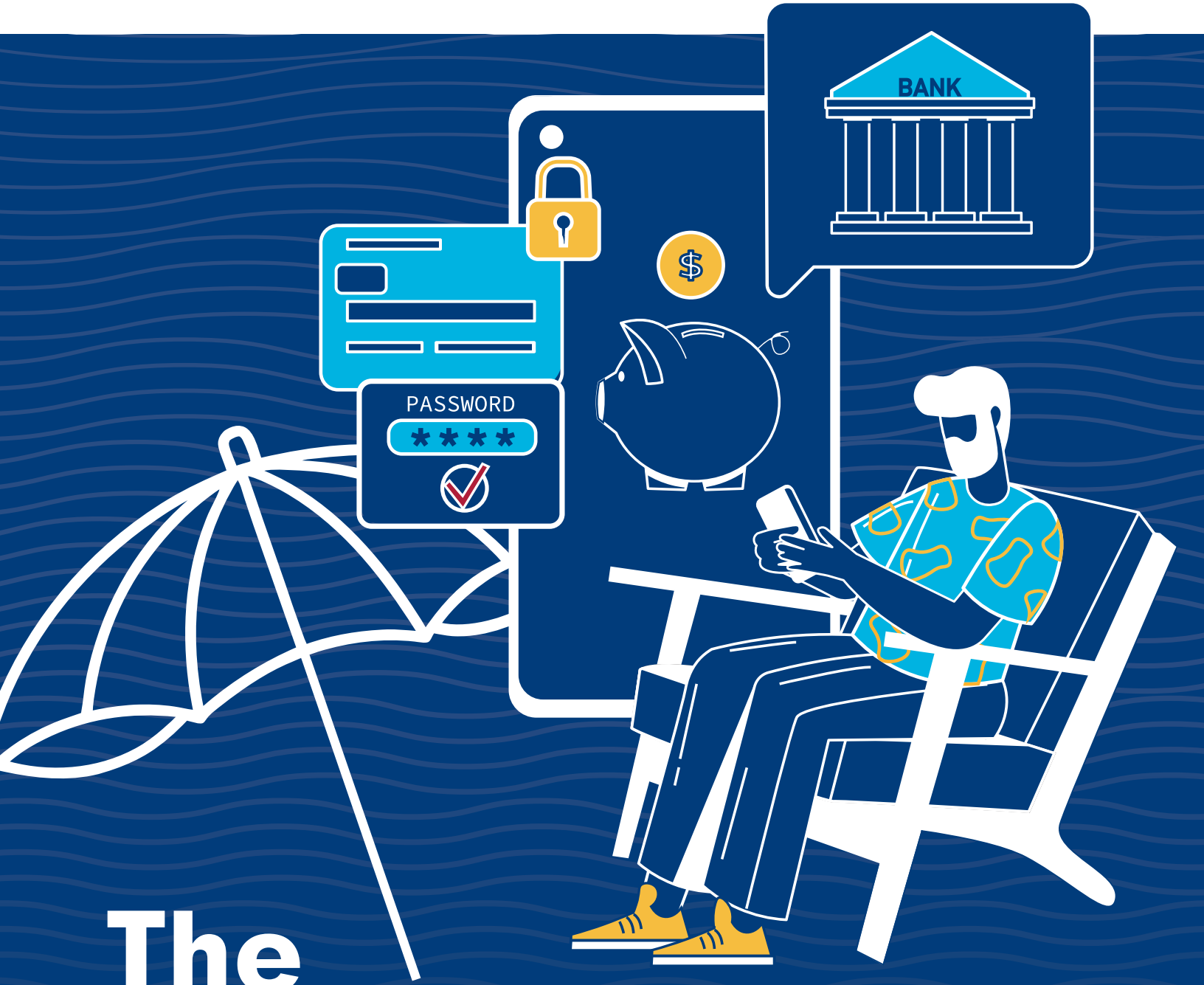
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The Modernization of Banking



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President's Letter



by
Karyn Polak
President, CEO & Treasurer
Delaware Bankers Association

"Change is indeed the only true constant. While the water, the environment, and even the obstacles in a stream are in constant flux, the direction of the river itself never changes."

Inspiration for my letter to members sometimes comes from unexpected places. A sudden end-of-summer rain squall this afternoon (which we've certainly experienced all too often of late!) caused streams of water to flow down the streets and sidewalks of Wilmington, all finding their way, eventually, to the Delaware River. I thought about how much that river changes day to day and how, through all of it, it never once loses its way to the bay. Paulo Coelho has a lovely quote about this sentiment: "The water of a river adapts to the path which is possible, without forgetting its objective: the sea." As bankers, we adapt the same way every day - the regulations change, the tools change, the economy itself changes, but we keep our objective - our "why" - in front of us at all times: the real human beings behind our work.

Every quarter, I've used this space to observe some of the changes that have come to the banking sector. Those changes are not just weathered, but often steered and championed by our own Delaware banking community. To carry the metaphor forward, while the water, the environment, and even the obstacles in our regulatory and economic stream are in constant flux, the direction of the river itself never changes. As a community of bankers and financial service providers, we continue to move forward, while always guiding our members in the same direction, and always in service of the same goal: advancing financial access, education, and opportunity for all. We achieve this in community with one another, through federal and state advocacy, financial literacy and professional development, and collaboration across sectors and geographies.

It's not an understatement to observe that change is indeed the only true constant in this work. This fall, I'm reflecting on what's changing for the Delaware Bankers Association, and what never changes. One change that's coming soon has me particularly excited: the DBA is getting a newly refreshed logo, with a look and feel that helps us articulate and crystallize what we've always believed in. The vessel has changed, but the commitment to our four principles never does; what is changing is that we're being more deliberate about naming them explicitly, in four words instead of a lengthy paragraph: *Advocate. Educate. Collaborate. Convene.*

The new look is designed to symbolize and communicate those pillars, reinforcing that commitment with every message we send.

You'll start to see the new designs rolling out in upcoming publications and communications, so be on the lookout. I'm proud and excited for you all to see it.

It's not just our own look that's getting an update. This spring, I proudly stood beside Governor Meyer as he signed into law the first holistic update to Delaware's banking code in 45 years: the Delaware Banking Modernization Act of 2026. We've been a strong advocate and guiding force in the creation of this act, and seeing it become law was a major accomplishment and moment of pride for the entire Delaware Bankers membership, and law firm and Delaware Bankers member Richards, Layton & Finger, P.A. was right there alongside us. Leading the charge was Mark Purpura, who contributed an article to this issue on how this update impacts the foundation of the industry and opens the door to digital assets, so I won't steal his thunder. What I'll say is this: Delaware Bankers actively helped guide the direction of progress rather than waiting to react. After months of proactive work at the State Senate, tirelessly writing and advocating for changes to keep up with the needs of modern bankers and consumers, we helped make room for statewide growth and cement a future-ready industry. It feels particularly apt that our Association and our State are evolving at the same time. We're both making sure we are ready for what's next, in the language and look we project to the market and in the supports we provide to anticipate and address your changing needs.

When Delaware Bankers Association was founded in 1895, our stated mission was "to promote the general welfare and usefulness of financial institutions and to secure uniformity of action, together with practical benefits derived from personal acquaintance and from discussion of subjects of importance when it comes to the banking and commercial interests of the state of Delaware." If you read that through slowly, you'll observe that it still describes exactly what we do. None of that is new, and none of it is going away.

The needs, size, and shape of our financial industry have changed. Delaware Bankers Association needs to model that versatility and nimbleness to adequately support our member institutions and meet tomorrow's uncertainties. We're not becoming a different organization; rather, we are articulating a new way to point at the work we've always done, and naming it clearly enough that you can find yourself in it

We're also clarifying our connection with our sister organization - the education arm that sits alongside the member association. What's been known as the Delaware Financial Education Alliance we've now renamed the Delaware Bankers Education Alliance. The same staff will be administering the same programming in service of the same mission. It's the same nonprofit you know and love, now with a name that aligns us more clearly under the Delaware Bankers mission.

Over the next several months, you'll see a new logo, a new color palette, and a new look roll out across everything Delaware Bankers puts in front of you: assets like the Digest, this magazine, the Trust Conference registration table, and our redesigned website. The new logo you'll see is what we're calling the "sparkle." The design is made of four diamond points coming together, to mark every corner of the Diamond State, every facet of the financial sector we serve, and each of those four foundational pillars: *Advocate. Educate. Collaborate. Convene*. It represents Delaware, the sector, and our work, all folded into one shape that signifies how we shine brighter as one.

Look closely and you'll find these pillars already represented in our activity. For example: We advocated in Dover and Washington to bring about the Delaware Banking Modernization Act of 2026. We provide education to the public through Teach Children to Save Day events and to our members through the library of education, training, and certification resources we offer. We've created new spaces for collaboration with member institutions and dozens of partners through our relationship with the Center for Accelerating Financial Equity and our commercial lending happy hour. And you have shown up to convene with fellow members at our Women Connect events and our CEO Roundtable, supporting peers, forming real relationships outside your inboxes, and allowing for connection to supplant competition.

