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## The Great Wealth (Management) Transfer

Last November, I wrote about the Great Wealth Transition. The reference is to the pending transition of wealth from one generation to the next. According to those economists, Baby Boomers, the youngest of whom are 61 years old and the oldest are 79 years old, will be transferring massive amounts of wealth they created to their heirs over the next two decades. Estimated amounts range from \$100 to \$124 trillion.

The estimated amounts refer to the transfer of capital market assets – stocks, bonds, cash, etc. But what about the transitions of businesses to the next generation? Those are occurring too, but there are a few more “interested parties” involved. Namely private equity (PE) firms have become increasingly more involved in business transitions.

PE firms are investment management companies that raise money from investors to acquire or invest in private companies. They commonly do this with the goal of improving the value of the acquired and then eventually selling it for a profit. Over the last ten years, PE firms have become flush with cash and have been on a buying spree to create returns for themselves and their investors. Initially more focused on the acquisition of manufacturing and industrial companies, their cash positions have required them to shift their focus to other types of companies. Healthcare services (medical practices, hospitals, etc.), professional services (accounting and wealth management firms) and even consumer residential services (roofing, HVAC, security, etc.) have become popular target investments.

PE firms have also found ways to indirectly get involved with business transitions. Aggregator firms are typically larger companies that scale their growth through the acquisition of smaller companies within a single industry. These firms are often funded by PE firms. And a big focus for them over the last five years has also been the consolidation of independent wealth management advisors. Merger and acquisition activity in the wealth management space continues to hit all-time highs according to the latest Echelon RIA M&A Deal Report. Even in our markets, we are noticing a lot of this type of activity.

As the average age of the independent wealth management or registered investment advisor (RIA) owner continues to increase, those that did not create a succession plan are increasingly turning to PE firms and aggregators as their answer to transitioning

*The Great Wealth (Management)  
Transfer, continued*

their business. When selling to these types of larger non-local profit seeking consolidators, I wonder whose best interest is in mind? If done right, clients involved in the transition can benefit from access to more services, sophisticated tools, better technology, elevated thought leadership, and hopefully continuity of care. Disruption though occurs when profits are put in front of relationships.

Greenleaf Trust is structured to remain privately held into perpetuity. We have the ability to serve from generation to generation and intend to do so. We also may make acquisitions in the future as part of our long-term strategy to Serve Clients More. When and if that happens, we will always put client relationships first. ☒



*Nicholas A. Juble, CFA®  
Chief Investment Officer*

**“Rapidly rising energy prices have introduced a new layer of complexity for investors to navigate.”**

## Economic Commentary

The U.S./Israeli strikes on Iran have materially altered expectations for 2026. Coming into the year, investors expected a solid combination of decelerating inflation, interest rate cuts, strong corporate earnings growth and low risk of recession. Rapidly rising energy prices have introduced a new layer of complexity for investors to navigate.

### Geopolitical Shocks

Since the February 28, 2026 military strikes on Iran, global financial markets have been locked in a cycle of high-sensitivity trading, where daily performance is largely dictated by the latest geopolitical headlines. As an example, reports of high-level ceasefire talks announced on March 23 led to a significant relief rally and a 10% drop in Brent crude, only for those gains to be reversed by subsequent denials from Tehran and continued strikes on strategic targets. The constant flow of breaking news, ranging from leadership changes in Iran to shifts in U.S. tactical ultimatums, has prevented a stable risk premium from being established.

The stakes are not simply geopolitical headlines; the conflict is disrupting marine transit through the Strait of Hormuz, one of the world’s most critical energy arteries through which roughly 20% of global oil and liquefied natural gas (LNG) normally flows. The Strait is in a state of de facto closure as Iran has struck 21 commercial vessels as of this writing and threatened to mine the Strait to prevent tanker traffic through the Persian Gulf.

Threats to physical infrastructure create another risk to global energy markets. In mid-March, Iran struck Qatar’s Ras Laffan natural gas infrastructure, which sidelined approximately 3.4% of global LNG capacity.

Energy prices have risen significantly. Coming into the conflict, oil and gas markets were well-supplied. Brent crude oil was priced around \$70/barrel. It closed the first quarter at \$118/barrel. Dutch natural gas was 32EUR/Mwh, it closed the first quarter at 50EUR/Mwh. In the U.S., the average price of a gallon of regular unleaded gasoline was \$2.98, today it is \$4.06. For energy-importing economies in Europe

and Asia, this has potential to be not just a short-term price spike but a multi-year structural shift; with petroleum and natural gas company QatarEnergy warning that some capacity could remain offline for three to five years. The market appears to now be pricing in higher-for-longer energy prices, eschewing the notion of a near-term return to stability.

