



DIGEST

NEWS AND PERSPECTIVE FOR
GROWING AND PRESERVING YOUR WEALTH

FALL 2019

100
YEARS

Wealth Management Is a Family Affair

A SPECIAL GUIDE TO PLANNING FOR
YOUR KIDS – AND GRANDKIDS



Letter From Mike Schroeder

If you've been paying attention to recent communications or advertising from Baird, you probably know 2019 is our 100th year as a firm.

We've marked this milestone in many ways over the past 10 months. And we've spent more than a little time reflecting on the amazing growth and success we've achieved over the last century – all with the very clear understanding

that none of it would have been possible without clients like you.

Your hopes and plans for the future have always been our purpose. When we've grown, it's been in markets and businesses where you wanted us to be and where we knew we could serve you well. Your trust and confidence continue to inspire us to do and be our best. And, because we're employee-owned, we know our success will always depend on yours.

That's what we've been celebrating – this year and every year since our founding – the idea that clients come first. It's a philosophy that's served Baird very well for a century and, as we look forward to the future, we know it will continue to drive all we do – for you, for each other and in the communities we share.

On behalf of all of us at Baird Private Wealth Management, thank you for the opportunities you give us every day.



MIKE SCHROEDER
PRESIDENT
PRIVATE WEALTH MANAGEMENT

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Want More?

Additional information is available at bairddigest.com, or contact a Baird Financial Advisor at **800-79-BAIRD**.

Wealth Management Is a Family Affair

WHY IT MAKES SENSE TO GET EVERYONE INVOLVED IN YOUR FINANCIAL PLANS

Wealth management is rarely about just one person – when you stop to consider the future of the people who mean so much to you, you quickly see how their financial priorities can overlap with your own. Here are just a few of the conversations you can have with members of your family to ensure you're all on the same page.

The prospect of sharing personal financial details or future plans with your children can be a tough hurdle for parents to get over. But sharing with your kids doesn't necessarily mean sharing all your financial details. Here are some of the benefits to giving them a sense of where you stand.

IT'S A WAY TO MAKE SURE EVERYONE KNOWS WHAT IS EXPECTED OF THEM According to a 2016 Fidelity study, 72% of all parents expect one of their children to take care of them when the time comes – but 40% of the children didn't realize this was expected of them.

IT'S A WAY TO MAKE SURE EVERYONE KNOWS WHO IS ADVISING THE PARENTS ON THEIR FINANCES Opening the door to these topics

presents a chance for the kids to ask questions like, "Where do you keep your will?" and "Who do you rely on for financial advice?"

IT'S A WAY TO MAKE EVERYONE'S VOICE HEARD Maybe it's important for one child to inherit the lake house, while another wants nothing to do with it. Just knowing they were involved in the decision-making process can make the children more accepting of the results.

Even without going into details, there's a lot to be gained from sharing your financial perspectives with your kids – and from listening to what they say in return. Read on for additional financial topics you can explore with your family. ►



Modeling Good Financial Habits for Your Kids

HOW DO CHILDREN LEARN TO MANAGE THEIR MONEY RESPONSIBLY? BY WATCHING YOU DO IT.

We'd all like to see our children grow up to be prosperous and financially savvy, and it's never too early to get them started. Here are some ways you can demonstrate for them good financial habits:

OPEN AN INVESTMENT ACCOUNT

Teach your children about basic investing by buying securities

with them. They'll learn about due diligence and the patience required to let an investment grow to fruition.

SAVE FOR RETIREMENT

If your child is working, they can save for a rainy day just like you do. Using retirement accounts offers them tax benefits that make it easier to build savings for later in life.

NEGOTIATE EVERYTHING Many high-dollar items, such as cars and cell phone plans, are open to negotiation. If your kids watch you bargain, it will help them become educated consumers themselves.

TALK ABOUT TAXES

That first paycheck is an excellent time to discuss taxes. Walk them through the different types of taxes that are withheld and how they may get some of that back in the future.