> *"Advocacy for Delaware's financial services industry is about far more than representing the 50,000 Delawareans who work in financial services. We are a voice for an industry that touches the lives of every Delawarean, from helping families save for the future and buy homes, to providing businesses with the capital they need to grow, innovate, and create jobs."*
> **- David J. Mench, Director of Government Affairs, Delaware Bankers Association**

Watch for these changes. Share with us where you need us to lean in and what you appreciate most. I encourage you to reach out with questions, thoughts, and feedback, because Delaware Bankers is here for you as your first call, as it's always been. We've found our sparkle, and we're ready as always to help your institution navigate the waters of change and move forward with confidence and brilliant clarity.



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View from the Chair



Diana Clift
General Counsel
Barclays Bank Delaware

Chair
Delaware Bankers Association

"Together we're navigating new and age-old challenges, innovating to stay ahead of both the obvious and the opaque changes in our world, and ultimately evolving – transforming – into an even stronger Association ready to serve and strengthen our financial industry for everyone's benefit."

"Transformation" is a word we're using often these days. Whether it's as Board Chair of the Delaware Bankers Association, in my capacity as General Counsel of Barclays Bank Delaware, or at events with Governor Matt Meyer and others in the public sector, it seems to be the buzzword of the moment, perhaps only eclipsed by "innovation". It's ironic, then, that innovation – according to the Merriam-Webster Dictionary – represents a new idea, method, or device, whereas transformation refers to change in one way or another. Why ironic? Because in the financial industry, and as Karyn notes in her letter above, change has always been a constant, and certainly rarely more so than what we've undergone over the last 10 years and what's in motion yet today. We are always pressed to innovate amidst new challenges, changing dynamics, uncertainty.

One of the legal areas I'm responsible for at Barclays is acquisitions, which has been an exceptionally busy area for us. Most recently we celebrated the acquisition of a fintec company that we had personal connections to for some time before we began discussing a long-term relationship. Best Egg – like Barclays Bank Delaware, another Wilmington, Delaware-based institution – is a leading US direct-to-consumer personal loan origination platform with a focus on prime borrowers that supports customers through a suite of personal loans and financial health tools. It complements our co-brand partnership-driven credit card and deposit businesses and allows our two strong Delaware entities to continue to serve our Delaware and surrounding communities – and beyond.

The Delaware Bankers Association is also *transforming* in order to serve the financial industry more and more efficiently and thereby to serve more of our neighbors:

- First, strengthening its infrastructure through technology upgrades, automating where appropriate, and adding internal resources where they're most needed,
- Second, assessing and streamlining communication of its extensive education, certification, and training opportunities for the employees of our member institutions and vendor offerings for the institutions themselves, and
- Third, supporting deeper relationships across the industry and collaborating across the state with government, public sector, non-profits, anchor institutions, and others with which the industry works daily to deliver greater economic growth.

Those collaboration conversations are just one of the ways our industry helps to advance Delaware's "transformation agenda" (my words, not Delaware's). For example, through the Delaware Bankers Education Alliance, we take concrete actions to address the Governor's declared literacy emergency in the state. We strengthen workforce development and industry pipeline-building tools for current and future working-age residents. And we contribute to community development projects including housing and small business funding as lenders, investors, volunteers, grantors, and more.

I'm proud to lead the Board of Directors that has helped inform and shape this important work at Delaware Bankers. Together we're navigating new and age-old challenges, innovating to stay ahead of both the obvious and the opaque changes in our world, and ultimately evolving – *transforming* – into an even stronger Association ready to serve and strengthen our financial industry for everyone's benefit

PROBLEM SOLVERS

No two problems are alike. Every situation is unique. That's why families choose you as their trustee. You know the rules. You remain current. You are resourceful. Most importantly, you know people.

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The Garage is an Israeli early-stage venture capital firm investing in FinTech and Enterprise Tech startups built for the AI era.

Led by a team that includes Managing Partner Shay Dan, former CTO of Bank Leumi and previously commander of the IDF's largest AI center, The Garage works alongside banks to build the foundations for AI transformation. It connects financial institutions with carefully vetted startups and helps them build internal AI capabilities alongside their own teams, from build-vs-buy decisions and core-system modernization to the secure, compliant adoption of GenAI across the organization.

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Founded in 1992, True Access Capital (TAC) builds wealth and strengthens communities by expanding access to capital and business support for underserved entrepreneurs and businesses across Delaware, southeastern Pennsylvania, and southern New Jersey.

United Way of Delaware

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United Way of Delaware (UWDE) is a statewide nonprofit that brings together people, partners and resources to address Delaware's most pressing challenges, with a particular focus on ALICE (Asset Limited, Income Constrained, Employed) households. These are working families who struggle to afford the basics. Through strategic partnerships and proven initiatives, UWDE advances educational success, financial stability, and access to essential services, so all Delawareans can thrive.

(continued from p. 8)

DBA Events

Delaware Business Lending

We loved bringing together small business owners, lenders, and community partners from across Delaware for meaningful conversations about business lending, access to capital, and the resources available to help businesses grow.

The evening highlighted the importance of a strong network of partners and trusted resources in helping businesses navigate their financing needs

"The Delaware Bankers Commercial Lending Social brought together the right mix of professionals in an engaging and welcoming environment. The event created meaningful opportunities for bankers, lenders, and mission-driven organizations to connect around a shared goal of expanding access to capital and supporting growth across our communities. It was a great blueprint for future events."
– James Duncan, President & Co-Founder, C8 Network

A special thank you to our featured lending partners for helping make this conversation possible:

- Pursuit
- C8 Network
- B Generous



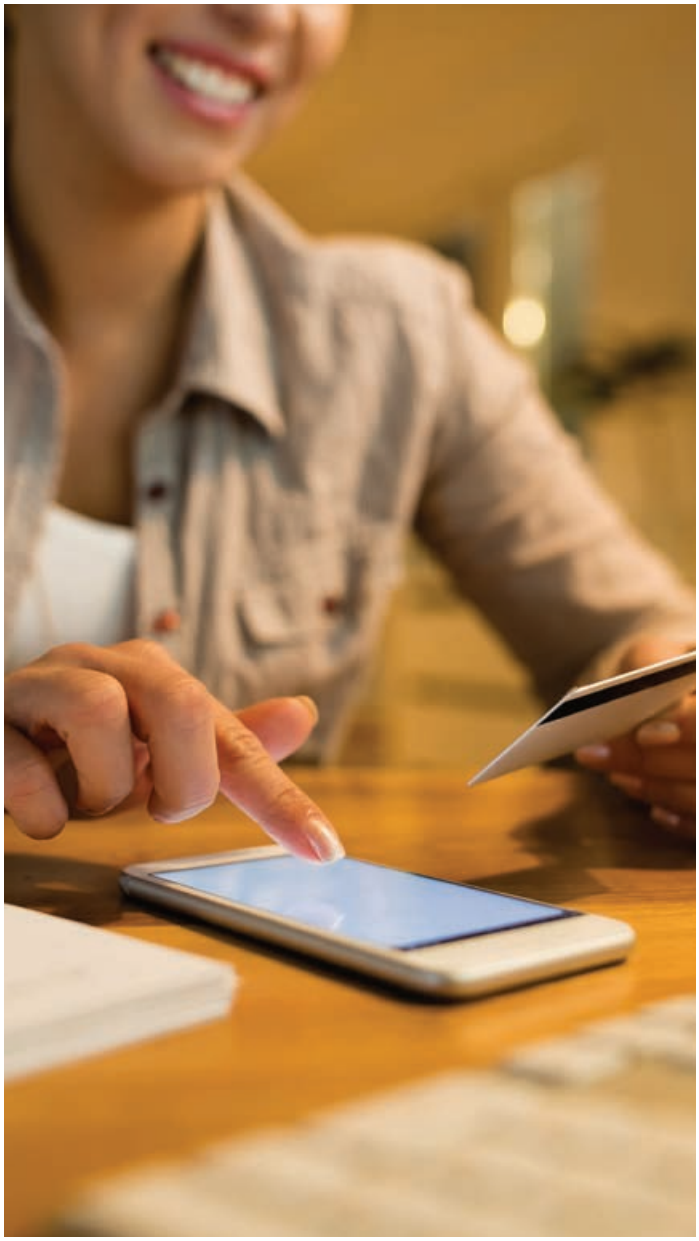








Financial Modernization in the First State[1]



by
Mark Purpura, Ryan Brady and Zachary Smith of
Richards, Layton & Finger, P.A.

In the first half of 2026, the Delaware General Assembly passed a series of bills to begin to modernize Delaware's financial services industry for the 21st century, based in part on the recommendations of a small task force convened by Governor Matt Meyer to consider ideas for financial innovation. This financial modernization package is comprised of the Delaware Banking Modernization Act of 2026[2] (the "Modernization Act"), the Delaware Money Transmission and Virtual Currency Modernization Act[3] (the "Money Transmission Act"), the Delaware Payment Stablecoins Act[4] (the "Stablecoin Act") and the Family Trust Company Act[5] (the "FTCA", and together with the Modernization Act, the Money Transmission Act, and the Stablecoin Act, the "Acts"). Governor Meyer signed the Modernization Act, the Money Transmission Act and the Stablecoin Act into law on July 6, 2026, and signed the FTCA into law on July 13, 2026.

