



# DIGEST

NEWS AND PERSPECTIVE FOR  
GROWING AND PRESERVING YOUR WEALTH

FALL 2018

Private Wealth  
Management

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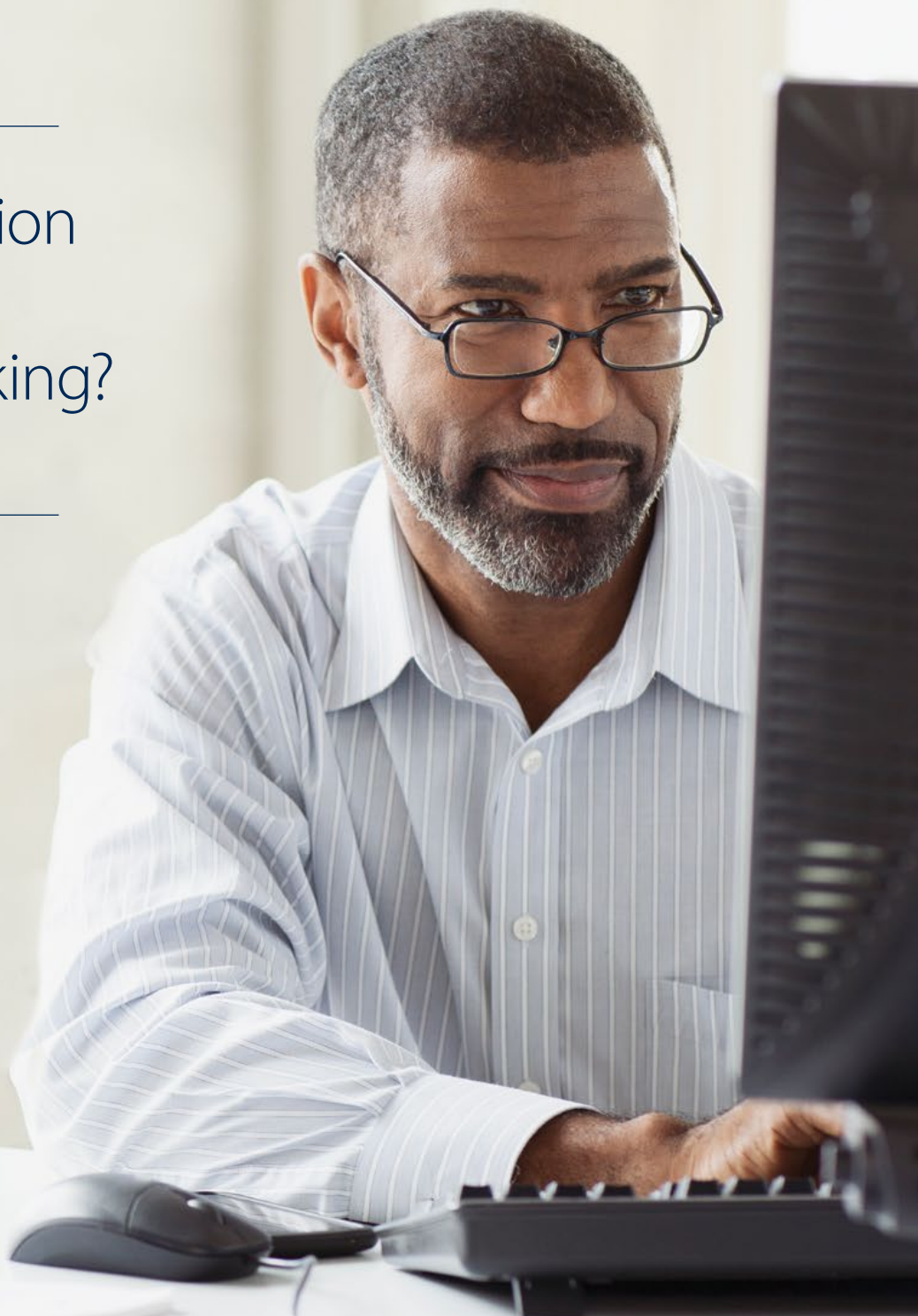
Helping You Make Smarter,  
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# Letter From Mike Schroeder

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For wealth management to be meaningful, it has to sync with your life and your vision of the future.

