BAIRD

Private Wealth Management

DIGEST

NEWS AND PERSPECTIVE FOR GROWING AND PRESERVING YOUR WEALTH

WINTER 2019

Celebrating 100 Years

Letter From Mike Schroeder

All of us at Baird are incredibly excited to be celebrating the 100th anniversary of our firm.

But we understand this milestone represents more than the end of a century and the success we've been able to realize in that time.

We appreciate that this is the culmination of a decision we made in 1919 to keep our clients first, and we're proud of the way that's guided our accomplishments over the years. Even before the majority of us were employee-owners, we understood Baird's success would always depend on yours. That's why we've consistently grown our capabilities – expanding our offerings, talent and geographic footprint – all to meet the evolving needs of clients like you.

We know everything that's made us who we are today positions us well for the future. And we want you to know – wherever that future might take you – you can trust Baird will be there with the insight you want, the expertise you need and the dedication you deserve.

Thank you for making all of this possible.

Michael J Schroeder

MIKE SCHROEDER
PRESIDENT
PRIVATE WEALTH MANAGEMENT

IN THIS ISSUE...

Want More?

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

The Past Is Prelude

As Baird celebrates a century of successful financial partnerships, we know it's not the number of years that matters.

It's the tradition of excellence that started in 1919 with Robert W. Baird and his guiding principle: Clients come first. And it's the understanding that everything we've accomplished since then has been because of those clients.

We invite you to look back with us over the next couple of pages on some of the significant milestones from our history. And, as we begin the next leg of our journey with you, we hope you know that the value of our experiences and achievements along the way will always be measured in terms of what we do for clients like you. ▶

100

1919

CLIENTS COME FIRST

Robert W. Baird was lead partner of the First Wisconsin Company, a Milwaukee, Wisconsin-based investment firm, when it was founded in 1919.

He became the firm's president in 1922 and, following the Wall Street Crash of 1929, was one of two men selected by the U.S. government to help develop legislation designed to put the securities-investment business on substantially more solid footing.

He remained at the helm when the company separated from the First Wisconsin National Bank in 1934, freeing the firm to control its own destiny and keep its clients' interests before those of third-party shareholders.

1969

QUALITY IS OUR MEASURE OF SUCCESS

The 1960s were a period of significant growth, not only for Baird's well-established private wealth business but also our offerings for corporations and institutions.

Of the 79 U.S.-based underwriters of a McDonald's stock offering in 1969, Baird is one of only four that hasn't been acquired, absorbed or closed its doors – a testament to the strength of our diversified, conservatively run business model.

INTEGRITY IS IRREPLACEABLE

When the firm joined the New York Stock Exchange in 1948, the firm officially became Robert W. Baird & Co.

Frieda Miller was one of 12 partners who signed the firm's application and helped further define our values – performance with integrity and commitment to giving back in the communities we serve.

1948

1999

THE BEST FINANCIAL ADVICE IS THE RESULT OF EXPERTISE AND TEAMWORK

With the acquisition of London-based Granville, Baird embarked on a major expansion of its institutional businesses, enabling us to serve clients around the world while offering truly global perspective for our individual clients in the United States.

100 YEARS

2019

WE SEEK PERSONAL BALANCE IN HOME, WORK AND COMMUNITY INVOLVEMENT

A year of important milestones, 2004 saw Baird repurchase all but a fraction of its outstanding shares and increase the number of employee shareholders, ensuring a truly shared stake in the successes we achieve for our clients.

This was also our first year of recognition as one of *Fortune's* 100 Best Companies to Work For® and the first time we earned top rankings on Greenwich Associates' annual survey of institutional money managers for the overall quality of our investment research – accolades we've continued to receive every year since.

2003

2004

FORTUNE® 100 BEST COMPANIES TO WORK FOR

HOW WE SUCCEED IS AS IMPORTANT AS IF WE SUCCEED

Baird's private equity business established our first offices in Asia, further strengthening our ability to help quality companies grow globally and providing greater opportunities for qualified individual investors in this increasingly important market.