Collectively, the Acts reflect Delaware's effort to reinforce its position as a leading jurisdiction for banking, financial innovation and trust administration.[6]

The Acts' sponsors and supporters, including Governor Meyer, Senator Spiros Mantzavinos, and Representative Bill Bush, have compared the series of bills to the 1981 Financial Center Development Act, which set off a flurry of economic development by attracting credit card issuers and other banking subsidiaries to Delaware.[7] While the economic impact of the Acts will be evaluated over the coming years, the enactment of this legislative package signals that Delaware is committed to creating a regulatory environment conducive to attracting new business in the financial sector. This article highlights some of the key provisions of, and the rationales behind, each of the Acts.

(continued from p. 10)

Delaware Banking Modernization Act of 2026

Digital assets are increasingly held and used by U.S. adults, including as investments and in financial transactions.[8] As digital assets become a larger part of the economy, banks and trust companies increasingly will be called upon to hold and otherwise deal with digital assets for their clients, and innovative digital asset service providers may seek to form special purpose banks and trust companies to access payment systems or otherwise offer non-traditional banking or trust services to clients. To do so, banks and trust companies need clear authority to hold, administer, and otherwise deal in digital assets. The Modernization Act was passed, in part, to clarify in the Delaware Banking Code that banks and trust companies possess the power to hold, administer and otherwise deal in digital assets, like any other personal property, including in their fiduciary capacities.[9] The Modernization Act now provides Delaware banks and trust companies with clear statutory authority to hold, purchase, convey, mortgage, lease, and receive for safekeeping digital assets, including virtual currencies, and to exercise powers incidental thereto.[10] With the passage of the Modernization Act, Delaware has joined the ranks of other states that have explicitly addressed the authority of banks and trust companies to hold and administer digital assets.[11]

The Modernization Act also empowers the Delaware State Bank Commissioner to charter banks and trust companies that engage in specialized activities, such as digital asset or payment activities.[12] Under the Modernization Act, the State Bank Commissioner may adopt different application requirements based on the underlying risks and proposed activities of the institution.[13] This framework grants the Delaware State Bank Commissioner latitude to create tailored application requirements and supervisory standards for new financial activities and business models, thereby creating a regulatory environment capable of fostering financial innovation commensurate with regulatory risk. These developments broadcast a clear signal for market participants that Delaware is open to financial innovation by providing an attractive chartering alternative to the special purpose national trust bank charters offered by the Office of the Comptroller of the Currency and other charter types offered by competing states.[14]

Recognizing that Delaware's renewed focus on financial innovation may be attractive to existing banks and trust companies currently located outside of the State of Delaware, the Modernization Act also contains conversion and merger mechanisms that provide a clearly defined process for out-of-state banks and trust companies to redomicile to Delaware.

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(continued from p. 11)

Delaware Money Transmission and Virtual Currency Modernization Act

The Money Transmission Act is primarily based on the Conference of State Bank Supervisors' Model Money Transmission Modernization Act (the "Model Act").[15] The Money Transmission Act aligns Delaware's money transmission regulatory framework with thirty other states that have enacted the Model Act in full or in part.[16] Currently, 99% of money transmitters already have a license in a state that has enacted a version of the Model Act.[17] Delaware's adoption of the Model Act will help to reduce state licensing and compliance burdens for multistate money transmitters that do business in Delaware.

As a further indication of Delaware's openness to digital assets, the Money Transmission Act also specifically addresses transmission activities involving virtual currencies.[18] Those provisions of the Money Transmission Act are based on the virtual-currency title of the Model Act.[19] The virtual currency section of the Money Transmission Act governs, in part, the exchanging, transferring, or storing of virtual currency.

Delaware Payment Stablecoins Act

U.S. dollar pegged payment stablecoins, unlike other digital assets, are generally designed to maintain a one-to-one redemption relationship with the U.S. dollar and are subject to reserve and redemption requirements under applicable law.[20] Stablecoin trading, payments, and transfers totaled $27.6 trillion in 2024.[21] Further, stablecoins are used worldwide, particularly in countries where remittances are common or where the home-currency is subject to high levels of inflation [22]

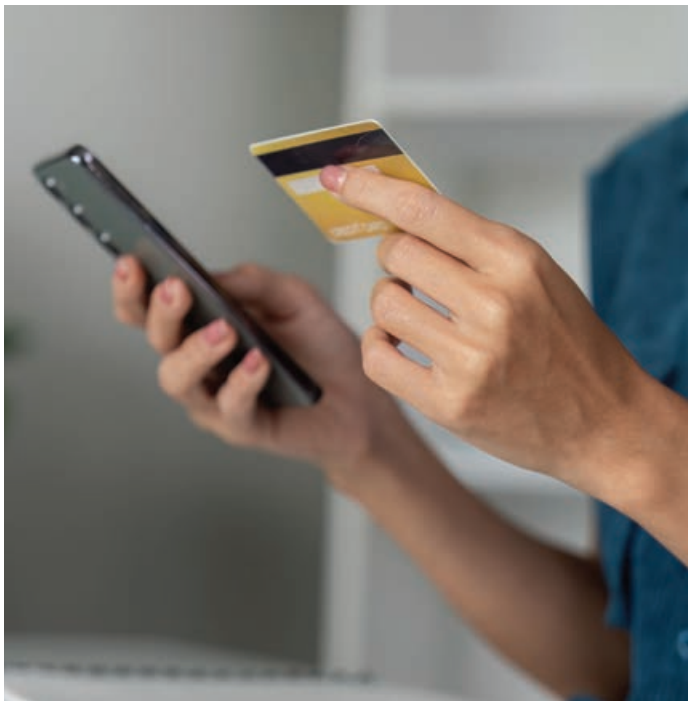
The Stablecoin Act is designed to align substantially with the federal Guiding and Establishing National Innovation for U.S. Stablecoins Act, commonly referred to as the GENIUS Act.[23] The GENIUS Act provides for a series of consumer protection measures, including maintenance of required reserves, redemption rights, disclosures, capital and liquidity requirements, and related issuer obligations.[24] Importantly, the GENIUS Act contemplates a dual state/federal regulatory framework in which smaller issuers with less than $10 billion in issued stablecoin can opt to be licensed and regulated at the state level, provided the state regulatory framework is "substantially similar" to the federal regulatory framework. States may apply to the Stablecoin Certification Review Committee, and if approved by such committee, may license and supervise certain payment stablecoin issuers.[25] Delaware is establishing its regulatory framework for payment stablecoins in a manner that will allow it to license and supervise payment stablecoin issuers that seek a state, rather than federal, regulatory framework. The Stablecoin Act was drafted to be substantially similar to the GENIUS Act and the proposed regulations promulgated thereunder so that Delaware's framework can be certified by the Stablecoin Certification Review Committee [26]

With certification from the Stablecoin Certification Review Committee, Delaware would be a natural choice for payment stablecoin issuers who want to opt in to a state regulatory framework. Both the GENIUS Act and the Stablecoin Act generally only allow financial companies to issue payment stablecoins, many of which already have other Delaware subsidiaries.[27] Because Delaware is the leading jurisdiction for entity formation in the United States and a leading jurisdiction for financial institutions, it would be a natural choice for stablecoin issuers to form a payment stablecoin issuer subsidiary and seek state licensure and supervision for that subsidiary in Delaware.[28]

Family Trust Company Act

Delaware has long been considered one of the preeminent jurisdictions in the United States for the creation and administration of trusts.[29] Notably, however, Delaware previously lacked a specific statutory framework permitting families to form and operate their own family trust companies, a specific charter or licensing type permitted by other jurisdictions such as South Dakota, Nevada, Wyoming, New Hampshire, Ohio, Tennessee and Florida. Family trust companies are attractive because they allow greater privacy and family control over trust administration. Although several family trust companies were formed in Delaware as limited purpose trust companies, the vast majority of families who have formed a family trust company have done so in a jurisdiction with a statutory and regulatory framework specifically tailored to family trust companies.

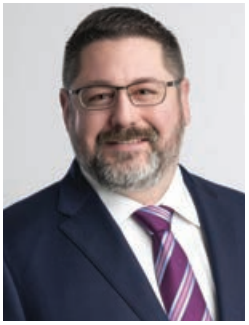
Family trust companies formed under the FTCA can serve family members related to a single designated family member



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(or such designated family member's spouse) within ten degrees of lineal kinship or collateral kinship.[30] The FTCA establishes required capital and surplus requirements for family trust companies that are commensurate with the lower operating risks of a family trust company compared to a commercial trust company, with a maximum required capital and surplus of $375,000 absent safety and soundness concerns or extraordinary circumstances that necessitate a higher level of capital. The FTCA also permits family trust companies to utilize Delaware's experienced and sophisticated network of trust professionals by contracting with commercial banks and trust companies, or other service providers, for office space, shared employees and other services. Banks and commercial trust companies located in Delaware can now offer an integrated in-state platform for families and family offices that includes the operation of a separate family trust company.

Taken together, the Acts position Delaware to build on its historic reputation as a preeminent jurisdiction in the United States for financial services by offering a modern and flexible regulatory framework for banks, trust companies, family trust companies, money and virtual currency transmitters, payment stablecoin issuers, digital asset service providers, and other financial innovators



Mark V. Purpura

Mark is a director of Richards, Layton & Finger and has more than 25 years of experience representing Delaware banks, trust companies, and nondepository financial institutions in transactional, lending, consumer finance, trust, and regulatory matters. He also counsels clients on transactions involving Delaware alternative entities and trusts. His practice includes M&A, IPOs, entity formation, governance, joint ventures, and complex financings. Mark is Chair of the Banking Law Subcommittee of the Delaware Bar Association and serves on the American Bar Association's Banking Law Committee, the Trust Act Committee of the Delaware Bar Association, and the Delaware Blockchain & Digital Innovation Task Force.