That's why we're continually investing in the technology and the people that help you turn that vision into a reality.

In July, we rolled out 360 Wealth, a free Baird Online tool that allows you to see your entire financial picture in one place – no more multiple browser screens or undecipherable scribbles in

notepads. Guided by 360 Wealth's big-picture perspective, you and your Baird Financial Advisor are able to make better-informed decisions about your future.

We're also excited to unveil *Finance for the Greater Good*, a new blog from Baird Vice Chairman John Taft. A 35-year industry veteran and former chairman of the Securities Industry and Financial Markets Association (SIFMA), John has long emphasized the positive role finance can play when done responsibly. We are excited to have John further spread our message of using wealth as a force for good.

Wealth management ultimately is a people business. With financial leaders who understand the importance of integrity and keeping clients' interests first, Baird will continue to find ways to keep improving for you.



Baird has been helping families and businesses make smart decisions about their future since 1919.

Be sure to watch for a special 100th anniversary edition of *Digest* in January!

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## Want More?

Additional information is available at [bairddigest.com](http://bairddigest.com), or contact a Baird Financial Advisor at **800-79-BAIRD**.

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MIKE SCHROEDER  
PRESIDENT  
PRIVATE WEALTH MANAGEMENT



# How to Organize Your Financial Life

Part of living life to the fullest is being intentional about planning for your future. Life can sometimes become very busy, though, and it's all too easy for your personal information to become a jumble of electronic files and paperwork only you can navigate.

But what would happen if you couldn't do that?

Just as you might entrust a trusted neighbor with the keys to your home while you're on vacation, it's important to share the keys to your financial life with a trustworthy contact. Ask yourself: "What can I do today to make it easier for my loved ones to carry on if I can't be there? How much harder will it be on them if I don't provide them with a road map to follow?" ►







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## About Baird Women Advisors

Established in 2008, Baird Women Advisors is an organization composed of female Financial Advisors at Baird. By bringing these advisors together to network and share best practices, the group is committed to promoting the profession and making Baird the best place to work for women in wealth management.

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Being prepared is, in part, an act of kindness to your loved ones. Here's how to organize your financial life to prepare for a time when you may need your loved ones' help:

### IDENTIFY SOMEONE YOU TRUST

Start the process by identifying a person to handle your affairs if something happens to you. Many people designate their spouse or partner. Alternatively, you might consider an adult child, a sibling, other relative or close friend. It's also not uncommon for an accountant or attorney to accept this role.

### THINK ABOUT YOUR VALUES

Consider the personal values underpinning your financial decisions. How have you approached spending, saving and investing throughout your life? What financial lessons have you learned that you'd like to pass on? Are there charities or causes you support, and why are they important to you? Share your answers with those closest to you to start an ongoing conversation about money and what it means to you.

### GATHER CRITICAL INFORMATION

Keep all of your important personal information in a safe place where your trusted contact can access it. You could create a "grab and go" binder with key information or save everything to a secure flash drive. It's very important to store this in a secure place like a safety deposit box or locked drawer.

Here's what you should capture:

- ☐ Key contacts
- ☐ Important documents
- ☐ Access to your digital footprint
- ☐ Financial and investment accounts
- ☐ Estate planning documents
- ☐ Insurance policies
- ☐ Safety deposit box (location and access)
- ☐ Personal property
- ☐ Recurring bills
- ☐ Loans and bills
- ☐ Household services
- ☐ Pets

Take 10 minutes each month to review and update this information, paying close attention to passwords. You can use Baird's Personal Information Guide to get started. Ask your Baird Financial Advisor for the guide or find it at [bairddigest.com](http://bairddigest.com).

At some point in our lives, every one of us will need help. Preparing for that time can give you peace of mind. Taking time now to organize your information will be immensely helpful to those you care about most when you need their help. **D**

# Introducing 360 Wealth

HELPING YOU MAKE SMARTER, MORE INFORMED DECISIONS ABOUT YOUR FUTURE



When making important financial decisions about your future, it helps to know both where you are and where you'd like to go.

Your Baird Financial Advisor has the experience and understanding of your values and priorities to help you map out your future plans. But how about a real-time snapshot of where you are now?