PAY CASH

Using a debit card or credit card can make money seem infinite, but a wad of bills is all too finite. Give the kids cash for their spending money.

SHOP AROUND

Get them in the habit of comparison shopping and avoiding impulse purchases.

MATCH THEIR SAVINGS AND GIVING

To reward and encourage good financial habits, offer to match any money your child puts into a savings account or gives to a charity.

Remember, these lessons aren't just about building a better financial future – they're about building a better person. ▶





Giving Love and Money to the Grandkids

Grandparents often want to do whatever they can for their grandkids, from helping with their homework to paying for college. According to AARP, they spend on average \$2,562 annually on their grandchildren – here's how you, and they, can make the most out of that financial support.

529 COLLEGE SAVINGS PLANS

Contributions to 529 accounts grow on a tax-deferred basis, and withdrawals are tax-free if used for qualified higher education expenses such as tuition and room and board.

BONUS: Account balances can be transferred to other students within the family, so if one grandchild ends up not needing the full amount, you can move the balance to another one.

CUSTODIAL INVESTMENT ACCOUNTS

Similar to a trust, an adult custodian oversees these investment accounts until the child turns 18 or 21, depending on the state. At that point, they get full control of the funds.

BONUS: Even though the assets are out of your hands as soon as you make your contribution, you can deposit up to \$15,000 a year without incurring federal gift tax.

CASH-VALUE LIFE INSURANCE

Beyond providing a death benefit, a cash-value life insurance policy allows the child to withdraw funds tax-free for any reason, including for college (a nice extra: the policy's value is not included in

financial aid calculations). If the loan isn't paid back, the death benefit is simply reduced.

BONUS: As the owner, you can determine the most appropriate time to transfer full control to your grandchild.

Financial topics such as these can be difficult for families to discuss for several reasons. A financial advisor can clear the path for these awkward conversations, but only if everyone is invited to participate. If you'd like to schedule a meeting for your own family, contact your Baird advisor.

Aligning Your Money With Your Values

WEALTH MANAGEMENT IN
REAL LIFE



Wealth management is about real life, helping you address head-on the issues that can have major implications for your future. In this feature, we answer questions from our readers about their most pressing wealth management decisions.

I ALREADY DONATE TO CERTAIN CAUSES THAT ARE MEANINGFUL TO ME, BUT I'D LIKE TO BE DOING MORE. HOW CAN I PUT MY MONEY TO WORK TO REALLY MAKE A DIFFERENCE?

When we talk about wealth management, we're essentially talking about *alignment* – making sure the financial decisions you make every day, in all areas of your life, are bringing you closer to the future you want to see for yourself and those closest to you. By incorporating your values into these broader wealth management plans, you can align your wealth with your priorities and uncover opportunities to support the causes you're passionate about.

These opportunities can be categorized into four distinct strategies:



FINANCIAL PLANNING

is at the heart of aligning your values with your wealth management plans and activities. By carefully thinking through what's personally important to you, you can establish

concrete, achievable goals that reflect your and your family's principles as well as your financial circumstances.



CHARITABLE GIVING STRATEGIES

let you give to the causes you care about thoughtfully while minimizing their financial impact on your tax returns. Donor-advised funds, private foundations and charitable trusts let you effectively transfer wealth to your preferred charities, but even without those tools, you can take advantage of such strategies as bunching deductions to give as tax-efficiently as possible.



LIFESTYLE ACTIVITIES

such as fundraising, volunteering or part-time work let you offer direct, hands-on support for a cause you believe in. Be sure to include them in conversations about your lifestyle in retirement, as they can have significant social and even potential financial benefits as well.



