GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

October 2025

Volume 34, Issue 10

Michael F. Odar, CFA®
President
Chief Executive Officer

Collaborative Budgeting with a Purpose

This week our executive leaders will be gathering at the Shinola Hotel in Detroit, Michigan, for our annual Advance. For those new to Greenleaf, our Advance is an annual three-day meeting in October involving our entire Executive Leadership Team. The purpose of the Advance is to review and discuss divisional strategic plans for the upcoming year. We call it an Advance instead of a retreat because our plan is to move forward not backwards. Divisional plans are filtered through our long-term Serve Clients More strategy and challenged by each leader's peers in an effort to create a cohesive organizational plan for the upcoming year. Candor is essential. Once an organizational plan is constructed, we review it with our board of directors and build our budget around it.

Our budget construction process is unique. It is both top-down and bottom-up. What does that mean? Simply, it starts with the Executive Council and me developing an initial organizational budget for the upcoming year prior to the Advance. Then, the organizational plan from the Advance is filtered through the first draft of the budget in order to accommodate the agreed upon investments in growth. Finally, every team member has the ability to provide input into their personal budgets within the organizational budget. The final organizational budget is then sent to the board of directors for approval.

Our budget process is also a part of our core values with the following commitments:

- It all starts with our clients. We are committed to the advancement of client-centered services that enhance our holistic wealth management capabilities, two-way communication with clients, and their access to information.
- We are committed to expanding the depth and breadth of how we serve our clients.
- We are committed to achieving enterprise-wide improvements through the implementation of continuous improvement by way of workgroup recommendations.

Collaborative Budgeting with a Purpose, continued

"Our budget construction process is unique. It is both top-down and bottom-up."

- We are committed to teammate growth, recruitment, retention, and development.
- We are committed to financial stewardship that increases capitalization so that we can serve from generation to generation.
- We are committed to strategic and purposeful growth.
- We are committed to holding ourselves accountable.

With all of the recent headlines around the passing (or not) of our federal government's 2026 budget, I thought it would be timely to provide an overview of our process which we think is both collaborative and purposeful with a focus on what matters most to us – our clients.

Finally, I would be remiss if I did not remind everyone that October is Cybersecurity Awareness Month. Please take a few minutes to read our Chief Information Officer's article this month on staying safe in a digital world. It includes information on the latest cyber threats in 2025 and the simple steps we all can take to protect ourselves.

Economic Commentary

Nicholas A. Juhle, CFA®
Chief Investment Officer

A new phase for the U.S. economy has begun, ending a summer of speculation. For months, investors and the Federal Reserve weighed stubborn inflation against a resilient labor market. That watchful waiting ended in September when the Fed cut interest rates—a long-anticipated move that marked a clear turning point from observation to action.

Markets have held up well through the transition. In spite of a sharp drawdown in April, domestic large-cap equities are up about 10% year-to-date, while developed and emerging markets have each returned roughly 25% amid geopolitical and economic uncertainty. Investment-grade fixed income has delivered mid-single-digit gains through the first three quarters of the year. Investors who stayed fully invested through the volatility have been rewarded.

The Wait is Over

In September, the Fed cut rates by 25 bps to 4.00–4.25%—its first cut since December 2024. The updated dot plot lowered the median rate expectation by 0.25% for this year as well as for 2026 and 2027. Bond markets are aligned with the Fed's 2025 outlook which calls for two more 0.25% cuts however, investors are predicting deeper cuts than policymakers expect next year.

The pivot to policy easing is intended to address a cooling labor market, highlighted by weak jobs reports in July and August accompanied by steep downward revisions to prior data. Nonfarm payrolls increased by just 22K in August (vs. consensus of +75K) and the jobless rate rose to 4.3% from 4.2% in July. Job gains have moderated materially, averaging just 27K per month since May, fanning concerns of ongoing labor market deterioration. Still, consumers remain resilient; August retail sales rose 5% year-over-year and 0.6% month-over-month after adjusting for inflation. Growth was driven by strong year-over-year spending at both physical (+10.7%) and online (+10.1%) retailers, partly offset by lower spending at the pump (-0.7%).