2019 Market Outlook

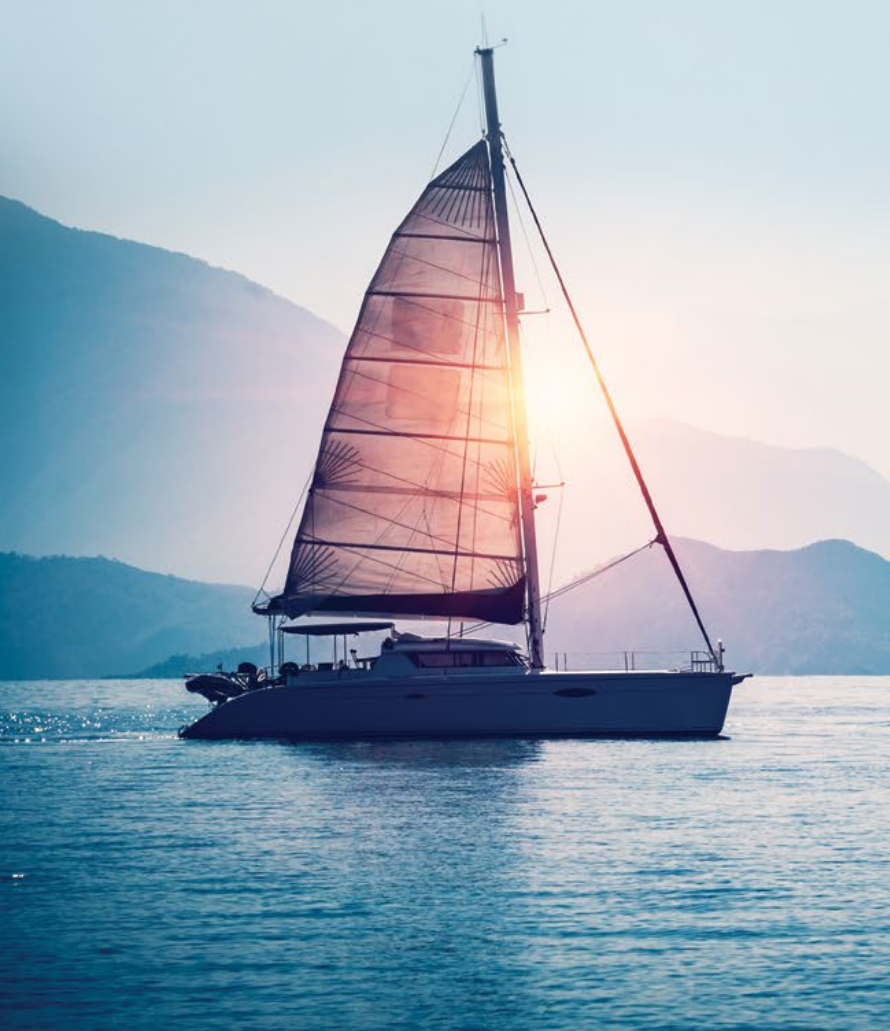
THE CASE FOR CAUTION AND PATIENCE IN THE NEW YEAR

Market strategists often look to history – how the market performed under similar conditions at various points in the past – to inform their outlook.

Through that lens, there were reasons to believe stocks could overcome the return of volatility in 2018 and start 2019 on firm footing. However, while history can provide guideposts, it is important to balance these against the current environment.

The upticks and rallies that have ended past election years were often due to the sense of certainty that comes from knowing the outcome. The market doesn't care who wins. It's just glad to have a big question answered. Yet, in the current environment, significant uncertainties remain.

TRADE MATTERS "Trade War" headlines have been with us since mid-2018, but the full impact of U.S. policy changes remains largely unknown. Will new tariffs paid by U.S. importers raise prices for consumers, impacting economic growth? Will companies that preordered products ahead ▶



2019 MARKET OUTLOOK

Continued from page 5

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of those tariffs pass on savings or choose to realize more profits, impacting corporate earnings? Will a newly divided Congress exercise its right to oversee trade matters and change U.S. policy?

The uncertainties above are part of why many anticipate slower U.S. economic growth next year. The key question is whether recent growth was a late-cycle sugar high (which could precede a meaningful reset in growth) or we continue to make secular progress toward higher, sustainable growth. While consensus is toward the former, we'll be keeping an eye out for the latter.

RATES ON THE RISE Confidence in the U.S. economy led the Fed to raise rates four times in 2018. While still relatively low compared to historical norms, higher rates and the Fed's transparency around additional planned increases are making U.S. investors uncomfortable. In 2019 we'll be watching the Fed's ability to assess economic strength and inflation in the context of evolving dynamics and to act (or not) accordingly.