### Changing Expectations

Although this conflict has only persisted one month so far, expectations have changed meaningfully over that time.

- 2-year inflation breakevens rose from 2.82% to 3.22% in TIPS markets.
- Federal Funds Rate expectations changed from 2 cuts in 2026 to 0.
- Prediction market odds of a recession before 2027 moved from 21% to 32%.
- One bright spot has been earnings expectations. CY 2026 S&P500 earnings expectations have gone from \$315.36/sh (15% growth) to \$320.46/sh (17% growth).

Stagflationary energy shocks are challenging for investment markets as they tend to negatively impact stocks and bonds at the same time. That has been the case with this shock as well. In March, the market impact was:

- U.S. Large Cap: -5.0%
- U.S. Mid Cap: -5.4%
- U.S. Small Cap: -4.1%
- Developed International: -10.3%
- Emerging Markets: -13.1%
- Core Bonds: -1.3%

The future path of the conflict, particularly opening the Strait of Hormuz and defending energy infrastructure, will determine if there is a rapid recovery or continued pressure across traditional asset classes.

### Economic Update

On the economic front, recent data presents a picture of a resilient but cooling system. February inflation met expectations for the month, remaining at the lowest levels since May 2025. Core inflation, which excludes the volatile food and energy prices, also met analyst expectations and was near its lowest level since 2021. The longer the Strait of Hormuz remains a contested zone, the greater the potential impact on future CPI readings due to global energy prices.

The labor market, meanwhile, has shown mixed signals. The most recent jobs report was somewhat weak, but initial unemployment claims data has remained solid. The low-hiring, low-firing jobs market appears to be continuing.

While this cooling is exactly what the Federal Reserve looks for to justify a shift in policy, it also underscores the fragility of the current expansion. In their March meeting, the Fed kept rates steady, opting for a wait-and-see approach as they weigh the potential for an energy-driven inflation spike against the risk of a labor market stall.

GDP growth for the fourth quarter of 2025 was revised down from 1.4% to a 0.7%

“...history demonstrates that maintaining discipline during volatile times is essential to achieving long-term results.”

*Economic Commentary, continued*

annual rate. Much of this drag can be attributed to the 43-day government shutdown late last year, which delayed federal spending and temporarily reduced consumer activity. The fourth quarter's 0.7% figure falls far behind the 4.4% growth seen in Q3 2025 and is a reminder that policy friction has real-world consequences.

**Maintaining a Long-Term Perspective**

The temptation in volatile markets is to react to every headline. However, history demonstrates that maintaining discipline during volatile times is essential to achieving long-term results. By distinguishing temporary headline noise from permanent structural shifts, we can remain positioned to withstand these current pressures without losing sight of our ultimate objectives. On behalf of our entire investment research team, thank you for your continued trust. We will continue to monitor these developments closely as we navigate the remainder of 2026. ☑



*Tony Gerard*  
*Trust Relationship Officer*

**“Financial literacy plays a critical role in maintaining financial stability and achieving long-term financial success.”**

## Financial Literacy Month: Building Confidence in Your Financial Future

Every April, Financial Literacy Month serves as an important reminder of the value of early and ongoing financial education and the role it plays in helping individuals and families build long-term financial security. While financial topics can sometimes feel complex or overwhelming, developing a foundational understanding of personal finance can empower individuals to make more confident decisions and stay focused on their long-term goals.

Being financially literate is not about becoming the next Warren Buffett or an expert in every aspect of finance. Rather, it is about having robust knowledge and the tools necessary to understand financial choices, ask thoughtful questions, and make informed decisions. Whether someone is just beginning their career, planning for retirement, or navigating major life transitions, financial literacy plays a critical role in maintaining financial stability and achieving long-term financial success.

**Limited Financial Education in Schools**

It can be overwhelming and difficult to know where to start if you are new to the world of personal finance. Most individuals receive little to no formal education during their school years which leaves most young adults unprepared to enter the next chapter of their life confidently. A lack of financial literacy can lead to difficult mistakes that some basic education can eliminate.

One challenge many younger individuals may encounter is simply knowing where their money is going day to day since we have moved to a nearly cashless society.

According to the Motley Fool, indiscriminate spending negatively impacts 32% of Gen Z who make impulsive and wasteful spending decisions driven by boredom and a lack of a cash flow plan. While more than 86% of Americans report that they have a cash flow plan, only approximately 25% of Americans actually stick to it due to a variety of factors but the most common being, debts, overspending, and rising expenses. Due to this lack of financial education in schools, there is significant national momentum to increase financial literacy in schools with over half of U.S. states now requiring personal financial education for high school graduation. While this is a good start, it is still incumbent upon each individual to take ownership and control of their financial picture.