The Fed's path is complicated by two major obstacles. First, the final push to get inflation back to the 2% target has been challenging. The Consumer Price Index (CPI) rose to 2.9% year-over-year in August, up from 2.7% in July but in line with expectations. The cost of used vehicles (+6.0%), shelter (+3.6%) and food (+3.2%) were key contributors to the overall increase, more than offsetting a decline in gasoline prices (-6.6%). Shelter costs, which represent nearly one third of the consumer price index and tend to impact the index with a lag, continued an elongated path of deceleration. Second, the implementation of secondary tariffs in September threatens to introduce a new wave of cost-push inflation that could counteract the Fed's efforts. Adding another layer of complexity is the One Big Beautiful Bill Act (OBBBA), a fiscal stimulus set to become expansionary between 2026 and 2028, which could work against monetary tightening in the long run.

Tariff Update

The much-anticipated September 2 deadline for secondary tariffs has now passed, and the new duties are in effect. This development was not entirely unexpected, as negotiations with key trading partners had shown slow progress, prompting many businesses to brace for impact by activating contingency plans. But as businesses begin to navigate this new trade landscape, a significant legal battle is escalating.

Multiple lower courts have ruled that the tariffs exceed the President's authority under the International Emergency Economic Powers Act (IEEPA). This has culminated in the Supreme Court agreeing to hear the case on an expedited basis, with oral arguments scheduled for November 5. The core issue is whether the administration has the legal authority to impose such wide-ranging tariffs without explicit congressional approval. The outcome of this case will have profound implications, as a ruling against the administration could invalidate a significant portion of the currently enacted tariffs and upend the nation's current trade policy.

> "Investors who stayed fully invested through the volatility have been rewarded."

Economic Commentary, continued

"The impact of the potential shutdown will depend primarily on its duration."

Government Shutdown

As of this writing, the Federal government appears headed for a shutdown at midnight September 30. Senate Republicans have put forward a bill to keep the government running through November 21 which previously failed on a 44-48 vote. Senate Democrats put forward an alternative that also failed to pass. As a reminder, during a federal government shutdown essential, mandatory and fee-funded programs typically continue operating, things like active-duty military and law enforcement, mail delivery, Social Security and Medicare payments and VA medical facilities. Non-essential services may cease or be limited, things like inspections, national parks staffing, loan processing, and customer service.

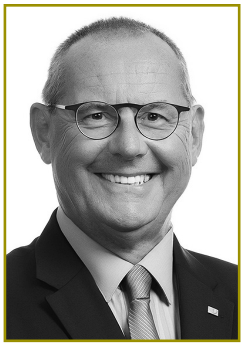
There may also be a delay in reporting of economic data. The September jobs report is slated to be released Friday, October 4, but will be delayed if the BLS is shut down. Market participants will likely rely on information gathered from private data sources, such as the ADP Employment Report, until official government statistics resume.

The impact of the potential shutdown will depend primarily on its duration. Over the past 40 years, the government has shut down eight times, a rate of roughly once every five years. The duration has ranged from 1 day to 35 days. Typically, these periods have had only minor economic and market impacts, with the longest shutdown, 35 days, creating a drag of just 0.02% of GDP that year according to CBO estimates. We will be monitoring and communicating as necessary as this impasse unfolds.

Staying Disciplined

We are in a dynamic period for the economy and maintaining a disciplined, diversified approach is essential as a sound long-term strategy remains the best approach for navigating an uncertain landscape. On behalf of our team, thank you for your continued trust.

October Alert: Your Wealth's Greatest Threat Isn't Market Volatility - It's Cybercrime



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

Technology has made many aspects of life easier—online banking, booking travel, shopping, and staying in touch with loved ones. But it has also given cybercriminals new opportunities to target unsuspecting individuals, especially those with significant assets. High-net-worth individuals, and particularly older adults, are attractive targets because fraudsters assume they may have valuable accounts and may not always be up to date on the latest cyber threats.

October is Cybersecurity Awareness Month, which means it is the perfect time to look at the latest threats in 2025 and the simple steps you can take to protect yourself.