Baird can now help you with that too.

Available exclusively on Baird Online, 360 Wealth is

a complementary wealth management tool that enables you to securely link and view all of your finances in one place, providing a complete picture of your net worth and a consolidated view of all your accounts. Once your accounts are linked, your Financial Advisor will be able to gain a clearer understanding of your financial situation and customize advice, recommendations and product offerings to help you meet your goals.

There are currently more than 15,000 financial institutions that can be linked to 360 Wealth,

covering investment assets, checking accounts, credit cards, mortgages, loans and more, and there is no limit to the number of accounts you can add. 360 Wealth also gives you a deeper understanding of your net worth, so that you can build a budget, analyze your income and expenses and review your personal cash flow.

All your financial information at your fingertips, so you can make smarter decisions about your future. To learn more about 360 Wealth, login to Baird Online or talk with your Baird Financial Advisor. **D**

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With 360 Wealth, you can view all your finances in one place, giving you a complete picture of your net worth.

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# The New Definition of Retirement Includes ... Working?

A FULFILLING RETIREMENT CAN STILL INCLUDE WORKING – ON YOUR TERMS



TIM STEFFEN  
DIRECTOR OF ADVANCED PLANNING

 @TimSteffenCPA

A common storyline of retirement from a generation or two ago looks something like this: Spend the majority of your working career with one company, walk out the door at age 65 with a gold watch, a nice pension and Social Security waiting for you, and then spend your remaining days at the golf course or the pool as you live out your golden years.

Today's workers are taking a much different approach to retirement. Retirees today don't feel that obligation to remove themselves from the workforce just because they hit an arbitrary age. In fact, statistics show that more and more workers are considered "older." The Bureau of Labor

Statistics<sup>1</sup> reported that in 2016, 22% of the workforce was age 55 or older, while just 13% were age 16 to 24. Just 35 years earlier, those numbers were reversed. And the number of workers age 65 to 74 is expected to grow at 4.5% annually, with those over age 75 growing 6.4%.



So why is this happening? Certainly the baby boomers are skewing the numbers, as that generation still outnumbers each of the Generation X and millennial groups.<sup>2</sup> However, there are plenty of other explanations for this shift beyond simple demographics.

**FINANCIAL CONSTRAINTS** The responsibility of funding retirement is increasingly shifting toward employees. Part of this trend stems from the phaseout of defined benefit pensions – only 16% of Fortune 500 companies offered pension plans in 2017, down from 59% in 1998.<sup>3</sup> In addition, recent projections forecast a potential 23% cut in Social Security benefits by 2034,<sup>4</sup> which would sharply reduce an otherwise reliable source of retirement income. These developments put additional pressure on workers to fund their own retirement, be it through their own savings or through income generated from working.

**MORE ENJOYABLE OPTIONS** Just because people are working later in life doesn't mean they're doing the same job in the same way they did during the bulk of their career. Many workers are interested in spending their later years in activities they find more rewarding.

And while those jobs may not pay as well as their previous ones, the fulfillment those workers get more than makes up for it – and makes them willing to work longer than they had planned.

**GREATER FLEXIBILITY** Along those same lines, employers have become more understanding of the value older workers can provide and more flexible in accommodating the schedules of these retirees. Older workers carry with them years of valuable experience and important relationships, and losing that resource can be a big hit to a company. To avoid that sudden brain drain, companies are more willing to offer part-time schedules, flexible hours and even work-from-home arrangements. These types of offerings allow employers to continue to benefit from the worker's experiences, while letting the worker still get in time with the grandkids or on the golf course.

Today's retirees face a much different future – partly by circumstances, partly by choice. Creating a plan that incorporates a strong savings plan along with possibly working later in life can lead to a more fulfilling – and financially successful – retirement. **D**

## Setting Retirement Spending Goals

Identifying your retirement resources is only half the equation.

Setting your spending goals – both day-to-day spending and larger, one-time goals – is just as important for a successful retirement plan. Here are some tips to get you started.

**TRACK YOUR CURRENT SPENDING** Programs such as Quicken or our new Baird 360 Wealth tool can track your spending in different categories over time. These can take time to set up and provide you with more detail than you need, but they can measure your spending habits very accurately.