### Why Financial Literacy Matters

Today's financial landscape is more complex than ever and requires individuals to be more knowledgeable than in the past. Individuals must navigate investment decisions, needs vs. wants, retirement planning options, tax considerations, insurance coverage, and estate planning strategies. Without a clear understanding of how these pieces fit together, it can be difficult to make confident financial choices.

Improving financial literacy helps individuals better understand how their financial decisions today can impact their future. It can also help reduce financial stress by providing a clearer picture of financial priorities and opportunities. Even small improvements in financial knowledge can lead to meaningful changes in behavior such as saving more consistently, managing debt more effectively, or investing with a longer-term perspective. Ultimately, financial literacy helps transform uncertainty into confidence.

### The Pillars of Financial Literacy

While financial planning can involve many specialized topics, consider the following five pillars of financial literacy: Cash Flow Planning, Saving & Debt Management, Investing and Compound Growth, Risk Management, and Retirement Planning.

#### 1. *Understanding Cash Flow/ Budgeting*

The first step to take control of your finances begins with understanding income and expenses. Knowing where money is coming from and where it is going allows individuals to make confident, intentional decisions about spending, saving, and investing. Developing a clear picture of cash flow can help identify opportunities to improve financial efficiency and ensure that spending aligns with personal priorities.

Many applications that individuals use regularly offer easy solutions to start creating a cash flow plan. Microsoft Excel for example has budget templates built right into the software that you can use without having to create the equations and formulas used to track your expenses. There are also hundreds of subscription-based and free apps that will help you track your spending as well.

The 50-20-30 rule states that up to 50% of your net or "after tax" income should go to your needs and obligations. Of your remaining net income, 20% should be saved for retirement and other long-term goals, leaving 30% to spend on the things

“Improving financial literacy helps individuals better understand how their financial decisions today can impact their future.”

*Financial Literacy Month: Building Confidence in Your Financial Future, continued*

“An emergency fund should cover approximately 3–6 months of essential living expenses to include housing and utilities, groceries, transportation and minimum debt obligations.”

you want but don't necessarily need. Having this 30% earmarked for discretionary spending will typically allow for the flexibility that individuals need to not feel restricted by their budget and provide a more successful outcome when building financial security.

### **2. Saving and Debt Management**

Once you've established a cash flow plan and see the total picture of your incoming and outgoing cash flow, the next area of focus is to determine how much you can save and/or put toward reducing any debts you have. Having that understanding will also allow you the ability to begin to create or add to your saving strategy, which is becoming increasingly important due to inflation, economic uncertainty, health issues as you age, etc.

Unexpected expenses such as medical costs, home repairs, or job transitions are a reality for most individuals and households. An emergency savings fund can provide an important financial safety net during these moments. Having accessible savings set aside can help prevent individuals from relying on high-interest debt in the form of loans or credit cards when unexpected events arise. An emergency fund should cover approximately 3–6 months of essential living expenses to include housing and utilities, groceries, transportation and minimum debt obligations.

### **3. Investing for Long-Term Growth**

Investing is one of the most powerful tools available for building wealth over time. When used as part of a long-term financial strategy, it takes advantage of the concept of compound interest to keep up with and ideally outperform inflation in the long term. Albert Einstein said, “Compound interest is the eighth wonder of the world. He who understands it, earns it. He who does not, pays it.”

Compounding interest is the process of earning interest on both the original amount invested and the interest that accumulates over time, allowing savings and investments to grow more rapidly the longer they remain invested. By continuing to add money to this strategy, it will supercharge your savings ability and potential account growth. Compound interest rewards patience. The earlier someone begins saving and investing, the more time their money has to grow, and the more powerful compounding becomes.

Understanding the principles of long-term investing, diversification, and risk tolerance can help individuals remain focused on their financial goals while navigating market fluctuations. Financial literacy helps individuals and investors understand that successful investing is typically driven by discipline and long-term strategy rather than short-term market timing.

### **4. Risk Management**

Risk management in personal finance is the process of protecting your assets and developing financially stable strategies within the parameters of what you can control. This includes developing and maintaining an emergency fund for unexpected expenses, diversifying investments, knowing your investment risk tolerance, and ensuring you have adequate insurance coverage. The goal of risk management is to

create a financial plan that balances growth opportunities with asset protection and long-term stability.