TRENDLINES VS. HEADLINES The doom and gloom that dominated coverage of recent dips in major indices did little to help investors keep things in perspective. High valuations and excessive optimism have been consistent concerns for us in recent years. While not their intent, the media seems to have tempered investors' expectations and, as stock prices try to build a solid foundation to support a sustainable rally, these factors seem to be coming more into line. We'll continue to follow these and other key indicators as part of our Weight of the Evidence approach to market analysis throughout the year. D

Weight of the Evidence : EVIDENCE ARGUES FOR CAUTION

FED POLICY
After four rate hikes in 2018, the Fed could slow the pace of tightening in 2019.
NEUTRAL

ECONOMIC FUNDAMENTALS
Economic growth could moderate in the year ahead, but improving productivity growth trends are a longer-term tailwind.
BULLISH

VALUATIONS
Valuations have moved in an encouraging direction, but stocks are not historically cheap and earnings growth may have already peaked.
BEARISH

SENTIMENT
Bullish investors have been slow to throw in the towel on stocks, and that has delayed the bottoming process.
NEUTRAL

SEASONAL PATTERNS AND TRENDS
Seasonal leadership trends have been slow to develop, despite favorable calendar considerations.
NEUTRAL

BREADTH
The new-low list remains elevated, and industry group trends show fewer areas of the market in up-trends.
BEARISH

2019 Planning Perspective

DON'T WAIT FOR WASHINGTON WHEN MAKING YOUR FINANCIAL PLANS

We never advise clients to wait for things like tax policy changes before making long-term financial plans, and the newly divided Congress in Washington is a prime example why.

In 2018, the Republican Congress introduced three new bills collectively referred to as "Tax Reform 2.0." One of the key proposals was an extension of provisions from 2017's tax legislation (currently scheduled to expire after 2025). The likelihood of this passing today seems extremely remote.

In fact, since most major initiatives lately have required one-party control of the White House and both arms of Congress, it's unlikely that we'll see any major tax overhaul in the next couple of years. But that doesn't mean there couldn't be movement on specific issues with potential implications for you.

AN APPETITE FOR SALT? Republican and Democratic representatives from states with high tax rates may find common ground around the $10,000 state and local tax (SALT) deduction cap. But because no- and low-tax states also have both Republican and Democratic reps, debate could get interesting. Potential compromises might involve talk of increasing the corporate tax rate (reduced in 2017 from 35% to 21%) or the rate on individual earners in the top income bracket. Both have been on Democratic wish lists for some time.

COMMON INTEREST IN RETIREMENT Reps from both parties have expressed interest in retirement planning reforms. Some of these ideas – like making it easier for employers to offer retirement plans – were included in Tax Reform 2.0 and could make their way back to Congress in another form. President Trump has been particularly interested in changing some provisions around Required Minimum Distributions, but his ability to do that may depend on bipartisan support.

FOCUS ON YOUR GOALS Regardless of what the new Congress does or doesn't do, your financial plans should be based on what you need to accomplish and when. The changes made to tax laws in 2017 have real implications for the returns you'll file this April, and the kinds of life events you make financial plans for generally won't wait for the most financially convenient time. You should work with your Baird Financial Advisor to ensure all of your plans are in sync with your goals and any applicable rules as they exist today. D

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DIRECTOR OF ADVANCED PLANNING

