund" a 529, which allows you to front-load five years' worth of contributions at once—$95,000 per individual, or $190,000 for a couple, per beneficiary.

One concern that many parents, including myself, often have is: What if my child doesn't need the money? What if they earn a scholarship, choose not to attend college, or pursue a trade instead? While the funds remain theirs, any earnings withdrawn for non-qualified expenses would be subject to income tax and penalties.

Fortunately, there are ways to avoid those taxes and penalties. One option is to change the beneficiary, for instance, to a sibling or even a future child—so the funds can still be used for qualified education expenses. Another option, introduced with recent legislation, allows for a lifetime rollover of up to $35,000 from a 529 plan to a Roth IRA, assuming certain requirements are met.

Thanks to the One Big Beautiful Bill Act signed in July 2025, concerns over limited uses for 529 funds may be easing. The definition of "qualified education expenses" has expanded, offering families greater flexibility and peace of mind.

The following changes to qualified expenses were made at the federal level, so it's important to check whether your state has adopted the same changes.

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Qualified K–12 Expenses Under the New Legislation

The recent federal updates expand the list of qualified K–12 education expenses that can be paid using 529 plan funds. These now include:

- Tuition for public, private, or religious elementary and secondary schools.
- Curriculum and curricular materials.
- Books and other instructional materials.
- Online educational programs and resources.
- Tutoring or educational classes outside the home, including at tutoring centers. Tutors must meet one of the following criteria and cannot be related to the student:
    - Be a licensed teacher,
    - Be a current or former teacher at an eligible educational institution, or
    - Be a subject matter expert in the relevant subject area.
- Standardized test fees, including those for nationally recognized achievement tests, Advanced Placement (AP) exams, and college entrance

Major Updates to 529 Plans in 2025: What Parents and Students Should Know, continued

exams such as the SAT or ACT.

- Dual enrollment fees for courses taken through an institution of higher education.
- Educational therapies for students with disabilities, including occupational, behavioral, physical, and speech-language therapy, when provided by a licensed or accredited practitioner.

Important Note: Beginning January 1, 2026, the total annual limit for K–12 qualified expenses covered by 529 plans will increase from $10,000 to $20,000 per beneficiary.

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Expanded 529 Eligibility for Postsecondary Credentials

The recent expansion of 529 plan benefits now includes a wide range of postsecondary credentials, making it easier to support career-focused education outside of traditional college paths. Qualified expenses now cover:

- Skilled trades and vocational programs such as CDL training, HVAC certification, welding, plumbing, electrical work, cosmetology, and more.
- Professional licensing and certification fees, including costs related to CPA exam preparation and testing, bar exam registration and review, and other licensure exams in fields like law, accounting, and finance.
- Required continuing education (CE) courses necessary to maintain professional credentials for careers such as nursing, social work, teaching, real estate, and financial advising.
- Books, supplies, and equipment needed as part of a qualifying credentialing or licensing program.

This expansion recognizes and supports the growing demand for non-college career paths by allowing tax-free 529 withdrawals for the training and certification expenses these careers require.

529-to-ABLE Account Rollovers: Now Permanent

Previously, a provision allowed 529 account holders to roll over funds to an ABLE account for the beneficiary or a qualifying family member, but this option was scheduled to expire on December 31, 2025. Under the new legislation, that expiration date has been eliminated, making rollovers from 529 plans to ABLE accounts a permanent option beyond 2025.

These recent updates to 529 plans have only strengthened my confidence in the decision to establish and fund this type of account for my children. No matter where their career paths lead, I know the savings will offer meaningful support. And if my boys aren't the ultimate beneficiary of the funds, there's the exciting possibility that the money could benefit my future grandchildren. It's empowering to have a flexible tool like this in place to support their long-term success.

Importance of Plan Design and Administration to Help Employees Build Retirement Savings

Christina E. Sharp, QKA®
Senior Relationship Manager

Offering a high-quality qualified retirement plan, especially in a tight labor market, helps attract and retain talent. Structuring a plan focused on retirement readiness assists employees to prepare for a financially secure retirement. Plan sponsors can take steps to improve their plan design and administration focused on successful savings outcomes for participants. With that in mind, we have some suggestions for consideration in regards to retirement plan design and administration.