The Latest Cyber Threats:

Investment Scams
Fraudsters increasingly pose as financial advisors, brokers, or even well-known companies. They offer "can't miss" investments in cryptocurrency, real estate, or start-ups. Once you transfer funds, the money is gone.

Imposter Emails & Calls
Criminals often impersonate trusted institutions, your bank, brokerage, or even family members. They may claim your account is "at risk" and urge you to act quickly.

Malicious Attachments & Links
Clicking an email link or opening an attachment can secretly install software that allows criminals to monitor your keystrokes or steal personal data.

Account Takeovers
Cybercriminals use stolen passwords from other sites to gain access to bank or email accounts. Once inside, they can reroute funds or impersonate you.

Tech Support Scams
Pop-up warnings or unsolicited calls claim your computer is infected and urge you to pay for "support." In reality, this is a trick to take your money or gain remote access.

Cybersecurity doesn't have to be complicated; small habits like verifying requests, using strong passwords, and pausing before you click make a big difference. This month, take time to review your accounts and refresh your security practices. With a few mindful steps, you can enjoy the benefits of the digital world while keeping your information safe.

"This month, take time to review your accounts and refresh your security practices."

Melinda P. Shull, CTFA
Assistant Vice President, Senior Trust Relationship Officer

Charitable Giving and the OBBBA: What You Need to Know for 2025 and 2026

"These changes are intended to encourage giving in new ways, depending on how a taxpayer files and how much they contribute."

Charitable giving has always been a meaningful way for individuals to support the causes they care about while also receiving potential tax benefits. However, recent legislation has made changes that may affect how those benefits are calculated. With the passage of The One Big Beautiful Bill Act of 2025 (OBBBA), individuals who give to charity, particularly high-income earners and those who itemize deductions, will want to understand how their giving strategy might need to shift in 2025 and 2026.

The OBBBA, signed into law earlier this year, is primarily known for its focus on federal spending and budgeting reform. However, tucked into the legislation are some key changes related to personal income taxes and charitable deductions. These changes are intended to encourage giving in new ways, depending on how a taxpayer files and how much they contribute.

First, let's begin with what's happening in 2025. For individuals who itemize deductions, 2025 is shaping up to be an important year to consider maximizing charitable giving, especially in the form of cash contributions. Under current rules, itemizers can deduct cash contributions to qualified public charities up to 60 percent of their adjusted gross income (AGI). The OBBBA does not change this limit, so individuals who are able to itemize and who have the capacity to make significant gifts will still benefit from this high threshold in 2025.

After 2025, however, new limitations will apply. Individuals in the highest income bracket, currently set at 37 percent, will see their charitable deduction benefits capped at 35 percent. In addition, anyone who itemizes charitable contributions will only be allowed to deduct the portion of their charitable giving that exceeds 0.5% of their adjusted gross income.

What this means in practical terms is that high-income earners who itemize because their deductions exceed the standard deduction may want to consider making larger charitable gifts before the end of 2025. For individuals who are charitably inclined and financially able, this creates a window of opportunity. Not only do these contributions benefit the organizations and causes they care about, but they also help reduce federal income tax liabilities in a tax environment that remains favorable for large cash gifts.

It is important to consult with a tax advisor before making large contributions, as other factors, such as state tax laws and overall income strategy, can affect the ultimate impact of those donations. For example, donating appreciated stock to public charitable organizations or a donor-advised fund may offer additional benefits, such as avoiding capital gains tax, and offering the best after-tax value for many donors.

Looking ahead to 2026, there's good news for taxpayers who take the standard deduction. The OBBBA introduces a new special charitable deduction, scheduled to take effect on January 1, 2026. This deduction echoes a temporary provision made available during the pandemic through the CARES Act, though the new version is slightly more generous.

In 2026, taxpayers who do not itemize will be able to claim a deduction for charitable contributions made in cash to qualifying organizations. The amount of this deduction is $1,000 for single tax filers and $2,000 for joint tax filers. Even though this is not a large deduction, it represents an important shift in tax policy. For many households who give regularly but do not itemize, this will be the first time in years they can receive any federal tax benefit from charitable giving.