### ***5. Retirement Planning: Defined Contribution Plans***

Saving and planning for retirement is another key component of financial literacy. Previous generations relied heavily on the use of pensions for their retirement income needs. Beginning in the 1980s, the responsibility for retirement savings transitioned from employers to employees.

By starting to save early and contributing consistently to retirement accounts, it can have a significant impact on long-term financial security. Typically, people start saving for retirement when they are employed by a company that provides a defined contribution plan. A defined contribution plan lets employees put a fixed amount into their retirement accounts and select how to invest it. Investments are limited to a menu of investment options provided by the employer's plan. The amount of retirement benefits an employee receives is dependent on the total amount contributed as well as the performance of the investments. These retirement accounts generally offer tax advantages for saving and investing which means there are rules associated with contribution amounts, taking withdrawals and tax treatment. Some of the most common types of defined contribution plans include:

- 401(k)- Most popular in private companies
- 403(b)- Used for employees of schools, hospitals, non-profits
- 457(b) Plan- Used for public workers and qualified non-profits

This shift from pensions to defined contribution plans has placed greater responsibility on individuals to understand saving, investing, and long-term financial planning, which is why financial literacy is so critical.

#### **Small Steps That Make a Big Difference**

Financial Literacy Month provides an excellent opportunity to revisit personal financial habits and ensure that your financial plans remain on track. Even small actions can make a meaningful difference in strengthening financial well-being.

Consider taking a few simple steps this month:

- Review your household budget and spending habits.
- Revisit your emergency savings and confirm it aligns with your needs.
- Check retirement account contributions and investment allocations.
- Review of beneficiary designations on retirement accounts, insurance policies, and bank accounts.
- Organize important financial documents for easy access.
- Start the conversation with your children as early as possible to help them build a foundation for smart financial decisions.

These simple actions can help ensure that financial decisions remain intentional and aligned with one's long-term objectives. Financial literacy is ultimately about building confidence and creating a framework for thoughtful decision making. It encourages individuals to ask questions, stay curious, and remain engaged with their financial plans.

**“By starting to save early and contributing consistently to retirement accounts, it can have significant impact on long-term financial security.”**

*Financial Literacy Month: Building Confidence in Your Financial Future, continued*

“...building confidence in your financial future does not have to happen alone.”

Financial literacy also encourages open conversations about money within families and across generations. Teaching younger family members strong financial habits, discussing financial goals openly, and seeking trusted guidance when needed can help build lasting financial stability and hopefully intergenerational wealth.

While no one has all the answers when it comes to financial planning, increasing one's personal financial understanding can make navigating financial decisions far more manageable and successful.

Financial Literacy Month is a meaningful reminder that building confidence in your financial future does not have to happen alone. Whether you are just getting started or refining an existing plan, having a trusted partner can make navigating financial decisions clearer and more manageable. We encourage you to reach out to your client centric team with any questions, ideas, or goals you would like to explore. We are here to provide guidance, education, and thoughtful recommendations tailored to your unique situation, helping you turn knowledge into action and confidence into progress. ☑



*Michal Mikrut, CFP®, CPWA®  
Senior Wealth Management Advisor*

## Unlocking the Benefits of MyWealth

### Secure, Convenient and Empowering

Greenleaf Trust offers multiple tools to enhance clients' digital experience, one of which is the MyWealth platform. The MyWealth platform plays a role in the management and implementation of your comprehensive wealth management plan, as well as offers a secure way to house your important documents via the “Vault” feature.

#### Simplified & Organized Holistic Wealth Management

Within a single website, you have the ability to connect all your investment accounts, assets and liabilities for a comprehensive and holistic picture of your wealth. Through our MyWealth holistic wealth planning tool, you can monitor and organize your wealth within a safe and secure online portal, serving as your personal financial website. MyWealth offers the following capabilities to assist you in organizing and simplifying your financial life:

- *Aggregation:* A consolidated view of all your accounts and investments (including those outside of Greenleaf Trust such as checking and savings, credentials, etc.) will give you a real-time complete financial picture on any device at any time.
- *Dashboard:* View of all your assets and liabilities on a consolidated basis,

updated daily.

- *Reporting*: Develop interactive charts, customized reports and detailed summaries for all of your holdings.
- *Spending*: Track spending habits and monitor your personal cash flow and budget.
- *Document Vault*: Unlimited access to a secure electronic document storage portal for your private records.
- *Alerts*: Email and mobile phone alerts to empower you to monitor the activity across all of your accounts.

### Website Overview

Your home page is a living snapshot of your financial well-being. The home page is a high-level view of your financial information. This page is divided into separate tiles that represent the information contained within each section of the application.