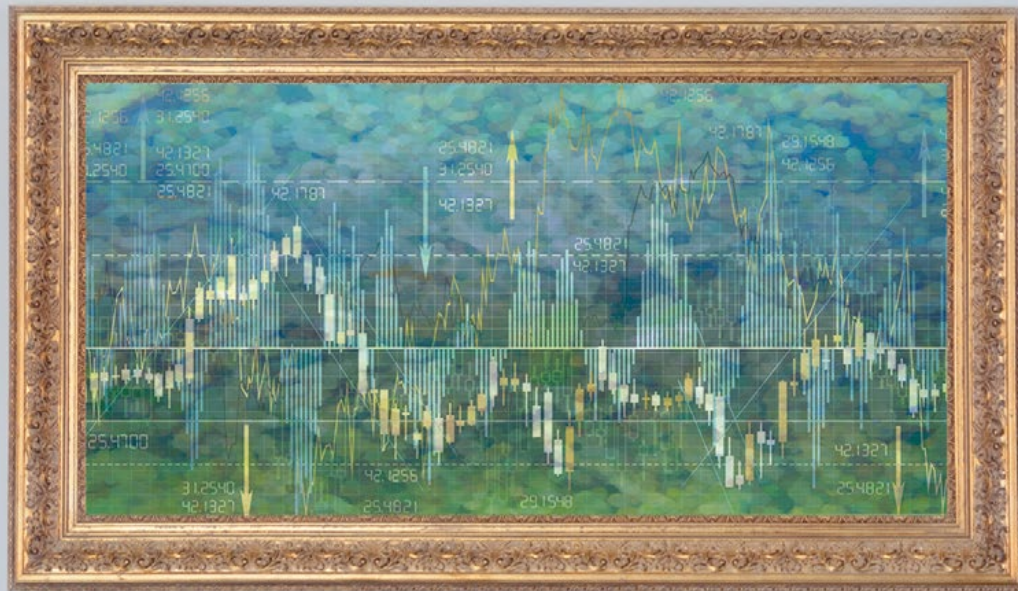
INVESTING

lets you put your wealth to work in a socially responsible way without going outside your comfort zone. Whether you're looking simply to exclude companies and industries whose products you object to or you want to actively focus your investments around certain social themes, investments are a great way to put your money where your values are. Better still, studies have shown that this kind of investing strategy has the potential to boost returns over the long term.

You have myriad options to incorporate your values into your financial goals – the question is which of them work best for your circumstances. A conversation with your Baird Financial Advisor is a great place to start. **D**

In Finance for the Greater Good, Baird Vice Chairman John Taft talks about the role finance should play in advancing the goals of society. Learn more of his perspective at johntaft.rwbaird.com.

Do you have a question for our wealth management experts? Ask us at digest@rwbaird.com, and your question might appear in our next issue.



Keep the Big Picture in Perspective

OBSESS OVER ANY ONE INDICATOR AND YOU COULD MISS THE BROADER IMPLICATIONS



BRUCE BITTLES
CHIEF INVESTMENT STRATEGIST



WILLIAM DELWICHE, CMT, CFA
INVESTMENT STRATEGIST

 @WillieDelwiche

There's no shortage of catalysts moving the markets in one direction or another this year.

Sabre-rattling in the Middle East. A trade war waged on multiple fronts. Presidential primary jockeying. When Fed Chair Jay Powell in June implied a rate cut was coming in July – only a year after having raised rates four times – he also cautioned against reading too much into their infamous “dot plot” indicators, saying that paying too much attention to any one dot could

cause one to lose track of the larger picture.

That's good advice for all investors. Like individual brushstrokes in an impressionist painting, each new tweet about trade policy or interpretation of Fed commentary is just one of many things that inform our appreciation of the big picture. And the picture we see forming is one of cautious optimism.

WHILE THE ECONOMY STILL CHUGS ALONG...

While the current U.S. economic expansion is the longest on record, it is also the weakest in terms of average growth. This may mean room for continued and even more robust growth. Just remember that macro risks – particularly related to global trade – have been on the rise, curbing economic expectations.

...THE MARKET SHOWS SIGNS OF TIRING

Stock performance hasn't seen as steady an upward climb as economic growth over the last ten years, and investors with

the stomach for some risk and uncertainty have been rewarded. But no bull market lasts forever, not while global markets are already feeling the sting of trade disputes and earnings estimates are coming down.