The inclusion of this special deduction is aimed at broadening participation in charitable giving and recognizing the contributions of donors at all income levels. While the benefit may seem modest in dollar terms, it sends a strong signal that every gift counts and that the government sees value in supporting a culture of philanthropy, regardless of a taxpayer's income or filing status.

With these changes, individuals should consider reviewing their charitable giving plans with an eye on timing. If you itemize, you may want to consider making larger gifts in 2025 to take advantage of the existing rules. If you typically take the standard deduction, you can look ahead to 2026 as a year when giving to charity may finally offer a tax advantage once again.

Tax laws are complex, and individual situations vary widely, so this is a good time to connect with your tax professional and client centric team at Greenleaf Trust to determine which charitable giving strategies are right for you. Planning now can help you maximize both the impact of your charitable contributions, and the tax benefits you receive in return.

Disclosure: This article is intended for informational purposes only and is not a substitute for legal or tax advice. Always consult with a qualified tax professional before making charitable or financial decisions.

"With these changes, individuals should consider reviewing their charitable giving plans with an eye on timing."

Corbin M. Donaldson, CFP®, CPWA®, CLU®
Senior Wealth Management Advisor

"...they succeed through seasons of systematic preparation, strategic planning, and the kind of disciplined execution that builds a legacy."

Fall, Football, and Finances: The Championship Playbook

There's something magical about those first crisp mornings of September when the air carries the promise of football season and the trees begin their slow dance toward winter. It's the season of family gatherings, the smell of barbeque from the stadium tailgate, and the faint roar of a cheering crowd off in the distance. The end goal – win a championship, however, champions aren't built on a single Saturday or Sunday in autumn – they succeed through seasons of systematic preparation, strategic planning, and the kind of disciplined execution that builds a legacy. Financial planning is no different. We will explore how America's most beloved autumn tradition correlates to personalized wealth management strategies.

Long-Term Vision

We start as every football program does, on the idea of not only winning a championship, but building a legacy based upon a unified goal and objective. Generating and sustaining wealth is no different; successful financial planning should operate with a long-term perspective, identifying strengths and areas of improvement to properly examine the sustainability of achievement. This includes a comprehensive evaluation of current investment strategy, estate planning documents, and retirement planning, coinciding with a thorough understanding of your risk tolerance, time horizon, clarification of long-term goals, and any adjustments that need to be accounted for.

Recruiting Your Team

Championship programs excel at identifying and recruiting talent that fit within their culture. Evaluation looks beyond pure athletic ability but those that possess the character, servant leadership, and coachability for long-term team success. Financial planning requires similar talent identification, finding professional teammates who actively listen, understand your objectives, and share common values. Beyond your team at Greenleaf Trust, we recommend utilizing trusted tax advisors (CPAs) and estate planning attorneys for their expertise in the comprehensive financial planning process.

Offensive Playbook

A team's offensive playbook assesses the strengths and weaknesses of the team, relying on the skill set and chemistry of individual players to executive accordingly. Just as a team is made up of different skill players (quarterbacks, running backs, and wide receivers), the offensive line is equally as important for the plan to operate efficiently. The same is true for your investment portfolio – understanding and evaluating the risk-return tradeoff will help determine the asset allocation most appropriate for achieving your long-term goals. Just as an effective offense runs a combination of different running plays, passing plays, and play-action passes; a portfolio should maintain a diversified investment approach across various asset classes. Your running game is like fixed income – consistently gaining small, but reliable returns to generate stability in your portfolio. Equities are that to a passing game, taking calculated risks to achieve the potential for higher long-term returns for a given level of risk. Lastly, alternative assets are like a play action pass – they operate not as fixed income or equities but provide an added diversification benefit for achieving a well-rounded investment playbook. There is a reason why football teams do not run the "Hail Mary" play every time, just as your investment strategy should not focus on a single security to achieve long-term success. Asset allocation is the primary driver for generating long-term returns and building a diversified portfolio is the key to achieving your goals.