The **Organizer** will help you to consolidate your important financial information into one place. Here you can add your accounts, financial data, people and property. The information included will be used to populate other areas of the tool, including the home page.

The **Spending** tab can give you a clear view of income and expenses each month. If there is no information on this screen, it is because a bank account or credit card needs to be added to “Accounts” in your organizer. Spending includes Overview, Budgets and Transactions tabs. Spending categories can be made custom to your needs. While this information defaults to private, you have the ability to share this information so that your client centric team can assist with budgeting if desired.

The **Investments** tab is made up of four components: Summary, Allocation, Analysis and Transactions. These will provide you with an overall view of your investments as well as the ability to drill into individual accounts and asset breakdowns.

The **Vault** tab is a repository in which files are stored by your team for your review and where you can store files.

And lastly, the **Reports** tab provides you with a series of reports about your financial situation. There is a plethora of information that is available to you as a Greenleaf Trust client. These reports range from net worth statements, all the way to investment allocation reports.

### Why is Data Aggregation Important?

Data aggregation allows us to bring together all your accounts - such as checking, external 401(k) and investment balances, onto your personal financial website. This makes it simple for you to track your finances and enables us to build an accurate financial plan using up-to-date information.

Working with your client centric team to populate your personal financial website with accurate data will help them better manage your holistic wealth

“Working with your client-centric team to populate your personal financial website with accurate data will help them better manage your holistic wealth and implement your plan on a more comprehensive level.”

*Unlocking the Benefits of MyWealth,  
continued*

“In today’s fast-paced digital landscape, safeguarding your important documents is more essential than ever.”

and implement your plan on a more comprehensive level.

#### What can the Vault do for you?

In today’s fast-paced digital landscape, safeguarding your important documents is more essential than ever. MyWealth’s digital “Vault” is designed to provide you with a secure, reliable and user-friendly solution for storing and managing your sensitive information. With advanced encryption and multi-factor authentication, you can rest assured that your documents are protected against unauthorized access.

The “Vault” offers convenience by allowing you to access your files anytime, anywhere. Essential documents such as account statements, performance reports and tax documents are automatically uploaded - ensuring you always have access to the latest information.

#### Enrollment

*Action Item:* Reach out to a member of your client centric team to submit your E-Consent form and enroll in document uploads.

#### Effortless Document Management

Whether you need to retrieve a policy, share financial statements or store personal records, everything you need is immediately accessible and organized. Our intuitive interface ensures that uploading, organizing and retrieving documents is seamless - saving you time and reducing stress.

*Tip:* To upload a document, open the folder of your choice within the Vault and select the blue Upload Files button on the top right of your screen. The “My Documents” folder is hidden from your team. If you are sharing a document with your client centric team, upload into the shared documents folder.

#### Enhanced Security and Collaboration

We are committed to empowering our clients with tools that make life easier. The MyWealth Vault not only enhances your security but also supports collaboration by enabling safe document sharing with authorized parties. Experience peace of mind knowing your most important information is only seen by trusted eyes.

*Best Practice:* Consider using the MyWealth Vault to share documents with your team of advisors.

#### Looking Ahead

We are excited to announce that later this year the MyWealth application for your mobile device will be available. This app will provide access to your financial profile, “Vault”, investment analysis and reporting all at your fingertips. Be on the lookout for another announcement as beta testing wraps up and the download becomes available.

Questions? As always, simply reach out to any member of your client centric team and we would love to assist with making the most of your personal financial website through Greenleaf Trust. ☑

# Healthcare Insurance in Retirement: A Path Forward

*“There must be some way out of here” said the Joker to the Thief.  
“There’s too much confusion, I can’t get no relief.”  
All Along the Watchtower (Jimi Hendrix version)*

Healthcare is a key concern for many people planning for or undertaking retirement. The costs can be significant and the path forward at times can be confusing. This article will summarize the approach that my wife and I employed to make sure that we were making good decisions and will also share with you some key considerations in making your own choices.