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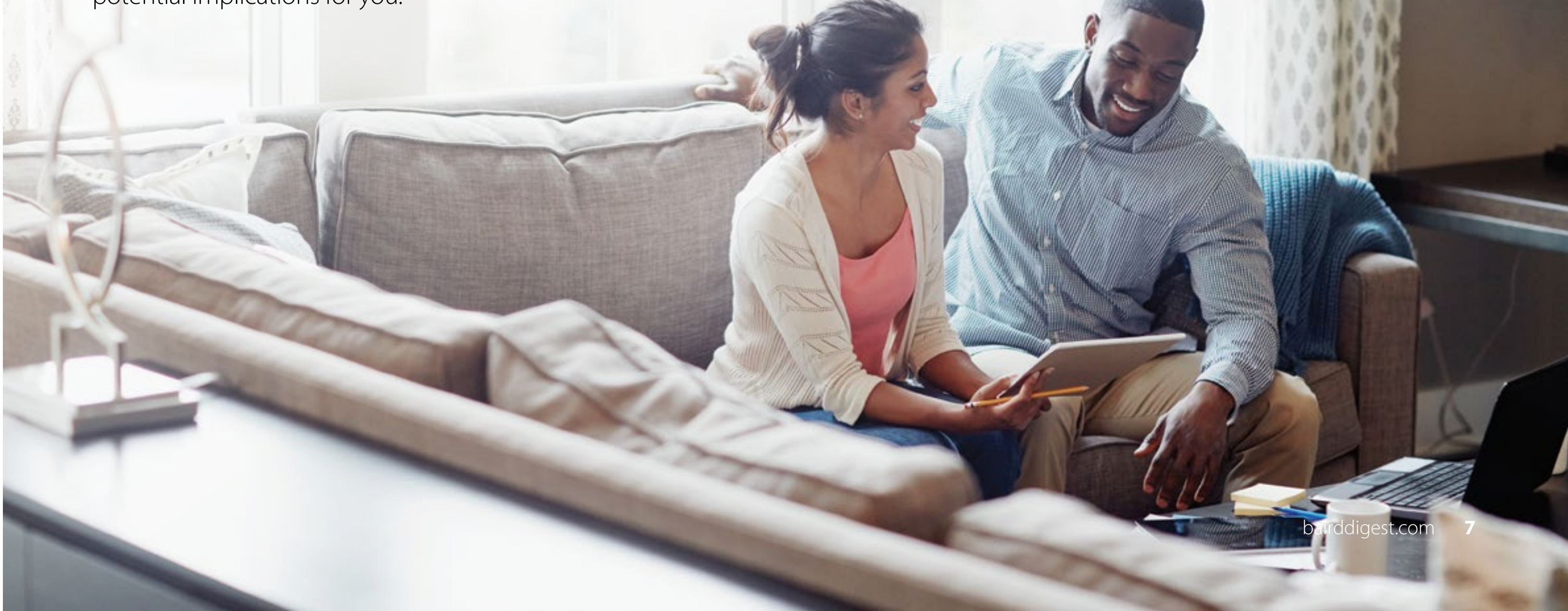
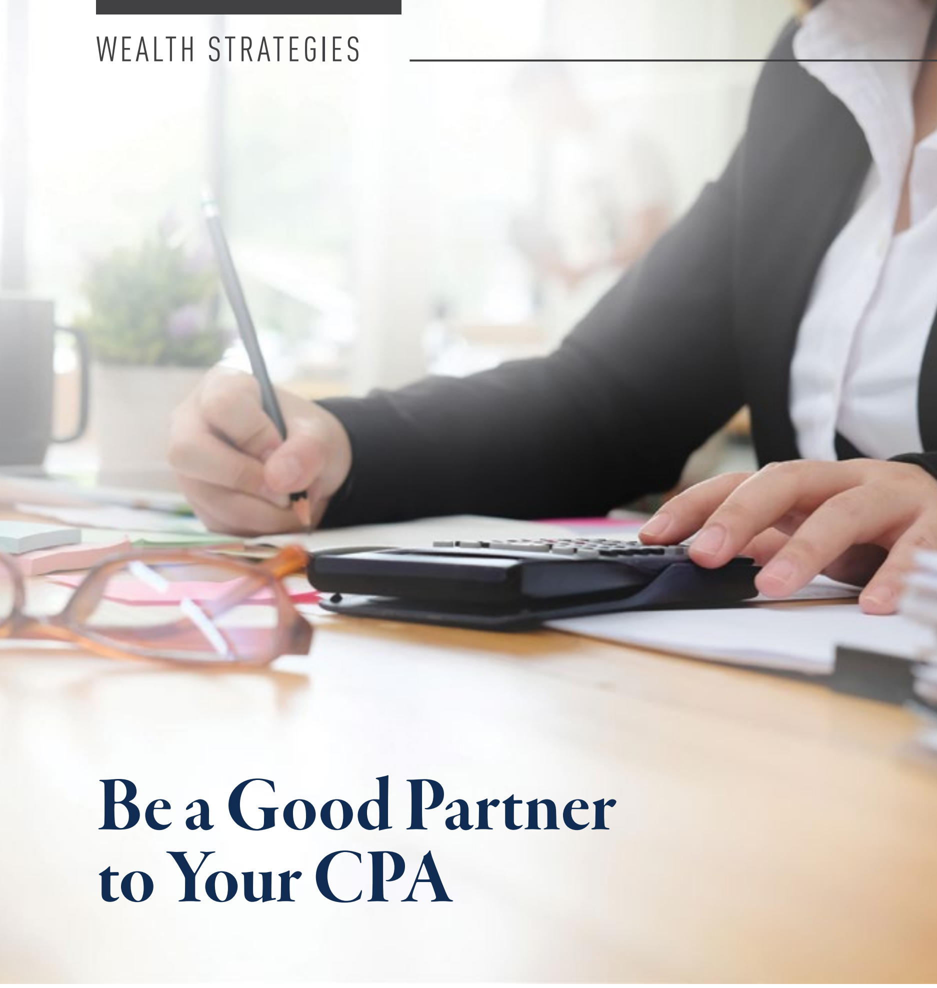