Defensive Strategy

Well, who doesn't like watching an offense march down the field and score on an opening drive? While we all can agree that the offensive playbook might be more exciting to watch unfold, we must also acknowledge that a defensive strategy is a necessary component for winning championships. This includes the idea of mitigating risk, improving tax-efficiency, and finding opportunities to proactively (not reactively) plan.

Just like a strong defensive line that helps prevent the opposing team from scoring, risk management strategies – such as insurance – protect from the erosion of wealth. Each individual client's needs are different, but at a minimum, we recommend clients thoroughly analyze their life insurance, property and casualty insurance, and umbrella coverage needs to mitigate unforeseen financial events.

Tax-optimization strategies help to improve the tax-efficiency of your portfolio. Just as you wouldn't put a defensive lineman at cornerback (arguably one of the toughest positions to play), the same is true for allocating your consolidated portfolio with asset allocation placement. While asset allocation is the primarily responsible for pre-tax returns, asset location strategies have been shown to increase the after-tax return without increasing the overall risk profile. This strategy targets higher allocations to taxable fixed income investments within accounts that receive preferential tax treatment (such as an IRA), while tax-efficient assets, such as equities, are held at higher allocations in taxable accounts. Your consolidated portfolio allocation target is still achieved, but removes unnecessary tax drag from impacting after-tax returns.

"Tax-optimization strategies help to improve the tax-efficiency of your portfolio."

Legacy Planning

Universities and colleges are not focused on the next touchdown or the next quarter but building a legacy program that withstands the test of time. Completing a well-thought-out estate plan is powerful strategy for building

Fall, Football, and Finances: The Championship Playbook, continued

such a tradition, extending the longevity of a legacy beyond that of the original creator. Estate plans could be designed to benefit grandchildren not yet born, create family foundations that will operate for decades, and establish governance structures that preserve family values across generations. Just as Alabama's football program has "coaching trees" where former assistants have become successful head coaches elsewhere; estate plans provide financial opportunity for beneficiaries to obtain financial education and learned responsibilities for carrying on the family legacy.

"The culmination and implementation of the previous planning strategies are important considerations for entering the game, however, what play do we draw up to get over the goal line?"

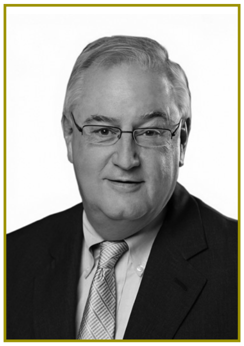
Getting Over the Goal Line:

The culmination and implementation of the previous planning strategies are important considerations for entering the game, however, what play do we draw up to get over the goal line? While each planning strategy is somewhat unique and may not be utilized by all, the impact of small changes creates meaningful differences in compounding growth.

1. **Roth IRA Conversion** – If you anticipate a lower marginal tax bracket now versus during retirement, we recommend evaluating a Roth Conversion strategy with your Client Centric Team (CCT) and CPA.
2. **Qualified Charitable Distributions (QCDs)** – If you're charitably inclined, and are at least 70 ½, we recommend utilizing QCDs from your IRA to fulfill your charitable gifts. Greenleaf Trust will send these gifts directly to a qualified charity without treating the distribution as taxable income.
3. **Annual Gift Tax Exclusions** – Whether looking to provide annual gifts or fund 529 Plans, you may gift $19,000 annually ($38,000 as a married couple) to as many individuals as desired, free of federal gift tax. A gifting strategy allows you to transfer wealth from your estate over time, without incurring gift tax consequences.
4. **Charitable Planning Strategies** – If you're approaching the lifetime gift and estate tax exclusion ($15,000,000 per individual or $30,000,000 per married couple in 2026), and your portfolio has significant appreciation, consider utilizing a Charitable Trust or Donor Advised Fund. Both charitable giving strategies provide opportunity to benefit qualified charities; transfer appreciated stock and receive an income tax deduction in the year of the gift.

As we reflect on our favorite teams approaching the gridiron this fall, remember the preparation, planning, and strategy that took place before stepping onto that field. They succeed through systematic application of proven principles, a disciplined approach, and unwavering commitment to long-term excellence. So, the next time you hear the crunch of leaves beneath your feet or the smell of bratwursts cooking at the hometown tailgate, think of your "home" team at Greenleaf Trust and how a personalized Wealth Management Plan could help you and your family build a legacy!