Automatic Enrollment

Studies have shown that automatic enrollment considerably boosts the employee participation rate. Inertia, procrastination and uncertainty of what deferral rate and investments to elect, drives lower employee participation with voluntary enrollment plans. In fact, the Secure 2.0 Act set mandatory regulations that all newly established retirement plans will be required to implement automatic enrollment and automatic escalation. Annually, Vanguard publishes a report with statistics and trends called How America Saves. According to the 2025 report, retirement plans set-up with automatic enrollment have a participant rate of 94% versus only 64% for plans with voluntary enrollment. When employers decide to add automatic enrollment, they may elect to automatically enroll just newly eligible employees, or implement a retroactive automatic enrollment. Few employees opt out of being automatically enrolled, and this design provides employees with a much better chance of building adequate savings accounts for retirement. If the employer offers a match, automatically enrolling employees ensures they do not miss out on employer match contributions, which add to retirement savings.

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Automatic Enrollment Deferral Rate

Perhaps the retirement plan already has the automatic enrollment feature, yet the automatic deferral rate was established at a lower rate such as 3%. To help employees save for retirement, employers should consider if the deferral rate allows the employees to take full advantage of the employer match, if offered. For example, if the employer offers a matching program such as 50% on the dollar up to 6% of employee contributions, then consider setting the automatic enrollment deferral rate to at least 6%.

Importance of Plan Design and Administration to Help Employees Build Retirement Savings, continued

Automatic Escalation and Participant Elected Automatic Acceleration

Plan Sponsors can further help employees save for retirement by implementing auto-escalation, such as annually increasing deferrals by 1% to a cap of 10-15%. If an employer is not interested in administering automatic enrollment and concern with employee's reaction of deferrals being escalated, the Greenleaf Trust retirement website offers a feature where the employee may elect an increase to their payroll deferral percentage based upon their personal preference and financial plan. For example, the participant could elect to have their Roth and/or pre-tax deferral contribution increase by 1% each May 1st until the deferral contribution reaches a maximum percentage of 12%. This feature nicely sets up the employee's savings goal on auto pilot. The participant may update or cancel their acceleration election at any time. Many of our clients have elected to allow this feature on our website.

Eligibility

"The sooner an employee is eligible to participate in the retirement plan, the sooner they are able to prepare for retirement."

The sooner an employee is eligible to participate in the retirement plan, the sooner they are able to prepare for retirement. Upon hire, employees sign up for benefits, and a delay in eligibility may lead to the employee not making time to enroll into the retirement plan benefit in the future. Some plan designs do not allow the participant to submit deferrals until one year after hire. Plans Sponsors can consider reducing this timeframe, such as immediate or 90 days, and additionally allowing the employee to defer the first payroll after eligibility rather than waiting for a specific entry date, such as quarterly.

Another plan enhancement idea is to set the employer contribution eligibility to align with the eligibility date for the employee to defer. For example, if an employee is eligible to defer immediately upon hire, and the employer match contribution begins immediately, the employee is more likely to enroll into the retirement plan benefit.

Some Top-Heavy plans are set-up not to allow employees to defer sooner than one year of service, due to the past requirement that if a participant is deferring into the plan, a top-heavy contribution was mandatory. With Secure 2.0 there are regulations allowing a plan, in most cases, to avoid making top-heavy contributions to employees who have not attained a year of service or are not age 21.

Employer Match Contribution

On average, it is recommended participants save 12-15% annually. With the most common match formula of 50% on the first 6% an employee defers, the typical employee savings rate is 6%. Thus, the combination of the employee and employer contribution equates to a savings rate of 9%,

lower than the recommended annual savings rate.