THE FED CHANGES ITS TUNE While the Fed has spent much of 2019 trying to pivot away from its 2018 rate increases, more than half of all global central banks are now easing monetary policy. This could have significant implications for stocks, as all of the net gains in global equities over the past 30

years have come when a majority of central banks have been lowering interest rates.

THE BOTTOM LINE Against the backdrop of friendlier central bank policy, we'll be looking for continued resiliency from the U.S. economy, as well as signs of stock market strength that run deeper than headlines about S&P returns. Your Baird Financial Advisor can help you make sense of the landscape and what it could mean for your financial plans. **D**

Weight of the Evidence : **OUTLOOK NEUTRAL AMID UNCERTAINTIES**



BULLISH

FED POLICY

The Fed has joined the majority of other global central banks in cutting interest rates.



NEUTRAL

ECONOMIC FUNDAMENTALS

Heightened trade tensions could weigh on investor confidence and add to existing economic uncertainty.



BEARISH

VALUATIONS

Stretched equity valuations suggest an increased risk of future underperformance.



NEUTRAL

SENTIMENT

Investor sentiment, which had tilted toward optimism when stocks reached new highs, has started to turn pessimistic.



NEUTRAL

SEASONAL PATTERNS AND TRENDS

Already lacking significant momentum, stocks have entered a season of historical (and well-publicized) weakness.



NEUTRAL

BREADTH

Recent improvements to broad market participation could be tested as volatility picks up.

Planning Calendar

OCTOBER

Questions about open enrollment? Most benefit enrollment sessions are in the fall, and you'll have important decisions to make that impact your finances next year.

Review your estate plan to ensure it's still appropriate for you and your family.

OCTOBER 1

First date to file the Free Application for Federal Student Aid (FAFSA) for the 2020–2021 school year.

Deadline for self-employed persons or small businesses to establish a SIMPLE IRA for 2019.

OCTOBER 15

Final extended due date for filing 2018 income tax returns.

Deadline to make employer contributions to a SIMPLE IRA for 2018.

OCTOBER 15 – DECEMBER 7

Annual Election Period for making changes to Medicare or Medicare Advantage coverage.

DECEMBER

December is a great time to plan your charitable giving strategy, especially if you plan to bunch your deductions.

DECEMBER 31

Deadline for taking required minimum distributions from retirement plans for 2019.

Most employee retirement plans, including profit-sharing plans, must be established.

Year-End Planning Checklist

SIMPLE BUT HELPFUL MOVES YOU CAN MAKE NOW

Keeping things simple is often the best strategy for your tax and financial planning.

That's especially true in a year like this, where tax law changes have been minimal and the market has – at least for the first half of the year – provided a nice boost to portfolios.

But "simple" doesn't mean "inactive." Here are few things everyone should consider over the final few months of the year.

□ REVIEW YOUR GAINS AND LOSSES

While positive markets are great for your bottom line, they come with a cost – having to pay taxes. If you've realized gains this year, losses lurking in your account can be used to reduce that tax cost while giving you a chance to reallocate to new investments.

□ MONITOR ASSET ALLOCATION

Speaking of reallocating, it's a good idea to revisit your portfolio allocation. Markets like we've seen in early 2019 can cause portfolios to become unbalanced quickly, perhaps leaving you with a riskier portfolio than you might realize.