Ryan P. Brady

Ryan is an associate at Richards, Layton & Finger whose practice focuses on transactions involving Delaware limited liability companies, limited partnerships, and general partnerships. He advises clients on M&A IPOs, entity and investment fund formation, governance, dissolutions, joint ventures, master limited partnerships, including conflicts committees, and complex financings. Ryan also counsels directors and managers on fiduciary duties.

In addition, he represents Delaware banks, trust companies, and nondepository financial institutions in formation, governance, dissolution, M&A, and other commercial transactions.



Zachary E. Smith

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Notes:

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[2]SS 1 for S.B. 16, 153rd Gen. Assem., Reg. Sess. (Del. 2026).

[3]S.B. 18, 153rd Gen. Assem., Reg. Sess. (Del. 2026).

[4]SS 2 for S.B. 19, 153rd Gen. Assem., Reg. Sess. (Del. 2026).

[5]S.B. 327, 153rd Gen. Assem., Reg. Sess. (Del. 2026).

[6]Delaware.gov, *Gov. Meyer Signs Banking Modernization Package to Strengthen Delaware's Leadership in Financial Services* (July 7, 2026), https://news.delaware.gov/2026/07/07/gov-meyer-signs-banking-modernization-package-to-strengthen-delawares-leadership-in-financial-services/. "'Delaware didn't become the financial capital of America by standing still,' said Gov. Matt Meyer. 'More than 40 years ago, our state set the national standard for banking innovation. Today, we're doing it again by creating a modern framework that welcomes new financial technologies, protects consumers and ensures Delaware remains the premier place to innovate, invest, and succeed in financial services.'

(continued from p. 13)

[7]*Delaware Senate Democrats, Mantzavinos, Bush Introduce Banking Modernization Legislation* (Mar. 23, 2026), https://senatedems.delaware.gov/2026/03/23/mantzavinos-bush-introduce-banking-modernization-legislation/ "'In 1981, our predecessors in the General Assembly passed the Financial Center Development Act, paving the way for Delaware to become the 'credit card capital' of the nation. That was decades ago — and much has changed in our financial sector in that time,' said Sen. Mantzavinos, chair of the Senate Banking, Business, Insurance & Technology Committee."; *see also* Eleanor Erdevig, *Small States Teach a Big Banking Lesson*, Fed. Rsrv. Bank of Chi., Fed. Letter, No. 10 (June 1988).

[8]The Federal Reserve System's 2025 Survey of Household Economics and Decisionmaking found that "[n]early 1 in 10 adults bought or held cryptocurrency as an investment in the prior year," and "2 percent of adults said they used cryptocurrency to make a financial transaction, which includes using cryptocurrency to buy something, make a payment, or send money to friends or family." Bd. of Governors of the Fed. Rsrv. Sys., *Economic Well-Being of U.S. Households in 2025* (May 19, 2026).

[9]"This amendment ensures that Delaware-chartered banks exercising fiduciary powers may hold and administer digital assets on behalf of customers." Synopsis, S.B. 16, 153rd Gen. Assem., Reg. Sess. (Del. 2026).

[10]See 5 *Del. C.* § 761.

[11]*See e.g.*, Neb. Stat. § 8-1001 et seq. (2026); Wyo. Stat. § 13-1-206.

[12]See 5 *Del. C.* § 701.

[13]*Id.*

[14]Delaware Senate Democrats, *supra* note 7 "This legislative package sends a signal loud and clear: here in Delaware, we're democratizing our financial services and lowering the barriers to entry, making it easier for all residents to send, receive and save money with just an internet connection."; see Stephen T. Gannon, Max Bonici, and Paige Knight, *OCC's Recent Charter Approvals Signal Momentum for Digital-Asset Bank Charters* (Aug. 5, 2026) Davis Wright & Tremaine, https://www.dwt.com/blogs/financial-services-law-advisor 2026/08/occ-signals-digital-asset-charter-momentum.

[15]Conf. of State Bank Supervisors, *2022-2026 Money Transmission Modernization Act Proposed and Enacted Legislation* (Aug. 2026), https://www.csbs.org/sites/default/files/external-link-files/MTMA%20Legislative%20Update_August%202026.pdf.

[16]*Id.*

[17]Conf. of State Bank Supervisors, *Money Transmission Modernization Act Legislative Guide*, MTMA Legislative Guide_Public.pdf.

[18]5 *Del. C.* §§ 2333-39.

[19]*Supra* note 15

[20]Fed. Rsrv. Bank Phila., *Stablecoins and the Future of the Dollar* (June 2026), https://www.philadelphiafed.org/the-economy/banking-and-fi ancial-markets/stablecoins-and-the-future-of-the-dollar.

[21]The Economist, *Stablecoins: the real crypto craze* (Feb. 23, 2025), https://www.economist.com/finance-and economics/2025/02/23/stablecoins-the-real-crypto-craze.

[22]*Id.*

[23]Synopsis, S.B. 19, 153rd Gen. Assem., Reg. Sess. (Del. 2026).

[24]S.B. 1582, 199th Cong., Reg. Sess. (2025).

[25]*Id.*

[26]Synopsis, S.B. 19, 153rd Gen. Assem., Reg. Sess. (Del. 2026); see Implementing the Guiding and Establishing National Innovation for U.S. Stablecoins Act for the Issuance of Stablecoins by Entities Subject to the Jurisdiction of the Office of the Comptroller of the Currency, 91 Fed. Reg. 10202 (proposed Mar. 2, 2026) (to be codified at 12 C.F.R. pts. 3, 6, 8, 15, and 19); see also Permitted Payment Stablecoin Issuer Anti-Money Laundering/Countering the Financing of Terrorism Program and Sanctions Compliance Program Requirements, 91 Fed. Reg. 18582 (Apr. 10, 2026) (to be codified at 31 C.F.R. parts 502, 1010 and 1033); *see also* GENIUS Act Requirements and Standards for FDIC-Supervised Permitted Payment Stablecoin Issuers and Insured Depository Institutions, 91 Fed. Reg. 18534 (Apr. 10, 2026) (to be codified at 12 C.F.R. pt. 324, 330 and 350); see also GENIUS Act Regulations on Payment Stablecoin Issuance, Offer, and Sale, 91 Fed. Reg. 53368 (Aug. 18, 2026) (to be codified at 12 C. .R. ch. XV).

[27]Del. Div. of Corp., *Annual Report Statistics - A Message from the Secretary of State Charuni Patibanda-Sanchez*, https://corp.delaware.gov/stats/ ("Delaware offers the most predictable and business-focused legal home in the world, which is why more than 2.28 million entities and over two-thirds of the Fortune 500 call Delaware their corporate home.")

[28]*Id.* ("In 2025 alone, 334,461 new entities were formed in the First State, a more than fifteen percent increase over 2024, continuing a decades-long trend of migration to the state.")

[29]*See* Wealth.com, *Location, Location, Legacy: The Top Trust Jurisdictions You Need to Know in 2026* (Jan. 11, 2026), Top Trust Jurisdictions 2026: Nevada, South Dakota & More | Wealth.com.

[30]S.B. 327, 153rd Gen. Assem., Reg. Sess. (Del. 2026).

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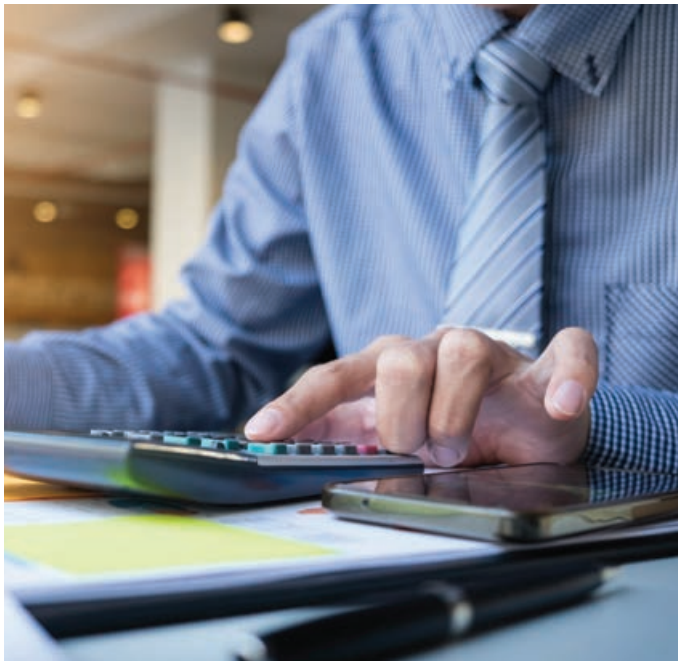
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Delaware Trust Act 2026:

Practical Enhancements to Delaware Trust Administration

by
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On July 23, 2026, Governor Meyer signed House Bill 297, commonly known as the Delaware Trust Act 2026 (the "Act"), continuing Delaware's tradition of refining and modernizing its trust laws. The Act contains targeted amendments that provide clarity, improve flexibility and address practical issues that arise in trust administration.