Employer contributions are "free money" for employees. An employer could change their match formula to entice their employees to raise their contribution rates. If the above match formula was changed to 25% on the dollar up to 12%, the potential employer contribution expense remains the same. If the employee raises their contribution amount to 12% to take full advantage of the match, and the employer offers the same 3%, now there is a total of 15% contributed to the participant account annually. This stretching of the match formula motivates employees to save more and potentially reach the recommended goal of 15% annually (12% employee deferral + 3% employer contribution).

Schedule and Encourage Participant Education Meetings

It is easy for employees to get caught up in the day-to-day demands of life and not set aside time to plan for the future. On-site and/or education meetings provide employees with the opportunity to understand Plan benefits and help to engage participants to utilize tools to calculate their retirement readiness and take action to increase savings. Education meetings provide information to help participants not feel overwhelmed with decisions, and the recognition that small increases in savings leads to a more secure future through the power of compounding of savings over time.

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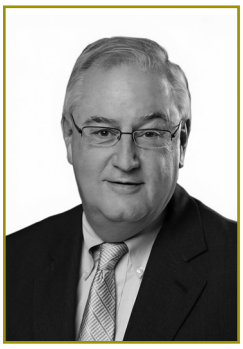
Offer Individual Consultations

Participants may have questions they do not want to ask in an educational meeting session in front of others and may not know all the questions to ask. Offering participants the opportunity to meet individually with Greenleaf Trust to have their account elections reviewed will make them feel more comfortable and confident in choosing their contribution amount and investment option elections. Employees may also receive personalized support to evaluate their retirement readiness through projections of their monthly retirement income based on current savings and optional saving increases.

As always, our team is here to assist with plan design changes and administration. We appreciate your partnership and the trust that you place in us to work on your behalf.



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

Creditor Protection for IRAs

The good news is that most individual retirement accounts (IRAs) are protected from the claims of judgment creditors. The not-so-good news is that not all IRAs are creditor-proof. As a result, some basic estate planning strategies may be impacted by limited exempt property statutes and other judge-imposed limitations when it comes to protecting wealth held in an IRA.

Exempt Property Statute: Michigan's exempt property statute provides an extensive list of assets that cannot be taken by judgment creditors to satisfy their judgement. Sadly, that statute is not current in many of its provisions that are intended to protect a debtor's assets. For example, statute protects farm animals and only $3,500 of home equity. Most folks no longer own farm animals to sustain themselves and their families. A quick skim of Michigan's exempt property statute leads to the conclusion that it is long-overdue for an update to bring it into the 21st century.

IRAs are Protected from Creditors: As noted above, the good news is that Michigan's exempt property statute lists both traditional IRAs, Roth IRAs, and retirement annuities, as protected or exempt assets.

Exception Creditors: Under the Michigan exempt property statute though, a judgment creditor will not be prevented from reaching IRA assets if contributions were made by the IRA owner within 120 days of filing for bankruptcy or they are nondeductible or after-tax IRA contributions made to the IRA. Nor will the exempt property statute bar claims of a former spouse under an order that is entered by a divorce court, i.e., the owner's IRA can be divided in a divorce.

All other judgement creditors are unable to reach the debtor's traditional IRA or a Roth IRA, regardless of the amount or value of that IRA.

Inherited IRAs: Currently the Michigan exempt property statute does **not** protect inherited IRAs. Accordingly, an inherited IRA is not protected from the reach of the judgement creditors of the debtor who inherits an IRA (either a traditional or Roth IRA.) There is currently interest in some circles to add inherited IRAs to the extensive list of statutorily exempt property categories, so inherited IRAs in the years to come may become protected. Currently, eight states now extend their statutory creditor protection to inherited IRAs: Alaska, Arizona, Florida, Idaho, Missouri, North Carolina, Ohio, and Texas. A beneficiary who lives in one of these states who inherits an IRA should take some comfort in knowing that their inherited IRA will be protected by their resident-state's statute.

Bankruptcy: Federal Bankruptcy law exempts a maximum dollar amount held in an IRA (but not an inherited IRA) from inclusion in

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the bankrupt's estate that is divided among the debtor's creditors. That maximum amount of protection is $1,512,350 in 2024-2025. Retirement funds held in a qualified plan, like a 401(k) account, are protected with an unlimited amount of creditor protection so long as the funds remain held in the employer-sponsored retirement plan.