## Have Discussions with Friends, Family, and Greenleaf Trust

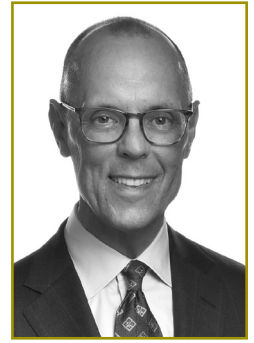
Over a year before my planned retirement date, my wife and I had discussions with many different people about how they had approached their healthcare decisions. Different people have different needs, but their approaches and experiences with obtaining healthcare coverage were very useful. I also spoke with the Human Resources team at Greenleaf Trust as my plan was to retire about eight months before age 65. They informed me that we could continue our participation in the group health insurance plans at Greenleaf Trust under the provisions of COBRA as specified by the Federal government. The monthly premiums were lower under the group plan than we would pay for similar coverage through the Health Insurance Marketplace under the Affordable Care Act (ACA). I participated in the group plan for eight months after retiring until I qualified for Medicare at age 65 while my wife remained in the group plan longer as she is eighteen months younger than me. The Human Resources team at Greenleaf Trust also introduced my wife and me to a healthcare consultant that worked with Greenleaf Trust on their group plans. She helped me to select a Medicare Advantage plan and my wife to select a private insurance plan after COBRA ended. We wanted our healthcare insurance in retirement to closely resemble what we had experienced during our working years including dental, vision, and drug coverage.

## The Different Parts of Medicare

Medicare has different parts or coverages. **Part A** covers hospital stays. **Part B** covers physician services and outpatient procedures. **Part C** is for those utilizing a Medicare Advantage plan, which is similar to original Medicare but is administered by a private insurance company and may include additional coverage for dental, vision, and hearing exams. **Part D** provides drug coverage. **Part G** is for Medigap coverage that pays for things that Medicare does not such as deductibles, co-pays, and coinsurance, but is not available to participants in a Medicare Advantage plan.

## Medicare Premiums: IRMAA Is Not the Name of a Long Lost Aunt

For most people, there is no premium for **Part A** coverage.



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

*“Healthcare is a key concern for many people planning for or undertaking retirement.”*

*Healthcare Insurance in Retirement: A Path Forward, continued*

“The good news is that for most people, these Medicare premiums are usually lower than the cost of private health insurance.”

The **Part B** coverage monthly premium for 2026 begins at \$202.90 for couples with Modified Adjusted Gross Incomes (MAGI) below \$218,000. The premiums increase as your MAGI rises into different brackets eventually reaching a maximum of \$689.90. This increase is technically referred to as IRMAA (Income -Related Monthly Adjustment Amount). MAGI for Medicare purposes is Adjusted Gross Income (AGI) from your 1040 personal tax return from two years prior + tax-exempt interest (i.e. your 2026 Medicare premiums are derived using your 2024 tax return).

The **Part D** drug coverage monthly IRMAA premium begins at \$0 and rises in a similar manner to **Part B** insurance eventually reaching a maximum of \$91. Please note that IRMAA amount is in addition to the premium for the drug plan that you choose.

You will pay the Medicare premiums monthly or they will be deducted from your Social Security benefits if you have begun to receive them.

The good news is that for most people, these Medicare premiums are usually lower than the cost of private health insurance. But during your working years, you and your employer both paid a Medicare tax on your earnings of 1.45%. For wages above \$200,000, the employee also paid an additional tax of 0.9%.

Please note that health insurance / Medicare premiums can be deducted as a medical expense on your personal tax return if total expenses exceed 7.5% of your AGI. Also, you can pay such premiums from your Health Savings Account (HSA).

#### Long-Term Care Costs Are Significant

A study by Genworth Financial found that the median annual cost for long-term care for a private room in 2024 was \$127,750. However, Medicare does not pay for long-term care. It will cover a stay at a skilled nursing facility after a person has been in the hospital. Medicare covers 100% of the cost for days 1-20. For days 21-100, the patient pays \$217 per day while Medicare pays the balance. Beyond 100 days, the full cost must be covered by the patient unless they qualify for Medicaid, which has strict income and financial resources to qualify.


Long-term care insurance can be an option for some individuals, but it is best to acquire such insurance when a person is in their 50s or 60s so that they can obtain a more favorable premium. Hybrid life insurance/long-term care policies may also be an option. My wife and I began our long-term care coverage when we were in our early 50s as both of my parents and my wife's mother needed nursing home care near the end of their lives. These policies have a 3% annual inflation adjustment and currently will pay approximately a monthly maximum of \$6,200 with a lifetime maximum of \$375,000.

The premiums for long-term care policies may be deductible if you itemize deductions and medical expenses exceed 7.5% of your AGI.

A patient can use their HSA to pay nursing home costs.

#### A Path Forward

As we age, the value of our health and access to good medical care increases significantly each year. It is important to approach healthcare decisions in a

thoughtful manner. Whether you proceed with traditional Medicare with or without a Medigap supplement plan or a Medicare Advantage Plan, you should carefully evaluate whether you will have access to your preferred doctors and any prescription drugs that you need. Your client centric team at Greenleaf Trust can help to introduce you to healthcare insurance professionals that can assist you in evaluating the options. With a bit of effort, you can find a path forward. 