Clarifying Actions by Multiple Fiduciaries

The Act amends Section 3323 of Title 12 of the Delaware Code (the "Code") to address actions of decision-makers, whether fiduciaries or nonfiduciaries, when a trust instrument grants authority to more than one decision-maker.

Section 3323 previously provided that when three or more fiduciaries held a power, the power could generally be exercised by a majority. However, the Code did not address situations involving exactly two fiduciaries. The Act clarifies that where two decision-makers hold a power, both must agree to exercise that power unless the governing instrument provides otherwise. The Act also confirms that when two or more decision-makers are serving, one may be designated to perform ministerial functions on behalf of the group.

The changes eliminate uncertainty and provide clearer default rules regarding decision-making authority and responsibility among a group of power holders.

Expanding the Utility of Trust Mergers

One of the more significant practical amendments relates to trust mergers with updates to Sections 3325(29) and 3341 of the Code. Trustees now have greater flexibility to determine which governing trust instrument will control after a merger.

Historically, the governing instrument of the surviving trust generally controlled administration following a merger under Delaware law. This consequence and the administrative consequences of Section 3341 made mergers less suitable when the objective was to modernize provisions while preserving the original trust's identity.

Pursuant to the Act, a trustee may now select the governing instrument of either the transferor trust or the transferee trust to control the surviving trust after a merger. Thus, a newly created trust with modernized provisions can be merged into an existing (continuing) trust while retaining the original trust's name, taxpayer identification number, account numbers and other administrative attributes.

This change provides another flexible tool for updating trust administration and aligns the merger statute more closely with Delaware's decanting statute.

Addressing Vacancies in Trust Offices

Trust administration can become stalled when an officeholder ceases to serve and no effective mechanism exists to appoint a successor.

The Act expands the statutory definition of "officeholder" under Section 3326 of the Code to include individuals possessing powers to appoint or remove fiduciaries or nonfiduciaries. It also creates a new statutory framework under Section 3327A of the Code (previously Section 3336 dealing solely with trustees) that allows certain beneficiaries, under specified circumstances, to appoint successor officeholders when vacancies exist and the governing instrument does not provide a workable solution.

If the holder of an appointment power fails to fill a vacancy within sixty days after notice, the holder is deemed to have declined to act. This can trigger alternative appointment provisions under the trust instrument or, if the trust instrument does not provide an adequate mechanism, the statute may permit beneficiaries to fill the vacancy through unanimous consent (which may be achieved via representation under Sections 3339 and 3547 of the Code). These changes help avoid administrative paralysis and may reduce the need for court involvement.

Delaware Trust Act 2026

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Refining Delaware's Beneficiary Well-Being Trust Statute

Delaware's beneficiary well-being trust statute under Section 3345 of the Code provides an innovative approach to supporting the development and well-being of a beneficiary through educational, counseling, coaching and related programs.

The Act clarifies the role of advisers that direct or consent to trustee decisions relating to beneficiary well-being programs and confirms that the statutory provisions apply to both trustees and advisers where appropriate.

The Act also clarifies certain payment and compensation issues. Where expressly authorized by a governing instrument, trustees and advisers may receive payment for directly providing beneficiary well-being programs, including through affiliates, without reduction of otherwise applicable compensation and without prior notice or disclosure requirements beyond those specified by la .

These revisions provide greater certainty for fiduciaries

A Technical Adjustment to the Delaware Tax Trap

Short-term rentals occupy a unique position between traditional The Act includes a narrow but noteworthy amendment affecting the exercise of certain powers of appointment under the "Delaware tax trap" provisions.

The change updates a statutory cross-reference to clarify that an instrument exercising a limited power of appointment over a trust that is a grandfathered trust or has an inclusion ratio of zero for federal generation skipping transfer tax purposes that is seeking to deliberately trigger the relevant tax consequences should specifically reference Section 501(a) of Title 25 of the Code rather than Section 501 generally. Although highly technical, the amendment helps ensure the intended tax result can be achieved when drafting and exercising powers of appointment.

Continuing Delaware's Tradition of Incremental Innovation

For Delaware's trust industry, the Act reinforces the State's commitment to maintaining a flexible, modern and responsive trust framework. As trusts continue to evolve and fiduciary structures become increasingly more complex, these targeted amendments help ensure that Delaware remains at the forefront of trust law innovation and trust administration.



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Short-Term Rentals and Taxes:

Understanding Schedule E, Schedule C, Material Participation, and Cost Segregation

by
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The explosive growth of short-term rental platforms such as Airbnb and VRBO has transformed the real estate investment landscape. What was once primarily a market for vacation homes has evolved into a sophisticated investment sector attracting individual investors, entrepreneurs, and professional real estate operators alike.

As short-term rentals become increasingly common, understanding their tax treatment has become more important than ever. For investors, tax classification can significantly impact deductions, loss limitations, and overall tax liability. For lenders and investors, it can affect how income, expenses, and cash flow are evaluated when analyzing a rental property.

One of the most challenging aspects of short-term rental taxation is that tax reporting often differs from the economics. A property may generate strong positive cash flow while reporting little taxable income due to depreciation deductions. Conversely, another property may report substantial income but face higher tax obligations because of the way the activity is classified. Understanding these distinctions requires looking beyond the bottom line of a tax return and examining how the property is classified

Understanding Schedule E: Traditional Rental Activity

Most rental real estate activities are reported on Schedule E (Supplemental Income and Loss) of Form 1040.

This is generally the default treatment when an owner rents property to tenants or guests without providing substantial services beyond the lodging itself.

A common misconception is that a property automatically becomes a business simply because guests stay for short periods. In reality, the length of a guest's stay is not the primary factor used to determine whether income belongs on Schedule E or Schedule C (Profit or Loss from Business). Instead, the IRS focuses largely on the nature of the services provided to occupants.

If the owner's primary role is to provide accommodations rather than operate a service business, the activity will generally remain a rental activity reported on Schedule E.

Examples of services that typically **do not** convert a rental activity into a Schedule C business include:

- Providing furnished accommodations
- Supplying linens and towels
- Offering internet access and utilities
- Cleaning between guest stays
- Performing routine maintenance and repairs
- Providing basic household items
- Arranging landscaping, lawn care, or snow removal

These activities are generally considered normal rental-related services rather than substantial services provided for the convenience of guests. As a result, many Airbnb and VRBO properties continue to qualify for Schedule E treatment despite high occupancy levels, frequent turnover, and significant annual revenue.

Schedule E treatment often resembles traditional real estate investing. Rental income and expenses are reported separately from wages and business income, and depreciation frequently plays a major role in reducing taxable income.

When a Short-Term Rental Becomes a Schedule C Business

A short-term rental can shift from an investment activity to an operating business when the owner begins providing substantial services that extend beyond merely supplying lodging.

Examples of services that may trigger Schedule C treatment include:

- Daily housekeeping
- Regular room cleaning during guest occupancy
- Meal preparation or breakfast service
- Concierge services
- Transportation arrangements
- Guided tours or recreational activities
- Hotel-style guest support and amenities

These services are more characteristic of hotels, inns, and bed-and-breakfast establishments than traditional rental properties. When such services become a significant component of the operation, the IRS may view the activity as a trade or business rather than a rental activity.

One important consequence of Schedule C treatment is exposure to self-employment tax. Unlike Schedule E rental income, which is generally exempt from self-employment taxes, Schedule C income may be subject to both income tax and self-employment tax, increasing the taxpayer's overall tax burden.

For lenders and investors, Schedule C treatment may also indicate higher operational complexity, greater management requirements, and increased business risk compared with a traditional rental property.

The Seven-Day Rule: One of the Most Misunderstood Concepts

Few topics create more confusion among short-term rental owners than the so-called seven-day rule. Many investors incorrectly assume that an average guest stay of seven days or fewer automatically converts the activity into a Schedule C business. That assumption is incorrect.

The seven-day rule primarily affects how the activity is classified under the passive activity loss rules, not whether

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income must be reported on Schedule C versus Schedule E.

Generally, when the average customer stay is seven days or less, the activity may no longer be considered a traditional rental activity for passive loss purposes. This distinction can create valuable tax-planning opportunities because passive activity rules typically limit the ability to use losses against nonpassive income such as wages or business income.

If the owner materially participates in the operation, losses generated by the property may potentially offset other sources of income. This is where the concept of material participation becomes extremely important.

Material Participation: The Difference Between Ownership and Operation

Material participation is often the determining factor in whether losses from a short-term rental can be treated as passive or nonpassive. The IRS provides several tests for material participation, with the most commonly cited being participation exceeding 500 hours per year. Other common requirements for material participation include when the owner has substantially all of the participation in the activity (no property manager) or when the owner has more than 100 hours and more than any other individual involved. Other tests may apply depending on the circumstances.

The distinction is best understood through a simple comparison.

Investor A: Passive Owner

This investor hires a professional property management company to:

- Handle reservations
- Communicate with guests
- Coordinate cleaning services
- Manage maintenance requests
- Oversee day-to-day operations

The owner spends only a few hours each month reviewing financial reports and monitoring performance

Investor B: Active Operator

This investor personally:

- Communicates with guests
- Coordinates maintenance and repairs
- Schedules cleaning services
- Adjusts pricing strategies
- Resolves operational issues
- Oversees daily management activities

The owner devotes substantial time to operating the property throughout the year.

Although both investors may own nearly identical properties with similar revenue and expense structures, the tax treatment can differ substantially because Investor B may satisfy the material participation requirements.