TIM STEFFEN
DIRECTOR OF ADVANCED PLANNING

 @TimSteffenCPA

□ CHARITABLE PLANNING

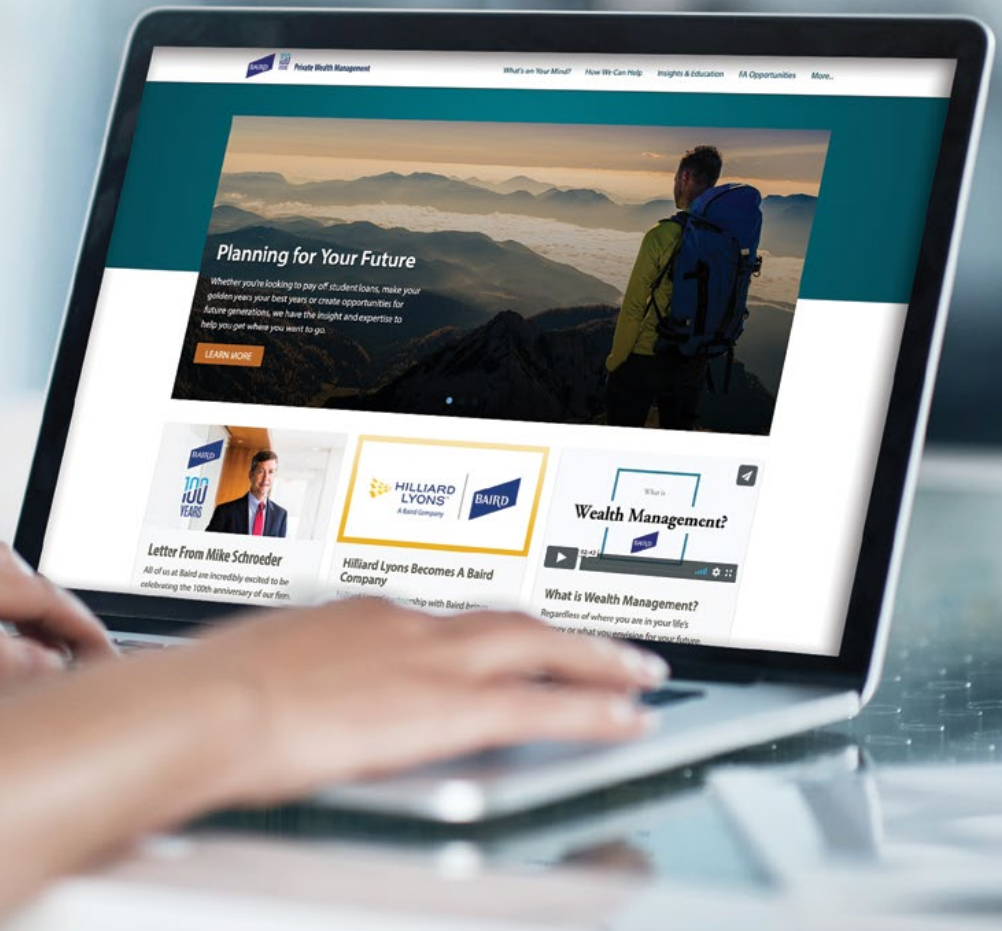
New tax laws changed the way we look at charitable giving. Now giving needs to be approached with a multi-year strategy and should consider things like bunching, donor-advised funds or gifts from an IRA.

□ CHECK YOUR WITHHOLDING

Many taxpayers were surprised to find they owed money when they filed their 2018 tax return, rather than getting their usual refund. That surprise can be avoided by running a simple tax projection, but the longer you wait, the harder it will be to make adjustments to withholding. 

Did You Know?

OUR LIBRARY OF WEALTH
MANAGEMENT ARTICLES
HAS A NEW HOME



With articles ranging from market commentary to estate planning to teaching your kids how to be smart with money, our new wealth management website offers perspective you can rely on to make smart financial decisions in all areas of your life. Use these for your own education or to spark a conversation with your Baird Financial Advisor.

Check out bairdwealth.com now!

INVESTMENT MANAGEMENT
EDUCATION FUNDING
CASH & LENDING SERVICES
BUSINESS & EXECUTIVE SERVICES
RETIREMENT PLANNING
ESTATE PLANNING
INSURANCE PLANNING
TAX PLANNING
CHARITABLE GIVING
IDENTITY THEFT PROTECTION & ONLINE SERVICES

DIGEST

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