## Consider Making a Net Gift

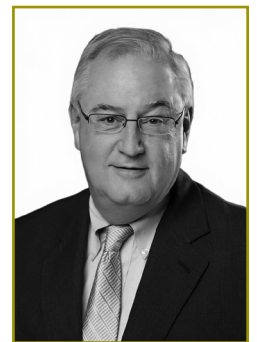
Under the existing Tax Code, if a taxable gift is made, it is the donor who pays the federal gift tax, not the donee, or the recipient of the donor's gift. However, a taxable gift can be structured where the recipient of the gift, not the donor, pays the federal gift tax liability. If the recipient pays the gift tax associated with the lifetime gift, not the donor, the result is a reduction in the actual gift tax rate. The recipient's assumption of the donor's gift tax liability is treated as partial consideration for the property that is transferred, and that reduces the amount of the gift for transfer tax purposes.

The IRS provides a circular method to compute the tax due on a *net gift*. First, the tentative gift tax that would be due on the gross gift is determined. Next, the net gift tax is computed using the IRS's prescribed formula:

$$\text{Trust tax} = 1 / (1 + \text{Tax Rate}) * \text{Tentative Tax [Revenue Ruling 75-72]}$$

Currently, the federal gift tax is at a 40% marginal rate. If the recipient of the gift agrees to pay the gift tax as a condition to receiving the gift, then the value of the gift is reduced by the amount of the gift tax paid by the recipient, which in turn reduces the amount of gift tax that is owed. Practically speaking, a *net gift* is treated as a partial gift, partial sale by the donor, since the donor receives something of value (or a partial sale) in the transaction in the form of being relieved of having to pay the federal gift tax liability.

Consider the following example where a *net gift agreement* is used. Donna makes a \$1 million cash gift to her son Rex. Assume that Donna's entire federal transfer tax applicable exemption was fully utilized by her in the past with her lifetime gifts to family trusts, so that Donna's \$1 million gift to Rex will cause a federal gift tax liability due of \$400,000. The effective gift tax rate for Donna's \$1 million gift is 40%. Assume that Donna and Rex enter into a *net gift agreement* under which Rex agrees to pay any federal gift tax that is associated with his mother's transfer of \$1 million to him. With the *net gift agreement*, Donna's gift to Rex of \$1 million cash will cause Rex to pay a federal gift tax of \$285,714. This gift tax paid by Rex reduces the value of Rex's gift from \$1 million to \$714,286, which in turn results in a gift tax liability of \$285,714



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

“...a taxable gift can be structured where the recipient of the gift, not the donor, pays the federal gift tax liability.”

*Consider Making a Net Gift, continued*

“The way the federal estate tax is currently calculated causes the value of any lifetime gifts made by the decedent–donor within three years of his or her death to be added back into the decedent’s gross estate value for purposes of calculating the decedent’s federal estate tax liability.”

that is paid by Rex. [40% X \$714,287 amount received by Rex = \$285,714 gift tax paid by Rex.] By using a *net gift agreement*, the overall effective gift tax rate on the \$1 million cash transfer to Rex drops from 40% (\$400,000) to 28.57% (\$285,714.)

However, if the \$1 million *net gift* from Donna to Rex is appreciated marketable securities instead of cash, then Rex’s payment of his mother’s federal gift tax liability will result in capital gains tax liability for Donna, as she will be treated as having used appreciated assets to satisfy her tax–debt, i.e., Donna’s obligation to pay federal gift taxes as the donor was assumed by Rex, but she used appreciated assets to ‘purchase’ his assumption of her debt.

*Net Gift Agreement Works Even Better With A Net, Net Gift Agreement*

The concept of using a *net gift agreement* works even better with what is informally known as a *net, net gift agreement*. The way the federal estate tax is currently calculated causes the value of any lifetime gifts made by the decedent–donor within three years of his or her death to be added back into the decedent’s gross estate value for purposes of calculating the decedent’s federal estate tax liability. This ‘3–year–add–back’ rule causes additional federal estate taxes to be owed with the addition of the *phantom gift* tax values (only the value is added back to the decedent’s gross estate, not the underlying asset itself) which results only if the decedent–donor dies within three years of making his or her lifetime gift. Accordingly, a *net gift agreement* can thus be expanded to cover this contingent federal estate tax liability that the recipient of the gift also agrees to pay, hence, a *net, net gift agreement*. Such an agreement was formally approved by the U.S. Tax Court in *Steinberg v. Commissioner, 145 Tax Court 184 (2015)*, which found that the recipients’ binding agreement to assume the contingent federal estate tax liability reduced the value of the gift to them.