Be a Good Partner to Your CPA

While recent tax reforms may have simplified the tax code – and thus the tax return preparation process – many taxpayers will still want to hire a CPA.

Below are some tips to keep the process efficient and cost-effective on both sides.

Be early. Getting your data to your CPA early lets them work without the deadline pressure of Tax Day, meaning less chance for errors and more time to identify ways to minimize your tax bill.

Use your CPA's questionnaire. Filling out forms is tedious, but these are designed to ensure you don't forget anything important.

Avoid making your own summary schedules. If your summary doesn't match the original documentation, then your CPA needs to reconcile the differences, ultimately slowing the process and increasing your fee.

Be as complete as possible. Try to send all your data to your CPA at once, rather than in pieces every week or two.

Planning Calendar

JANUARY 1 – MARCH 31

General enrollment period for Medicare for those who missed their initial enrollment period.

FEBRUARY 15

First wave of 1099s issued by Baird for accounts holding individual equities, bonds or mutual funds providing final tax information.

MARCH 1

Second wave of 1099s issued for accounts holding mutual funds, ETFs and REITs providing final tax information.

MARCH 15

Final wave of 1099s issued for the remaining accounts including accounts holding REMICs or WHMTs.

APRIL 1

Deadline for those who turned 70½ during 2018 to take their IRA required minimum distribution. In some cases, RMDs from employer plans may be delayed if the employee is still working.

APRIL 16

Deadline to file 2017 tax returns or apply for an automatic six-month extension.

Contributions to Traditional and Roth IRAs for 2018 are due.

What Women Need to Know About Social Security

The math behind Social Security seems fairly straightforward: The more you earn annually in your working life, the greater your monthly benefit when you file. Yet women often find themselves at a disadvantage on both sides of this equation: Not only do they tend to earn less in their careers, but they typically live longer, requiring their retirement assets to last. Here are some tips for women looking to maximize their Social Security benefits.

IF YOU'RE SINGLE Your Social Security benefits are determined entirely by your own work history – to increase your benefit, you need to increase your earnings before filing.