Why Cash Flow and Taxable Income Often Tell Different Stories

One of the most important observations for lenders, and investors, is that taxable income does not always reflect economic performance.

Consider a short-term rental purchased for $600,000 that generates:

- $90,000 in annual revenue
- $35,000 in operating expenses
- $55,000 in cash flow before depreciatio

After depreciation deductions are applied, the property may report a taxable loss despite generating significant positive cash flo .

Without understanding depreciation and tax classification rules, a tax return could create the misleading impression that the property is underperforming when, in reality, it may be producing healthy cash flow and strong returns. For this reason, evaluating real estate investments requires more than simply reviewing reported taxable income.

Cost Segregation: Accelerating Depreciation Benefits

One of the most powerful tax strategies available to short-term rental owners is a **cost segregation study**.

Under traditional depreciation rules, residential rental property is generally depreciated over 27.5 years. However, not every component of a property must be depreciated over that timeframe. A cost segregation study identifies specific assets that may qualify for shorter recovery periods, allowing owners to accelerate depreciation deductions.

Assets commonly identified include:

- Furniture
- Appliances
- Decorative fixture
- Flooring
- Certain electrical systems
- Landscaping
- Driveways
- Fencing
- Outdoor improvements
- Specialized property components

Rentals and Taxes

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Short-term rentals are particularly attractive candidates for cost segregation because they often contain significantly more personal property than traditional long-term rental properties.

A fully furnished Airbnb may include:

- Beds and mattresses
- Sofas and dining furniture
- Televisions and entertainment systems
- Kitchen equipment
- Outdoor seating
- Smart-home technology
- Security systems
- Decorative furnishings

These items can represent a substantial portion of the property's total investment and may qualify for shorter depreciation lives.

Bonus Depreciation and Enhanced Tax Benefits

Cost segregation became even more attractive with the introduction of bonus depreciation provisions that allowed eligible assets to be deducted more rapidly than under traditional depreciation methods.

Although bonus depreciation percentages have changed over time, under current law a 100% first year depreciation deduction is allowed for qualifying 5, 7-and 15-year property.

For many investors, the ability to accelerate deductions can produce significant tax savings during the early years of ownership while improving after-tax cash flo .

Understanding Depreciation Recapture

While accelerated depreciation can be highly beneficial, investors should understand that these deductions are not always permanent tax savings.

When a property is sold, previously claimed depreciation may become subject to depreciation recapture rules, which can result in a portion of the gain being taxed at other than favorable capital gains rates. Generally, depreciation previously claimed on 27.5-year assets can be taxed up to 25% as unrecaptured Section 1250 gain and for personal property assets (Section 1245 property such as furniture, appliances and equipment) previously claimed depreciation can be taxed at ordinary income rates.

Investors who aggressively accelerate depreciation should evaluate both the short-term benefits and the potential long-term consequences when developing their investment strategy.

Key Takeaways

Short-term rentals occupy a unique position between traditional rental real estate and operating businesses.

As a result, their tax treatment can be significantly more complex than many investors anticipate.

The most important concepts to remember include:

- Short-term guest stays do not automatically require Schedule C reporting.
- Schedule E remains common when owners primarily provide lodging rather than substantial guest services.
- Schedule C generally applies when property owners provide hospitality-style services similar to those offered by hotels or bed-and-breakfast operations.
- The seven-day rule affects passive activity classification and loss treatment, not automatically the tax reporting schedule.
- Material participation can determine whether losses are passive or nonpassive.
- Cost segregation may substantially accelerate depreciation deductions.
- Taxable income and cash flow are often very different measures of performance.
- Depreciation benefits should be evaluated alongside potential future recapture consequences.

Conclusion

As short-term rentals continue to grow as an investment class, understanding their tax implications has become increasingly important for investors, tax professionals and lenders. The classification of income, the owner's level of involvement, passive activity considerations, and depreciation strategies can all materially affect how a property's financial performance appears on a tax return.

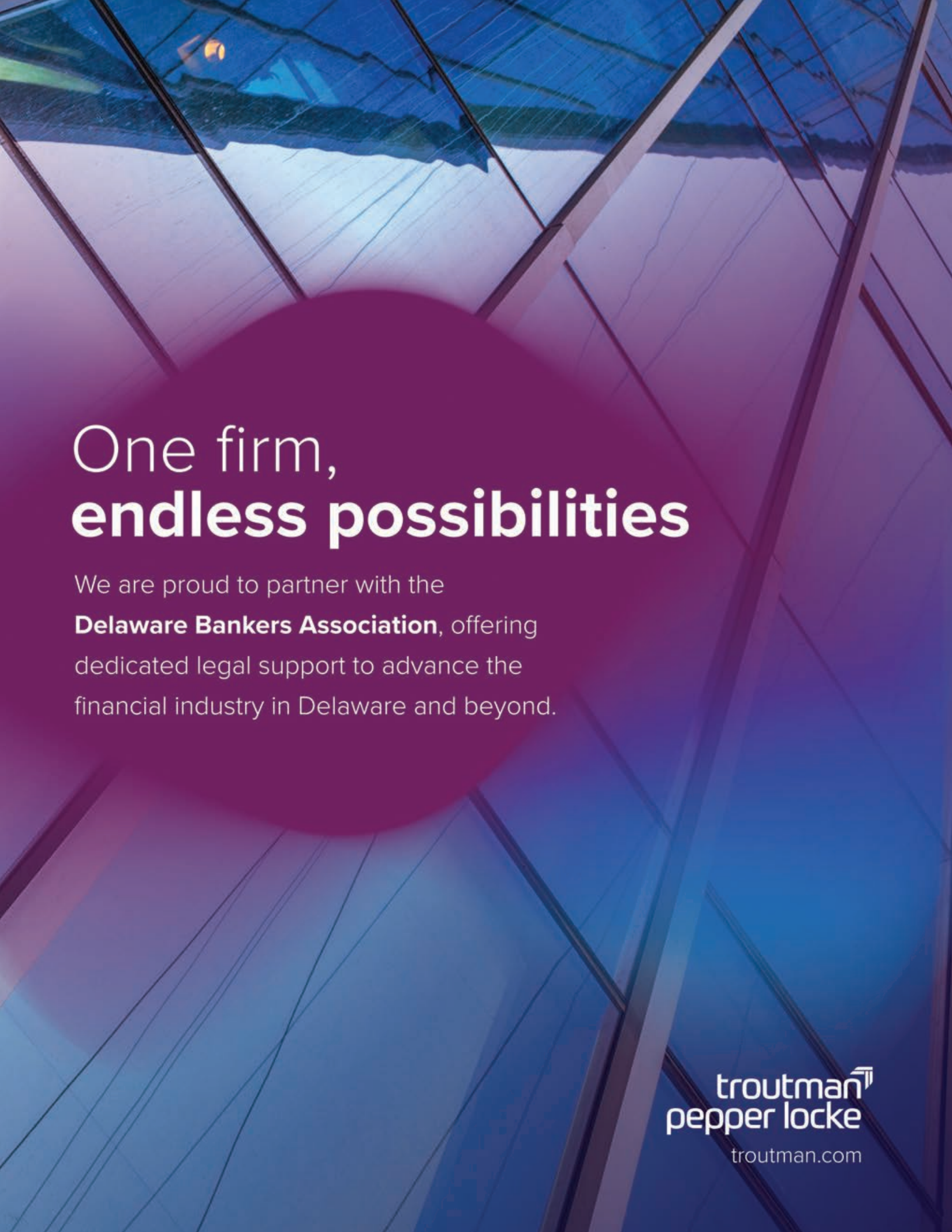
A tax return showing little income or even a substantial loss does not necessarily indicate a poorly performing investment. In many cases, depreciation and cost segregation strategies may significantly reduce taxable income while the property continues to generate strong positive cash flo . By evaluating tax treatment alongside occupancy, operating performance, debt service, and cash flo , stakeholders can gain a far more accurate understanding of an investment's true financial strength.

The investors and professionals who understand these distinctions will be better equipped to evaluate opportunities, manage risk, and make informed decisions in the rapidly evolving world of short-term rental real estate.



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Purpose Without a Beneficiary:

Delaware's Recently-Revised Purpose Trust Statute and the Next Chapter in Trust Planning

By
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For centuries, trust law has rested on a familiar proposition: a trustee holds property for a beneficiar . The trustee owes duties, and the beneficiary has enforceable rights. That relationship supplies the architecture that makes a trust work.

A purpose trust begins from a different premise. Rather than holding property principally for identified beneficiaries, it permits property to be held to accomplish a stated objective. That objective may be preserving control of a closely held business, maintaining a family compound or important art collection, supporting a family office, holding voting interests in an enterprise, preserving intellectual property, or carrying out another lawful noncharitable purpose a settlor wants to endure beyond the settlor's ownership.

That premise reflects a rule that purpose trusts historically had to overcome. Under traditional English common law, a valid private trust generally required an identifiable beneficiary capable of enforcing it—the "beneficiary principle," associated with cases such as Morice v. Bishop of Durham. Because a trustee's duties are owed to someone with standing to hold the trustee accountable, a trust established only to carry out a purpose, with no beneficiary to enforce it, was generally invalid. The principle precluded most noncharitable purpose trusts. Charitable trusts were the primary exception because the Attorney General, as representative of the public, could enforce them; a narrow group of "anomalous" exceptions, such as trusts for maintaining specific graves or animals, was tolerated but not extended.