More importantly, if funds held in an IRA can be 'traced' back to amounts that were rolled into the IRA from a qualified plan account, like a 401(k) account, then those traceable funds held in the IRA can exceed the $1,512,350 IRA dollar-limited protection. For example, if the IRA owner held an IRA with $1.5 million and she rolled another $2.0 million into her IRA from her 401(k) account on retirement, the entire balance of her traditional IRA, or $3.5 million, is protected in bankruptcy. That is why it is important to be able to 'trace' IRA funds back to their origin when retirement plan contributions were accumulated in a qualified plan account.

Only One IRA: Unfortunately, according to one federal bankruptcy court based in Michigan, only one IRA is protected from creditor claims in Michigan under the Michigan exempt property statute. This conclusion was reached by that federal judge who focused on the language used in Michigan's exempt property statute, which identifies as exempt property *"An individual retirement account or individual retirement annuity as defined in 408 [traditional] or 408A [Roth]."* The bankruptcy judge felt that if the Michigan Legislature wanted more expansive protection for a debtor's IRAs, it could easily have used the words 'any, or all, or a specific enumeration or amount.' If that narrow interpretation is accurate, then an individual who owns both a traditional IRA and a Roth IRA can have one of their IRAs taken to satisfy a creditor's judgment. *[In re Spradlin, U.S. Bankruptcy Court, 1999.]*

Hopefully, an amendment will be considered to Michigan's statute to clarify that more than one IRA can be protected under the exempt property statute with so many individuals now encouraged to convert some of their traditional IRA to a Roth IRA as part of their retirement planning. This narrow interpretation of Michigan's exempt property statute tends to overlook the ease of an IRA owner to consolidate two or more traditional IRAs into a single IRA (or the same for two or more Roth IRAs) and thus shelter those combined retirement investments from the claims of a judgment creditor.

Planning Implications: These rules and the currently narrow interpretation of how many IRAs are protected, can lead to planning complications when it comes to owning IRAs and the steps that can be taken to protect them from creditors. Consider the following:

1. Tax Burden Does Not Shift: It is bad enough for the owner to lose his

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Creditor Protection for IRAs, continued

IRA to a judgment creditor. Added to that loss of wealth when the creditor takes the traditional IRA in satisfaction of its judgment is the fact that it becomes a taxable distribution to the IRA owner, not the judgment creditor. The IRA owner is the one who is treated as taking a taxable distribution from his or her IRA, and it is the IRA owner who must pay the income tax burden associated with that distribution. This tax consequent can lead to a bunching of that tax deferred taxable income into the year that the IRA is taken by the creditor, at marginally higher income tax bracket.

2. Segregated Self-Directed IRAs: Some IRA owners want to use self-directed IRAs to invest in private equity investments or other higher-risk investments. Those self-directed IRAs are dangerous since their investments are often opaque, illiquid, and hard-to-value. There is also a higher risk of self-dealing prohibitions with a self-directed IRA which can lead to the traditional IRA no longer being qualified as a tax-deferral device. The risk that the IRA is no longer tax exempt can be mitigated to some extent if the self-directed IRA is held separate from 'other' retirement investments held in another traditional IRA. If the self-directed IRA runs afoul of IRS's prohibited transaction rules, then the entire IRA loses its tax-exempt status. By segregating the private equity investments into their own IRA addresses the risk by protecting the other, more conventional, investments held in the 'other' IRA. If Michigan's statute only protects one IRA, and the self-directed IRA holds hard-to-value, illiquid, assets, the judgment creditor may quickly pursue the conventional IRA to satisfy its judgement. Segregating risk-oriented investments from traditional investments in separate IRAs may be a good tax-planning strategy, until the realization that only one IRA may be protected under Michigan's exempt property statute.
3. Inherited IRAs: With the SECURE Act, most inherited IRAs must be 'emptied' within 10 years of the IRA owner's death. Many who inherit an IRA leave the assets in the IRA for the full ten years, to exploit the tax-deferred growth of the inherited investments. Someday the inheritor will have to pay income taxes on the inherited IRA and its future growth when its assets are distributed. Since an inherited IRA is not protected from creditor claims under Michigan's statute (but may be protected if the inheritor lives in a state which protects inherited IRAs), if the inherited IRA is seized in satisfaction of a judgment, that just means more taxable income will be attributed to the inheritor in a single year. If the inheritor has his or her own traditional IRA, it is better to 'spend-down' the inherited IRA first before tapping into the inheritor's own IRA (traditional or Roth.).