Charitable Gift Agreements



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

Charitable bequests at death are commonly found in wills and trusts. They are used to implement the decedent's philanthropic objectives and used, at times, to reduce, or minimize, the decedent's estate's exposure to federal estate taxes.

Often charitably inclined individuals make charitable gifts, or bequests with some expectation that accompanies the gift or bequest that the property will be used for a specific purpose. An example that periodically appears in the press is when a large charitable gift is made to a university as part of an endowment that will carry the donor's family name. The question, then, is what happens when future circumstances change the use of that charitable gift or bequest. This is when a charitable gift agreement is useful to carry out the donor's intent.

"The question, then, is what happens when future circumstances change the use of that charitable gift or bequest"

Depending on the size of the charitable gift there may be restrictions that allow the donor, or decedent's estate, limited control over the future use of the gift, or that the gifted asset to be held by the charity will be invested or disbursed pursuant to certain agreed upon terms. Yet another provision often tied to the size of the charitable gift is the gift to the charity will result in naming a building or a project after the donor, or the donor's family. However, at times future events may prompt the donor (or the donor's descendants) to ask that the donor's name be removed from the facility or the fund. Or, a restriction imposed on the gift or bequest is too narrow, so that the charity may not be able to use the funds for their intended purpose indefinitely.

This frustration of purpose can be addressed with a contract provision that states that if the gift or bequest later becomes impracticable, impossible, or no longer in alignment with the charity's mission, the charity may use the gift as closely to the donor's intent as possible, without the need to obtain the donor's consent, or if the donor is deceased, the donor's descendants' consent. Equally important is that no third party can be given the authority or power to revoke the charitable bequest, which is required in order to preserve the estate tax charitable deduction while also avoiding litigation costs when the gifted funds are diverted to a different use or purpose.

From the charity's perspective, a required gift agreement as a condition of the gift will prompt it to ask significant questions of itself whether it can manage the proposed gift restrictions in a cost-effective manner remaining consistent with the charity's mission.

Large charitable gifts that are often accompanied by a charitable gift agreement will include options for anticipated changes in circumstances that may cause the charity to divert the gift to other purposes. Media examples sometimes report these clashes between the charity and the donor, or the donor's family members, when the donor's expectations for the gift was made do not materialize, or the donor's intent is frustrated by the charity's use of

Charitable Gift Agreements, continued

"... it is important to discuss the donor's expectations and clearly express them in a comprehensive gift agreement with the charity."

funds in a different manner than was initially anticipated. That is why it is important to discuss the donor's expectations and clearly express them in a comprehensive gift agreement with the charity. In doing so, the donor, or his or her estate, will then realize, even in the context of creating an endowment fund for the charity, that the donor is relinquishing considerable control over the donated funds.

Donors must also keep in mind that retaining too much control over the charitable gift will invalidate a charitable tax deduction, either for income taxes or estate taxes. Accordingly, while the use of conditions and restrictions is understandable, if the effect of those restrictions or conditions is that the donor indirectly retains control over the gifted funds, no tax deduction will be available.

Several topics or principles should be addressed in every gift agreement.

Transfer of the Gifted Property: The gift agreement should be clear on how the gift, cash or property will be delivered to the charity.

Legal Standing: If the charity departs from the donor's expectation of the use of his or her charitable gift, or the donor's intended purpose for the gift, the donor, or the donor's descendants, should reserve legal standing to challenge the charity's use of the gifted funds in court. Having legal standing to challenge in court the charity's impermissible use of the gifted funds is not always a given. A few states give the donor, or his or her descendants, legal standing to enforce the charitable gift agreement, while in other states no legal standing is conferred on the donor or his or her family, and only the state's Attorney General possesses the authority to challenge the charity's use of the funds.