Legislatures eventually displaced the beneficiary principle for noncharitable purposes by statute. Offshore jurisdictions led the way: the Cayman Islands adopted the STAR trust regime, originally under the Special Trusts (Alternative Regime) Law 1997, and the British Virgin Islands authorized noncharitable purpose trusts and later adopted the VISTA regime for holding company shares, with each regime requiring an enforcer to supply the accountability the beneficiary principle once demanded. A number of U.S. jurisdictions followed, and Delaware ultimately enacted its own statutory authority for noncharitable purpose trusts in 12 Del. C. § 3556.

Delaware has long allowed these arrangements. Under 12 Del. C. § 3556, a trust for a declared purpose "that is not impossible of attainment" may be valid even though the purpose is noncharitable and the trust has no identifiable beneficiar . In 2025, House Bill 103, enacted as 85 Del. Laws, c. 160, substantially modernized the statute. It did not create the Delaware purpose trust; it addressed governance questions that arise as purpose trusts become planning, business-succession, and fiduciary-administration tools

The Planning Problem a Purpose Trust Can Address

Traditional trusts are well suited to providing for ascertainable beneficiaries; a purpose trust is useful when the settlor's central concern is what should happen to property.

A family business illustrates the distinction. A founder may want descendants to enjoy the company's economic value while also keeping the business independent, preserving its mission, retaining employees, or continuing to operate according to the founder's principles. Economic benefits may pass to family members without giving each family member voting control. A conventional trust can accomplish much of that planning, but it frames the arrangement through beneficial interests

A purpose trust allows the drafting inquiry to begin elsewhere: **What is the purpose to be preserved, rather than whom should the property benefit?**

That flexibility creates a distinctive legal issue: if there is no conventional beneficiary to request information, challenge misconduct, or seek judicial relief, who holds the trustee accountable? Delaware's amendments answer that question.

From Validity to Governance

Section 3556 has long established the validity of a Delaware noncharitable purpose trust. The 2025 amendments build on that foundation with a more explicit framework for administration and enforcement. The new legislation provides the necessary scaffolding to build governance and administrative efficac .

The central figure is the enforcer. Under § 3556, a purpose trust may be enforced by a person appointed under the governing instrument; if no person is serving in that role, the Court of Chancery may appoint one.

The enforcer supplies the oversight a conventional beneficiary would otherwise provide and is central to the trust's governance. The amended statute resolves practical questions once the enforcer is recognized as a stakeholder.

First, similar to a trust protector under Delaware law, unless the governing instrument provides otherwise, an enforcer acts in a fiduciary capacity. See 12 Del. C. §§ 3301(d), 3556. Delaware thus supplies a default rule while preserving freedom of disposition and careful drafting: a settlor can shape the role, but the statute gives its fundamental character greater certainty.

Second, the governing instrument may give the enforcer, or another designated person, exclusive standing to enforce the purpose trust's terms. This is a critical component buttressing the administrative efficac . That feature is especially useful in arrangements designed to operate for long periods, which is common in Delaware drafting and trust administration. The long-term arrangements because the drafter can identify who will police the stated purpose and bring a claim if it is threatened.

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Third, accepting an appointment as enforcer constitutes submission to personal jurisdiction in Delaware, keeping the officeholder within the reach of the Delaware courts supervising the arrangement.

Fourth, when a purpose trust has no identifiable beneficiaries, the statute allows the enforcer to function as an "interested person" for Delaware's nonjudicial settlement-agreement and robust modification statutes. The trust can therefore participate in Delaware's broader machinery of trust administration rather than remain a perfunctory statutory outlier.

Together, these provisions provide accountable fiduciary governance for a trust organized around a purpose rather than a beneficiar , without forcing it into a conventional beneficiary model.

A Recipient Is Not Necessarily a Beneficiary

Unless the governing instrument provides otherwise, a person does not become a beneficiary merely because the person receives a disbursement from the trust in furtherance of the declared purpose.

Individuals may receive benefits or payments as the trustee carries out the stated purpose without becoming beneficiaries; treating every recipient as a beneficiary could import different rights, duties, and standing questions into the structure. This may include expenditures for family real estate, an art collection, or a family office

The amended statute treats such a payment, as the governing instrument provides, as an expenditure advancing the purpose—not an automatic grant of beneficiary status

Why Modernization Was Necessary

As purpose trusts became more sophisticated, validity was only the first question. A modern purpose trust may own valuable business interests, last for generations, and divide responsibility among trustees, advisers, protectors, and other officeholders. The 2025 legislation supplies operating clarity about enforcement, accountability, jurisdiction, and modification without creating a beneficiary where none was intended

Delaware in the National Landscape

Delaware is not alone in recognizing noncharitable purpose trusts. Section 409 of the Uniform Trust Code, for example, authorizes a noncharitable trust without a definite or definitely ascertainable beneficiary and permits enforcement by a person named in the instrument or appointed by a court. The model provision, however, contemplates a 21-year enforcement period.

Delaware is particularly compatible with long-term private-wealth planning. Under 25 Del. C. § 503, interests in personal property held in trust are not invalidated by the common-law rule against perpetuities or by a common-law rule limiting the duration of noncharitable purpose trusts.

This matters when a trust holds corporation, limited liability company, partnership, or other entity interests, which Delaware treats as personal property for § 503 purposes even when the underlying entity owns real property.

The distinction is not merely duration. Section 3556 operates alongside Delaware's policy favoring freedom of disposition under 12 Del. C. § 3303, directed-trust, nonjudicial settlement, and modificatio statutes, sophisticated institutional fiduciaries, and the Court of Chancery. For planners, the relevant question is whether this integrated framework can support the structure when planning becomes complicated. The amended statute becomes another competitive arrow in Delaware's quiver.

A Tool for Business Succession

Business ownership may be the most consequential application of a purpose trust. Succession planning requires a founder to separate two questions: who should receive the business's economic value and who should control it? They may have different answers.

A child may be an appropriate economic beneficiary but not a voting owner. Family disagreement or fragmented ownership may impair governance. A founder may want employees, customers, or a community considered without making them conventional beneficiaries

A purpose trust can separate these considerations. It might hold voting interests in a family enterprise to preserve independent ownership and long-term stewardship, while separate trusts or ownership interests provide economic benefits to family members. It also identifies who should make decisions and ensure the purpose is respected.



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A purpose trust does not eliminate sound corporate governance or justify freezing a founder's preferences indefinitel . An imprecise purpose can create difficulties like an imprecise dispositive provision as circumstances change. For families with wealth concentrated in an operating business, this structure may support durable succession.

Purpose Trusts in Practice: Two Famous Illustrations

Patagonia offers a prominent illustration. In September 2022, founder Yvon Chouinard and his family restructured ownership rather than selling the company or taking it public. They transferred all of Patagonia's voting stock—roughly 2%—to a newly created Patagonia Purpose Trust, controlled by the family and its advisers to preserve the company's mission and values. The remaining nonvoting stock—roughly 98%—went to nonprofit Holdfast Collective, directing profits not reinvested in the business toward addressing the environmental crisis. The trust held voting control while economic benefit flowed elsewher

The Hershey Trust provides a comparison, although it is not a purpose trust in the strict legal sense. It is the charitable Milton Hershey School Trust, established in 1909 by Milton S. Hershey and his wife, Catherine, to benefit the Milton Hershey School, a residential school for children in need. Through the Hershey Trust Company, it holds a controlling voting interest in The Hershey Company and interests in other Hershey enterprises, allowing a charitable mission to control a major operating business. Like a noncharitable purpose trust, it uses trust-held voting interests for an enduring objective, separating control from private beneficial ownership. Unlike a purpose trust, its charitable objective is enforceable through traditional mechanisms, including the state attorney general and charitable-trust oversight, rather than the enforcer mechanism required for a noncharitable purpose trust without a beneficiar . Delaware's enforcer framework supplies accountability where those charitable mechanisms and the beneficiary principle do not appl .

Considerations for Delaware Fiduciaries and Drafters

The amendments also matter to Delaware fiduciaries, especially where a purpose trust holds closely held entities, concentrated positions, family-governance assets, or other long-duration property.

Acceptance and drafting practices remain essential. The trustee should be able to determine whether the stated purpose is administrable, and the instrument should clearly allocate authority among the trustee, enforcer, advisers, and protectors. Succession, information sharing, amendment, termination, and dispute resolution also deserve focused attention.

The purpose itself must be drafted with discipline. "Preserve the family business," for example, is an appealing aspiration but leaves important questions unanswered. Must the business never be sold? May it merge? What if continued operation becomes economically imprudent? Does preservation mean maintaining family voting control, preserving a corporate mission, maintaining employment, or avoiding a forced sale? The longer the structure is expected to endure, the more consequential those questions become.

The statute supplies flexibility; it does not substitute for precision. The instrument should state the objective concretely, identify those authorized to interpret and enforce it, and provide a practical mechanism for changing circumstances.

Innovation Through Infrastructure

Delaware's trust industry has not depended solely on being first to enact a statute. Its more durable advantage is willingness to revisit statutes as planning evolves and integrate new concepts into an existing fiduciary framework. Modernization of § 3556 is a clear example.