**USE YOUR TAX RETURN** Your tax return shows all your income for the year plus what you paid in taxes. If you subtract your taxes from your gross income, and then also subtract any savings you put away, the remainder will be what you spent.

**FUTURE SPENDING GOALS** Don't forget to include those new things you want to do in retirement, like extra travel, home improvements or gifting to kids.

When it comes to budgeting for retirement, the most important things are to be honest with yourself about what you spend today and be as specific as you can about your future goals. **D**

### INCOME BREAKDOWN



<sup>1</sup>"Older Workers: Labor Force Trends and Career Options," Bureau of Labor Statistics, May 2017, <https://www.bls.gov/careeroutlook/2017/article/older-workers.htm>

<sup>2</sup>"Boomers as America's Largest Generation," Pew Research Center, March 1, 2018, <http://www.pewresearch.org/fact-tank/2018/03/01/millennials-overtake-baby-boomers/>

<sup>3</sup>"Retirement Offerings in the Fortune 500: A Retrospective," Willis Towers Watson, February 2018, <https://www.towerswatson.com/en/Insights/Newsletters/Americas/Insider/2018/02/evolution-of-retirement-plans-in-fortune-500-companies>

<sup>4</sup>"Highlights from the Social Security Trustees Annual Report," Baird, June 2018, <http://www.rwbaird.com/news/whitepaper/Highlights-from-Social-Security-Trustees-Annual-Report>

# Don't Let the Vote Rock You

ELECTIONS OFTEN INFLUENCE MARKET BEHAVIOR, BUT NOT FOR LONG



BRUCE BITTLES  
CHIEF INVESTMENT STRATEGIST



WILLIAM DELWICHE, CMT, CFA  
INVESTMENT STRATEGIST

 @WillieDelwiche

If it seems to you that the market acts a little erratic in election years, it's only because you've been paying attention.

The reasons behind this historical trend are pretty simple. First, the market doesn't like uncertainty. And the people running for office often have very different ideas about taxes, trade, fiscal policy and other things that affect our economy. Second, regardless of who the incumbent is, campaign rhetoric is designed to make the stakes seem even higher. Incumbents will argue the status quo is delicately balanced and will fall apart if their opposition takes power. Meanwhile challengers will

insist that things should be much better and will only get worse under current leadership.

Despite a particularly active news cycle this time around, the basic dynamic is pretty much what we would expect in any election year – volatility in the run-up generally subsides once the outcome is known. Seasonal trends, while currently bearish, are just one factor in the “weight of the evidence” approach we take to market and economic analysis.



**ABOUT THE ECONOMY** After slightly missing expectations for Q1, economic growth surged to 4.2% in Q2 and appears to be on pace to match or exceed that pace in Q3. There are some factors that warrant watching as we approach year end – including general heightening of expectations and the still largely unknown implications of global trade disputes – but we rate economic fundamentals as bullish overall.

**DON'T FIGHT THE FED** The Federal Reserve has continued to normalize policy through small, incremental rate increases. Given the strength of the economy, we would expect another soon. But it's important to remember that, even with the increases still planned for this year, the Fed isn't yet in historically normal territory. So we rate monetary policy as neutral for now.

**FEW BARGAINS TO BE FOUND** Despite the return of more historically normal volatility, stock prices have remained high overall in 2018, even relative to earnings that have exceeded elevated expectations and a strengthening economy. Seasonal factors could bring prices and earnings back into a more comfortable ratio as election season revs up, but we currently rate valuations as bearish.

We're also keeping an eye on market breadth. We like to see more and different kinds of companies participating in rallies, but some consolidation of "winners" isn't necessarily a bearish sign. Our breadth rating remains neutral.

**THE BRIGHT SIDE OF PESSIMISM** Historically, when people feel the most optimistic about investing is

often when you can expect a dip in market performance. Despite a trend toward optimism this year, we haven't seen levels we consider excessive yet (possibly due to increased volatility and seasonal election uncertainty). So for now we rate sentiment neutral, but we'll keep watching.