Conditional Charities: If there is a condition that must be met for the charitable gift to be received by the specified charity, it makes sense for the donor to identify in the gift agreement a contingent charity which would then receive the charitable gift if the contingency were not met. For example, assume that the donor wishes to make a matching gift to a university to add a wing to the university hospital, offering a $5 million gift to be matched by the hospital within five years. If the university is unable to match those funds, the portion of the gift which is unmatched would then go into the donor's donor-advised fund sponsored by the donor's local community foundation. By using such a gift agreement, there is a clear contingency, a clear timeline in which the contingency must be met by the charity, and an alternate charity identified, so everyone (donor, the donor's descendants, and the charity) all know where the gift money will go if the conditions are not met.

No Side Agreements: A donor must realize that a gift agreement with the charity is a contract. Consequently, there must be other provisions usually found in contracts to make the agreement enforceable and binding. These contract boilerplate provisions are at times as important as the other provisions of the gift agreement.

Investments: Sometimes the gift agreement will specify how the gifted funds will be invested by the charity, or who will make the investment decisions;

Endowments: If an endowment is to be established for the charity with a gift, the agreement should address whether the assets may be merged or pooled for investment and investment management purposes with the charity's general endowment or other assets of the charity, managed, and reported to the donor.

Other Contract Provisions: Additional contract provisions that need to be included in the gift agreement include:

> *Parties*- the agreement needs to clearly identify the parties, both the donor and the donee-recipient e.g., whether it is the donor's personal funds, the donor's donor advised fund, or the donor's trust;
>
> *Situs*- it is important to identify which court has jurisdiction to interpret and enforce the contract;
>
> *Governing Law*- the donor and the charity may be in different states, so it will be important to identify in the contract which state's laws will be used to interpret, or enforce, the contract;
>
> *Merger*- the donor and the charity both need to understand that there are no side-agreements that can be used to interpret the contract and that anything that was discussed but not part of the written agreement will not be available to explain the donor's understanding or purpose for the gift;
>
> *Counterparts*- both the charity and the donor will have copies of the agreement, so it will be important to adopt the principle that each of the copies is a counterpart of the same agreement;
>
> *Amendment*- a provision should identify if the gift agreement can be amended or modified in the future. If so, those changes will need to be in writing and signed by both the charity and the donor, or the donor's designated agent (or descendants).

For a charitable bequest, the creator of the will or trust will need to direct the fiduciary in charge of their estate or their trust to require a gift agreement with the charity before the assets or funds can be distributed to the charity. That directive in the will or trust will then specify what terms and conditions that decedent imposes on the charitable bequest and also what other contract terms the gift agreement must have.

To ensure that a charitable gift accomplishes what the donor intends, it is important to make sure that a thoughtful charitable gift agreement is used, that the agreement is written, and that it contains all the specific requirements or conditions for the gift. This will eliminate confusion and avoid future legal disputes over the use of the gifted funds to better assure the donor that his or her philanthropic wishes will be carried out by the charity.

"This will eliminate confusion and avoid future legal disputes over the use of the gifted funds"

Jaron Tuttle, QKA®
Senior Recordkeeping Specialist

Are Your SOCs in Order? – Service Organization Controls

Retirement plan sponsors rely heavily on outside service providers to manage many aspects of their retirement plan. From participant recordkeeping and investment education to transaction processing and compliance testing. Due to the sensitive nature of these services, sponsors should feel confident with their providers to maintain proper internal controls over these functions. Service Organization Controls (SOC) reports do just that.

What is a SOC Report?

If you hire a service organization, like Greenleaf Trust, to handle your retirement plan assets, you may have heard of a SOC Report. A SOC Report is a formal report prepared by an independent CPA firm that verifies how well a service organization implements and maintains processes for protecting client information and following the internal controls set in place. The auditor's assessment details the service organization's internal controls over financial reporting and evaluates the design of the operations and processes. Although a SOC Report is not required, it provides retirement plan sponsors, fiduciaries, and auditors assurance that the service provider has a good process in place, and they are following that process.

> "Due to the sensitive nature of these services, sponsors should feel confident with their providers to maintain proper internal controls over these functions."