Purpose trusts will not be appropriate for every client, asset, or succession plan. Traditional beneficiary trusts will remain the foundation of private-wealth planning. Yet certain planning problems do not fit comfortably within a structure designed exclusively around beneficial ownership



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For those problems, a purpose trust allows a settlor to preserve an objective through a structure not centered exclusively on beneficial ownership. The 2025 amendments clarify who is responsible for ensuring that purpose is carried out.

The innovation is not that property can exist without an owner or that a settlor may express aspirations for future generations; trust instruments have long done both.

Delaware law permits a trust to be organized around a legally enforceable purpose and supplies a fuller governance framework for making it meaningful.

For Delaware's trust industry, the result is more than another planning technique: it expands what trust law can accomplish and illustrates how Delaware builds workable infrastructure around sophisticated planning concepts.



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Does Philanthropic Literacy Matter?



By
Stuart Comstock-Gay
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"Philanthropic literacy is about how people learn and understand the roles charity, donation, volunteering and nonprofits play in their community, and how these work to address challenging issues and generate community impact."

For close to one hundred years, the term literacy meant only reading and writing. Over the past thirty years or so, when we talk about literacy, we may mean reading, but we may also be talking about computer literacy, financial literacy, health literacy and more.

Lesser used is the idea of philanthropic literacy. And it matters. Over the past decade, the percentage of Americans who contribute financially to nonprofits has shrunk from about 2/3 of Americans to 50%. There are a variety of reasons (changes to tax laws among them), but at the same time, the importance of giving as part of our civic health is simply not taught as widely as in the past.

When I am asked how I define philanthropic literacy, I answer that philanthropic literacy is about how people learn and understand the roles charity, donation, volunteering and nonprofits play in their community, and how these work to address challenging issues and generate community impact.

In reply, one thing I hear often is that many people have a sense that one has to be wealthy or "a millionaire" to be a philanthropist when in fact the opposite is true. Gifts of any size matter. And those gifts may not only be of money, but of experience and time.

When your clients create and update financial plans, assuring that they are literate in philanthropy is critical, both from a financial perspective and one of emotional satisfaction. As you well know, there can be substantial financial benefits to supporting philanthropy in the immediate term (next year's taxes, for example) and/or for estate and legacy planning. Working with your client to consider these is clearly an important part of your role as financial advisor.

But, beyond that, people work hard for their money and often only see it paying bills or being invested for "later." Educating them about philanthropy means confirming that they understand that they can "invest" their money in ways that can be more than financially beneficial – it can feel tangible and emotionally affirming

The DCF is committed to providing the information needed for Delawareans to be philanthropically literate, teaching both formally and informally. Here are some of the ways we can support you and your clients:

- **We know Delaware.** As donors and fundholders seek to impact causes they care about, we can provide insight about local, county and state needs.
- **We know where the gaps lie**. Often donors come to us and say that they aren't even sure where to start. We can identify opportunities where they can make real change happen in our state and beyond its borders.
- **We can provide insight into the nonprofit landscape**. This allows your client to feel confident in the organizations they select to support.
- **We can bring further insight to the tax advantages**. It's not our intent to usurp your role, but rather to augment it by bringing our 40 years of experience to the table.

At the DCF we often talk about how our foundation forms an intersection where generosity and community transformation meet. Financial and philanthropic literacy are learned behaviors, which is why we offer programs that teach donors of all ages.

There are our **Youth Philanthropy Boards (YPB)**, one in each county, composed of students from public, independent and diocesan high schools. During the school year, each board develops a focus area, solicits and evaluate proposals, conducts site visits and awards grants to support impactful projects in their communities. Begun by a former DCF Board Member in 1999, more than 750 students from nearly every high school in the state have participated, awarding over $900,000 in grants. In 2025, our three YPBs distributed $111,000 in grants to 37 nonprofit o ganizations.

Our **Next Gen Giving Circles** extend this literacy effort to young professionals, roughly aged 22 to 40. These two groups – Next Gen North in New Castle and Next Gen South in Sussex/Kent counties – learn how to operate a board, raise funds, run a grant process and award grants that directly impact needs they have identified in their communities. Since 2007 they have collectively raised and donated more than $500,000 to Delaware nonprofits.

DCF donors and fundholders are invited to events and programs meant to broaden their knowledge about the giving landscape. Many programs open with **mission moments**, introducing them to the work of Delaware nonprofits. Our **Giving Together** calls bring them inside the process of how we invest our funds and interpret the returns.

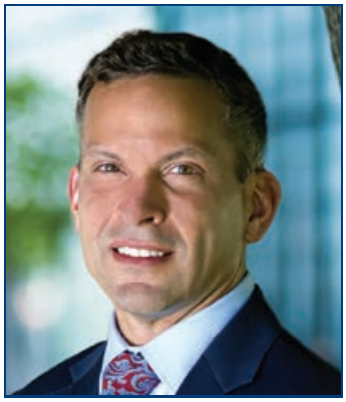
Our website, **delcf.org**, offers a trove of resources. There is a section for **Professional Advisors** providing information and tools to support your work.

We welcome you to learn more about how we can help you strengthen your clients' philanthropic literacy. Reach out to me or a member of our Philanthropic Services teams through our website or by emailing **info@delcf.org**.



Accounting for Success

Stories the Form 990 Tells That All Board Members Should Understand



By
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"A board that understands its Form 990 is better positioned to fulfill its fiduciary responsibilities, identify opportunities and risks, and help ensure the organization continues to advance its mission while earning the trust of the donors, grantors, employees and communities it serves."

Over the course of my career, I've had the privilege of working with a wide variety of nonprofit organizations and attending countless nonprofit board meetings. Something I have always appreciated about the Delaware nonprofit community is how different the governance of each organization can be. A small community-based organization may have a board made up primarily of volunteers who are deeply connected to its mission, while a larger organization may have a board consisting of business leaders, attorneys, bankers, and others with significant organizational and financial experience. Yet despite these differences, every nonprofit board shares an important responsibility: understanding and managing compliance risk associated with its tax-exempt status and ensuring the organization is serving as a responsible steward of the resources entrusted to it.

The IRS Form 990 is the primary way nonprofits communicate with the IRS and the general public. It provides a window into an organization's activities, finances, governance, and compliance, offering stories that can help board members better understand the organization and identify areas of opportunity or risk.

Here are five important stories that the Form 990 tells that every nonprofit board member should understand.

1. The Story of Mission and Impact

Part III of Form 990 provides an opportunity for an organization to describe its significant program service accomplishments during the year and the impact of those activities. While financial statements tell a story through numbers, Part III allows an organization to tell its story in its own words. For prospective donors, grantors and other stakeholders, a thoughtful description of programs and accomplishments can provide valuable context about how the organization is advancing its mission. For board members, it can also serve as a useful starting point for considering whether the organization's program activities remain aligned with its mission and strategic priorities.

2. The Story of Public Support

Many nonprofits are classified as public charities rather than private foundations. That classification is not simply a designation that an organization receives once and keeps forever. Generally, a public charity must continue to satisfy applicable public support requirements over time. Schedule A of the Form 990 provides the IRS with information used to evaluate whether an organization continues to meet those requirements. Boards should understand where their organization's funding comes from and recognize that significant shifts maintaining public charity status requires ongoing attention as a shift in funding sources can have significant implications for the organization's public charity status.

3. The Story Behind Transactions With Interested Persons

Schedule L requires disclosure of certain transactions between the organization and interested persons, including officers, directors, key employees and certain related parties. One of the most common challenges with this section is that the information needed to complete it often does not reside entirely with the tax preparer. It requires collaboration between the organization and its tax advisor. Board members should understand the importance of identifying related-party transactions. It is an important component of good governance and maintaining the trust of stakeholders through transparency.

4. The Story of Governance and Policies

Part VI asks a series of questions about an organization's policies and governance practices, including conflicts of interest, whistleblower, compensation setting, and document retention. These provide the IRS with information about an organization's governance and compliance environment. The responses can serve as a risk indicator when the IRS evaluates an organization. Boards should understand whether the policies reported on the Form 990 exist, are current, and are being followed.

5. The Story of Financial Stewardship

For many third-party users of the Form 990, Part IX may be one of the most informative sections of the return. It shows how an organization allocates its expenses among program services, management and general activities, and fundraising. These numbers provide donors and other stakeholders with insight into how an organization uses its resources. While the percentage spent on programs should never be viewed as the sole measure of effectiveness, the overall functional allocation of expenses can provide an important perspective on financial stewardship and the organization's use of the resources entrusted to it. For board members, this information can also provide a useful starting point for understanding spending trends and evaluating whether resources are aligned with strategic priorities.

The Form 990 is much more than an annual tax return. It provides a window into an organization's mission, finances, governance, and compliance and, when thoughtfully reviewed, can be a valuable tool for board oversight and strategic planning. In fact, the Form 990 asks whether the organization provided a complete copy of the return to each member of its governing body before it was filed with the IRS.

While nonprofit boards do not need to be composed of tax professionals, board members should be sufficiently familiar with the Form 990 to understand the stories it tells and to ask informed questions about what those stories reveal and, perhaps just as importantly, what they do not. A board that understands its Form 990 is better positioned to fulfill its fiduciary responsibilities, identify opportunities and risks, and help ensure the organization continues to advance its mission while earning the trust of the donors, grantors, employees and communities it serves.



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