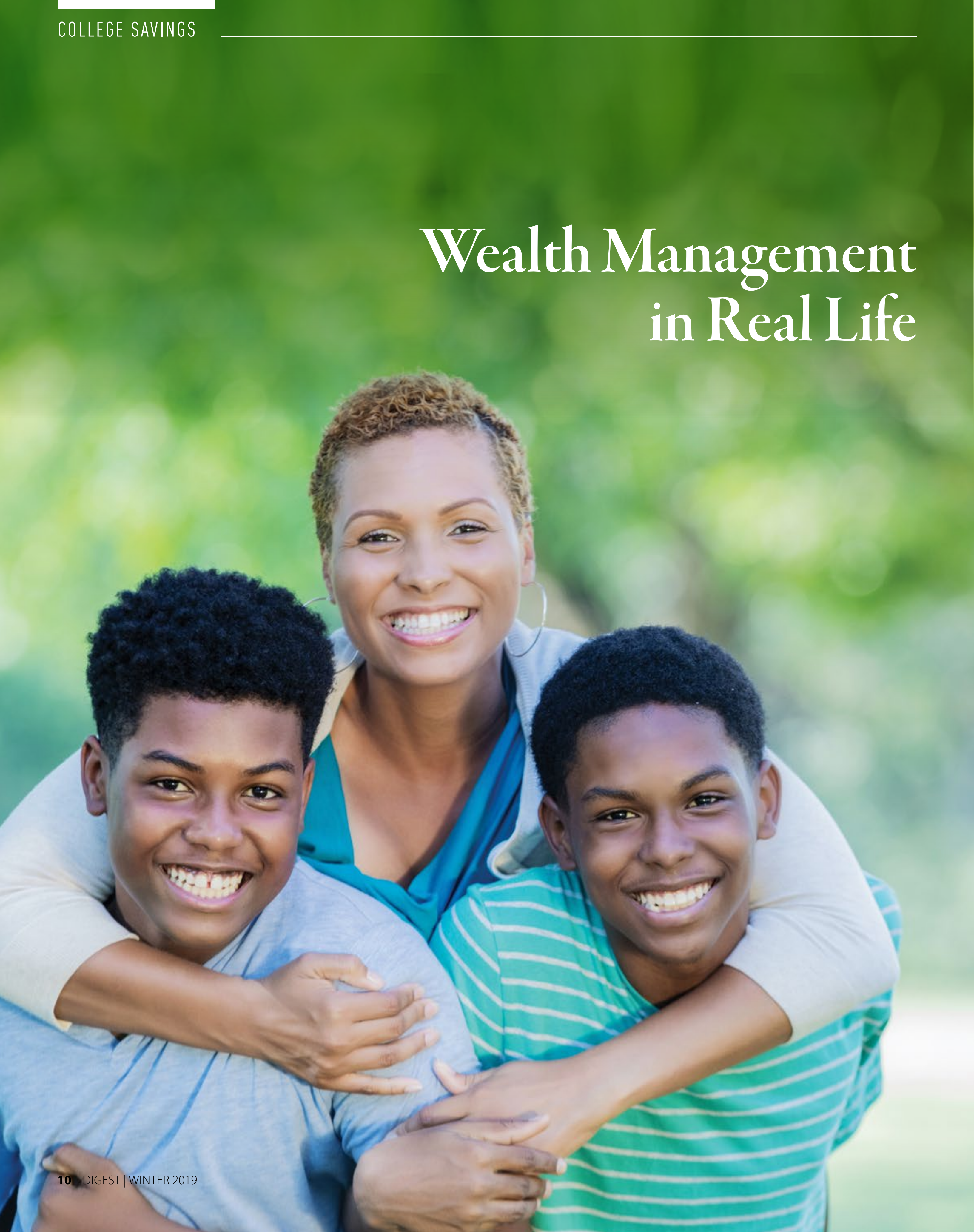
IF YOU'RE MARRIED You may be eligible for spousal benefits so long as you've been married for one year prior to your spouse filing. A spousal benefit is roughly 50% of your spouse's full retirement age benefit, which you may collect if it's larger than your own.

IF YOU'RE DIVORCED You may be eligible for divorced-spouse benefits if you and your spouse were married for 10 years before divorcing and your benefit is less than half of your ex-spouse's. You can apply if you've been divorced for two years, and there's no need for your ex-spouse to file. Divorced-spouse benefits stop if you remarry, however.

IF YOU'RE WIDOWED You're eligible for survivor benefits so long you and your spouse were married for at least nine months. You can apply for these benefits at age 60 (age 50 if you have a disability). Survivor benefits for divorced spouses are the same as for widows, provided the marriage lasted 10 years. D

Nearly half of couples aged 65 will see one spouse outlive the other by 10 years or more, making it essential to consider how you can maximize your Social Security benefits. Your Baird Financial Advisor can help you determine when the time to file is right for you.

Wealth Management in Real Life



Wealth management is about real life, helping you address head-on the issues that have major implications for your and your family's future. In this new *Digest* feature, we're taking questions from our readers about their most pressing wealth management decisions.

I WANT TO MAKE SURE I'M SAVING ENOUGH FOR RETIREMENT, BUT WITH TWO KIDS GRADUATING HIGH SCHOOL IN THE NEXT FEW YEARS, I ALSO WANT TO PUT MONEY AWAY FOR THEIR COLLEGE TUITION. HOW CAN I DO BOTH?