If this contingent federal estate tax liability created by the *net, net gift agreement* is not included in the donor’s estate, i.e., the donor survived the 3–year ‘add–back period,’ then the donor of a *net, net gift agreement* would have additional tax savings at death within three years, with no downside.

*A Net, Net Gift Agreement Works Best for Older Donors*


The primary factor that is used to determine this contingent federal estate tax liability is the donor’s age. Less of a factor in determining this contingent estate tax liability is the applicable rate of interest (AFR) that is used to value the assumed additional estate tax liability. The older the donor, the greater the likelihood that transfer tax savings can be achieved because of the higher actuarial probability of the donor’s death within three years of his or her lifetime gift under the IRS’s actuarial tables that are used to calculate that contingent estate tax liability. Consequently, the value of the recipient’s contingent liability to pay this ‘additional’ federal estate tax results in a small lifetime gift, which leads to a smaller effective federal gift tax rate.

For example, Donna makes a lifetime gift to her son Rex of \$10 million.

Donna was aged 75 when her gift was made. A *net, net gift agreement* is used with Donna's gift, under which Rex agrees to pay any gift tax and additionally any federal estate tax liability if Donna dies within three years of her gift. This *net, net gift* and *estate tax agreement* will save about \$38,000 of gift taxes on Donna's lifetime gift of \$10 million to Rex. If Donna was age 95 at the time of her *net, net gift agreement* with Rex for \$10 million, that agreement will save over \$167,000 in federal gift taxes. If Donna is age 95, typically she has a greater actual, not just actuarial, likelihood of her death occurring within three years, which means there is a much greater likelihood that Donna's death will occur within three years, i.e., a greater risk of increased federal estate taxes on Donna's death. In sum, the best candidate for a *net, net gift agreement* is an older donor who is unusually healthy (i.e., likely to survive three years).

#### The Final Negative Consideration to Using a *Net, Net Gift Agreement*

The final negative consideration with respect to using a *net, net gift agreement* is the income tax basis of the asset that is the subject of the donor's lifetime gift. If possible it is best to use high income tax basis assets as the subject of the *net, net gift agreement*. That is because the *net, net gift agreement* will be treated as a part sale, part gift transaction by its donor. It will be possible to trigger capital gains if the donor gifts low-tax basis assets, like a closely held business interest or depreciated real estate as the subject of the *net, net gift agreement*. Like any lifetime gift that is intended to remove appreciating assets from the donor's taxable estate, a *net, net gift agreement* also means losing an income tax basis adjustment to those gifted assets on the donor's death. If a higher tax basis asset is the subject of the lifetime gift, the loss of the income tax basis adjustment on the donor's death, because it is a lifetime gift, is less significant.

As wealthy individuals exhaust their currently available applicable exemption amounts, or they find they have no exemption available if the sunset date for the large transfer tax exemptions occurs on January 1, 2026, more attention should be given to the use of a *net, net gift agreement* to reduce the effective transfer tax rate for lifetime gifts. 

“The final negative consideration with respect to using a *net, net gift agreement* is the income tax basis of the asset that is the subject of the donor's lifetime gift.”

## Stock Market Pulse

Index	3/31/2026	Total Return Since 12/31/2025	P/E Multiples	3/31/2026
S&P 1500 .....	1,468.30 .....	-3.82%	S&P 1500 .....	25.1x
Dow Jones Industrials.....	46,341.51 .....	-3.19%	Dow Jones Industrials.....	23.0x
NASDAQ.....	21,590.63 .....	-6.96%	NASDAQ.....	33.0x
S&P 500.....	6,528.52 .....	-4.35%	S&P 500.....	25.5x
S&P 400 .....	3,376.35 .....	2.50%	S&P 400 .....	20.6x
S&P 600 .....	1,513.23 .....	3.58%	S&P 600 .....	20.2x
NYSE Composite .....	22,089.43 .....	0.93%		
Dow Jones Utilities.....	1,158.92 .....	9.27%		
Barclays Aggregate Bond .....	2,347.75 .....	-0.05%		

## Key Rates

Fed Funds Rate .....	3.25% to 3.75%
T Bill 90 Days.....	3.63%
T Bond 30 Yr.....	4.91%
Prime Rate .....	6.75%

## Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500 .....	1,468.30 .....	25.1x .....	1.24%
S&P 500.....	6,528.52 .....	25.5x .....	1.22%
Dow Jones Industrials.....	46,341.51.....	23.0x .....	1.67%
Dow Jones Utilities.....	1,158.92.....	20.8x .....	2.72%

Spread Between 30 Year Government Yields and Market Dividend Yields: 3.67%

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