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4. Roth Conversions: There are several good tax reasons to convert a traditional IRA to a Roth IRA. Unfortunately, many current Roth conversions are made over an extended period when sufficient non-IRA assets become available to pay the federal income tax due on the partial Roth IRA conversion. That said, many of these installment conversions lead to two separate IRAs, a traditional IRA slowly being depleted by the annual conversions, and a slowly growing Roth IRA. Once again, there are two IRAs owned by the individual, and only one is protected under Michigan's exempt property statute according to one federal bankruptcy judge.
5. Qualified Plan Rollovers: When an individual retires from their employment, he or she often rolls over their retirement account balance, like a 401(k) account, to an IRA, where they feel that they have far more control over their investment choices. As noted above, if these assets held in a rollover IRA can be 'traced' to their retirement plan origin, then they are not limited to the artificial dollar amount that protects a traditional IRA in a future bankruptcy. When I practiced law I often encouraged that the rollover from the qualified plan be placed into a separate IRA (apart from any traditional IRAs that the owner maintained outside of his or her retirement plan savings) just so that 'tracing' back to the retirement account could be easily determined, and thus the ability to navigate around the bankruptcy's $1,512,350 dollar limit of IRA protection. With the one IRA protected under Michigan's statute, that segregation of traced qualified plan assets may prove to be bad advice, since if the 401(k) funds are added to the traditional IRA held outside of the qualified plan, all those retirement funds, regardless of their value, will be protected because they will be held in one IRA account.

"IRAs now comprise a substantial part of an individual's net worth..."

IRAs now comprise a substantial part of an individual's net worth, often with balances in the millions of dollars. Individuals are encouraged, both by financial planners and by Congress [see the SECURE Act 2.0] to open Roth IRAs. Keeping those IRA assets protected from potential creditor claims is an important part of any estate plan. But not all IRAs are protected, at least under Michigan's exempt property law as it is currently written. Until the statute is rewritten or clarified by a Michigan court, it is best to hold all assets in a single traditional IRA, or a single Roth IRA. Hopefully, too, Michigan's statute will be interpreted to protect both traditional and Roth IRAs, so that a choice does not have to be made by an owner "which of my IRAs do I 'protect'?"

Stock Market Pulse

Index	8/29/2025	Total Return Since 12/31/2024
S&P 1500	1,449.43	10.29%
Dow Jones Industrials	45,544.88	8.30%
NASDAQ	21,455.55	11.62%
S&P 500	6,460.26	10.78%
S&P 400	3,254.09	5.27%
S&P 600	1,437.77	3.21%
NYSE Composite	21,151.46	12.05%
Dow Jones Utilities	1,088.74	13.44%
Barclays Aggregate Bond	2,298.22	4.99%

P/E Multiples	8/29/2025
S&P 1500	26.2x
Dow Jones Industrials	25.2x
NASDAQ	33.3x
S&P 500	26.8x
S&P 400	19.4x
S&P 600	22.1x

Key Rates

Fed Funds Rate	4.25% to 4.50%
T Bill 90 Days	4.06%
T Bond 30 Yr	4.93%
Prime Rate	7.50%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	1,449.43	26.2x	1.23%
S&P 500	6,460.26	26.8x	1.20%
Dow Jones Industrials	45,544.88	25.2x	1.62%
Dow Jones Utilities	1,088.74	19.3x	3.19%

Spread Between 30 Year Government Yields and Market Dividend Yields: 3.70%

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