Families face a difficult decision when it comes to prioritizing financial goals. Most parents don't want to work for the rest of their lives, but they know how important a college education is – and how crippling student loans can be to a new graduate. Here are some tips for saving for both college and retirement simultaneously:

TAKE ADVANTAGE OF FREE MONEY To encourage employees to save for retirement, many employers offer matching programs, where the more you contribute to your 401(k), the more your employer adds to match. If your employer offers this program, make sure you're saving at least enough to get the maximum match. For students, make sure you file your Free Application for Federal Student Aid (FAFSA), even if you don't think you qualify for need-based aid. Not all sources of aid are need-based, but you might not even be considered if you don't file your FAFSA.

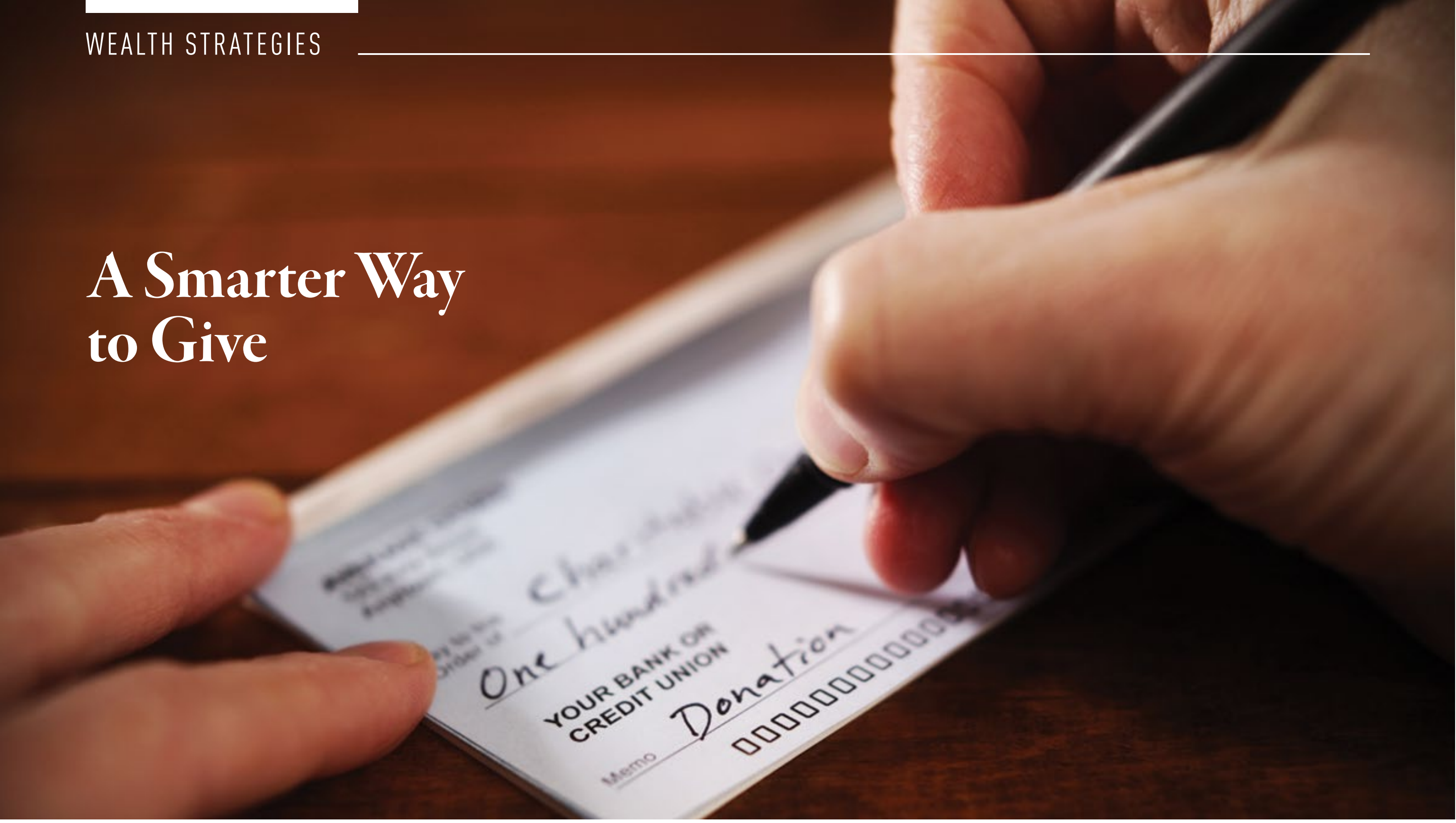
CONSIDER THE TAX BENEFITS TO SAVING The government also offers an incentive to saving for retirement – through tax breaks. Contributions to retirement accounts (like a 401(k) or IRA) are tax-deductible, so someone in the 24% tax bracket who puts $1,000 in their retirement account saves $240 in taxes. The 529 college savings plan provides a big tax benefit too – but only when the funds you saved are withdrawn, not when they're initially contributed. If the timing of the tax benefit is a consideration, know that $1,000 saved in a 529 will have a full $1,000 out-of-pocket cost.