There are two main types of SOC reports relevant to retirement plan services:

- SOC 1 Report: Focuses on controls relevant to financial reporting. For retirement plans, this includes the assessment of IT Controls and data security and privacy, accuracy of participant account balances, contribution processing, loan repayments, and distributions. Plan auditors often request SOC 1 reports to support their annual audit procedures.
- SOC 2 Report: Evaluates controls related to security, availability, processing integrity, confidentiality, and privacy. For service providers handling sensitive participant data, SOC 2 reports demonstrate a commitment to protecting information and mitigating cybersecurity risks.

Why SOC Reports Matter to Plan Sponsors

Under the Employee Retirement Income Security Act (ERISA), retirement plan sponsors have a fiduciary responsibility to act in the best interest of the participants and their beneficiaries. When working with various service providers, sponsors rely heavily on the provider covering some of the risks associated with those responsibilities which require the sponsor to monitor the controls the provider has in place. Service providers should offer safeguards to keep the participants' personal information and accounts in good standing while following ERISA. A SOC report doesn't eliminate all risks but provides transparency into the provider's internal controls. The sponsor should carefully review the SOC report to fully assess the various functions the provider offers. By reviewing the SOC report, the sponsor can assess the controls surrounding security (are records and assets protected), accuracy (are financial transactions being processed accurately), and compliance of the provider (is the provider following the regulations of ERISA and the DOL).

What should plan sponsors look for in a SOC Report?

When reviewing a SOC report from your retirement plan provider, sponsors should:

- Evaluate the type of SOC report – SOC 1 focuses on financial reporting controls, while SOC 2 covers security, confidentiality, and privacy. Both are valuable depending on the type of service being provided. SOC 1 Type 2 reports also cover and assess the security and privacy of financial reporting and client data.
- Review the scope and testing period to confirm relevant services are included.
- Examine any control exceptions and inquire of the provider to explain any findings and the resolution.
- Review the opinion of the auditor: look for an "unqualified opinion" which indicates no major issues were found.
- What applicable user controls the sponsor must follow. The most common user controls surround the sponsors internal systems used, data transmission, authorization of governing documents, and authorization of logical access to the providers systems.

Where can you find the SOC Report?

SOC Reports are not available to the public, which is unfortunate as that would be beneficial for sponsors to have access to the reports when scoping out a potential service provider. However, when prospecting a new provider, a sponsor could request a copy of the SOC Report to review prior to hiring (if available). This will allow the sponsor to fully evaluate the internal controls of the provider to ensure they meet the needs of the participants and sponsor.

To conclude:

SOC reports are a vital tool for retirement plan sponsors and fiduciaries managing retirement plans. By utilizing these independent audits, sponsors can reinforce their oversight, potentially reduce risk, and ensure participants' retirement assets and personal data remain secure. At Greenleaf Trust, we annually undergo a SOC 1, Type 2 audit to provide our clients with the assurance and trust that we have the operations and controls in place to properly service their retirement plans.

"SOC reports are a vital tool for retirement plan sponsors and fiduciaries managing retirement plans."

Stock Market Pulse

Index	9/30/2025	Total Return Since 12/31/2024
S&P 1500	1,497.22	14.05%
Dow Jones Industrials	46,397.89	10.47%
NASDAQ	22,660.01	17.96%
S&P 500	6,688.46	14.81%
S&P 400	3,263.62	5.75%
S&P 600	1,449.29	4.22%
NYSE Composite	21,564.54	14.86%
Dow Jones Utilities	1,118.18	16.34%
Barclays Aggregate Bond	2,323.29	6.13%

P/E Multiples	9/30/2025
S&P 1500	27.1x
Dow Jones Industrials	24.5x
NASDAQ	35.5x
S&P 500	27.8x
S&P 400	20.0x
S&P 600	22.2x

Key Rates

Fed Funds Rate	4.00% to 4.25%
T Bill 90 Days	3.85%
T Bond 30 Yr	4.73%
Prime Rate	7.25%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	1,497.22	27.1x	1.19%
S&P 500	6,688.46	27.8x	1.17%
Dow Jones Industrials	46,397.89	24.5x	1.59%
Dow Jones Utilities	1,118.18	19.8x	3.11%

Spread Between 30 Year Government Yields and Market Dividend Yields: 3.54%

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