**THE BOTTOM LINE** Although the outcome of the election shouldn't dramatically change the economic or market landscape, we do anticipate volatility will cool down once it's over – regardless of the balance of power in Washington. Your Baird Financial Advisor can help you determine if other aspects of our outlook or new developments in your own financial life have near-term implications for your investment strategy. **D**

## Weight of the Evidence : **EVIDENCE ARGUES FOR CAUTION**



NEUTRAL

### FED POLICY

The Fed continues to move short-term rates higher, with the next hike likely coming in September.



BULLISH

### ECONOMIC FUNDAMENTALS

Economic momentum continues to build at home even as growth overseas stalls.



BEARISH

### VALUATIONS

Robust earnings growth has valuations heading in the right direction, but they still remain historically elevated.



NEUTRAL

### SENTIMENT

Optimism is again becoming excessive. A test of sentiment could come if price volatility picks up.



BEARISH

### SEASONAL PATTERNS AND TRENDS

Stocks tend to weaken ahead of midterm elections, especially in periods of global uncertainty.



NEUTRAL

### BREADTH

Rally participation continues to lack robustness, particularly when viewed from a global perspective.

# Taking Advantage of Employer Benefits

IT CAN PAY TO KEEP AN OPEN MIND DURING OPEN ENROLLMENT

The fall isn't just synonymous with football and falling leaves – it's also the time employers ask employees to make benefit elections for the upcoming year.

If you're in the habit of simply checking the "same as last year" box on your enrollment forms, you might want to rethink that approach. Employers have moved beyond 401(k)s and basic health insurance to be more creative with the benefits they offer, often at little or no cost to the employee.

**RETIREMENT PLANS** More employers are allowing employees to make "excess" contributions beyond the traditional deductible limit. These contributions are nondeductible but can grow tax-deferred just like regular plan contributions. Plus, they can be rolled into a Roth IRA at retirement, allowing for additional tax-free growth.

**HEALTHCARE** Many employers now offer access to a Health Savings Account. Available to those who chose a qualifying health insurance

plan, contributions to these plans are tax-deductible, grow tax-deferred and can be withdrawn tax-free if used for healthcare expenses.

**UNIQUE BENEFITS** For employees looking for something more out of the ordinary, many employers have expanded their offerings to include such benefits as:

**Legal Assistance.** From estate planning issues to identity theft, legal assistance programs can cover a wide range of topics.

**Care Assistance.** Help finding babysitters, elder care or even dog walkers can sometimes be provided through your employer. And speaking of pets...

**Pet Insurance.** A wide variety of policies are available to keep your furry (and feathered) friends healthy.

In addition to these benefits, programs such as college coaching services, property and casualty insurance and even adoption assistance may be offered by your employer. Be sure to check your benefits package to see what might be new for you this year. **D**

## Planning Calendar

### OCTOBER

Most employers hold benefit open enrollment in the fall. Review how your needs may have changed since last year.

### OCTOBER 1

First date to file the Free Application for Federal Student Aid (FAFSA) for the 2019–2020 school year.

### OCTOBER 15 – DECEMBER 7

Annual election period for making changes to Medicare or Medicare Advantage coverage.

### OCTOBER 15

Final extended due date for filing 2017 income tax returns.

Last day to recharacterize a Roth IRA conversion done in 2017.

Deadline for self-employed persons or small employers to establish a SIMPLE IRA for 2018.

### NOVEMBER 30

Last day to buy a security and recognize a loss on the sale of a substantially identical security by the end of the year. (Sale must occur December 31.)

### DECEMBER 31

Deadline for taking Required Minimum Distributions from retirement plans for 2018 (extended to April 1, 2019, if 2018 is your first year taking RMDs).

Deadline for establishing most employee retirement and profit-sharing plans.

A portrait of John Taft, a middle-aged man with short, graying hair, smiling. He is wearing a dark blue suit jacket, a white shirt, and a red tie with a small pattern. The background is a blurred view of a city skyline through a window.

## Did You Know?

John Taft discusses finance's "higher purpose" in a new blog.

For more than 35 years, former SIFMA chairman John Taft has advocated that finance should serve a means for greater ends. Now serving at Baird as Vice Chairman, John writes about finance and its role as a force for positive social outcomes in his new Baird blog, *Finance for the Greater Good*.

[johntaft.rwbaird.com](http://johntaft.rwbaird.com)



# DIGEST

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