DOES IT MAKE SENSE TO FOCUS ON SAVING FOR COLLEGE NOW AND RESUME SAVING FOR RETIREMENT AFTER THE KIDS GRADUATE?

Because college costs typically occur well before spending for retirement, it might be tempting to want to address the most pressing savings issue first. While that strategy might work for those whose income is expected to rise substantially in the future, it's risky – for the years you're not saving for retirement, you're missing out on not only those savings, but potentially decades of compound interest those savings could be earning for you.

How to save for retirement and an education is not an easy question, and you – and your kids – might need to make some hard choices. Just remember that students have resources, such as loans, scholarships and grants, that aren't available to fund a retirement. If you approach retirement without proper savings, your only options are to continue working or to make changes to your lifestyle.

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



A Smarter Way to Give

When disaster strikes, the first impulse many people have is to ask how they can help. And with the number of natural catastrophes tripling worldwide since 1980,[1] there has been no shortage of opportunities to lend a hand.

But what if there were a smarter way to give? What if you could fold your charitable giving into your broader plans in a way that lets you give both strategically and as the need arises?

STRATEGIC GIVING THROUGH DONOR-ADVISED FUNDS Donor-advised funds are investment accounts you create solely for supporting charitable causes – and because the fund is self-directed, you get to dictate when, where and how much to give. Using this tool, you and your target organization can reap important benefits:

Immediacy. Because funds are already set aside, donor-advised funds let you donate immediately. You don't have to reconfigure your existing financial plans to give.

Effectiveness. One of the biggest challenges to financing recovery efforts after a disaster is timing: While it can take years to rebuild after a catastrophe, donations often decrease to a trickle within weeks. By scheduling a recurring gift through a donor-advised fund, you can help immediately as the crisis is happening but also during the rebuilding and prevention phases.

Tax optimization. Donor-advised funds let you help yourself as you help others. Not only do the funds' investments grow tax-free, but your initial and any future contributions to the fund are deducted immediately from that year's taxes, giving you additional planning flexibility.

With the frequency and intensity of natural disasters continuing to increase, getting the most bang for your charitable buck is critical. With donor-advised funds, you can give for both the short and long term in a way that fits into your broader plans. D

[1]The Conference Board Inc., The Future of Disaster Philanthropy, 2017.

Don’t Put Off Your Estate Plan!

When “Queen of Soul” Aretha Franklin died in August without an estate plan, it immediately recalled the death of Prince two years earlier – pop royalty whose estate is still being wrangled over.

Even if you’re not a music legend, an estate plan is instrumental to ensuring your final wishes are carried out after your death. Here are four reasons people give for not creating a plan – and why this conversation on estate planning needs to be had.

“I don’t want to think about my death.”

We all have to come to grips with our own mortality. Think of an estate plan as a gift to loved ones, helping alleviate their burden during an already difficult time.

An estate plan is more than a document denoting who gets what. Whether it’s establishing a power of attorney or taking advantage of certain tax benefits, it can have a tangible impact on your life right now.

“My family will straighten it out.”

They might not get the chance – in the event someone dies intestate (without a will), the courts decide how their possessions will be divided.

By establishing a will, you can spare your loved ones hurt feelings that can separate families for years.

“I’m in good health – I can put it off.”

Good genes won’t necessarily protect you from an unexpected misfortune or medical event. Creating a plan is a crucial part of preparing for the unexpected.

“Everything will just go to my family when I die.”

That depends on where you live. Different states have different rules about how assets – and debts – are divided without a guiding plan, especially if you’re divorced or own property in other states.

A thoughtful estate plan lets you support the people you care about after your death. Your Baird Financial Advisor can help you keep your plan in line with your evolving financial circumstances.

DIGEST

Want More?

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