



Private Wealth  
Management

# DIGEST

NEWS AND PERSPECTIVE FOR  
GROWING AND PRESERVING YOUR WEALTH

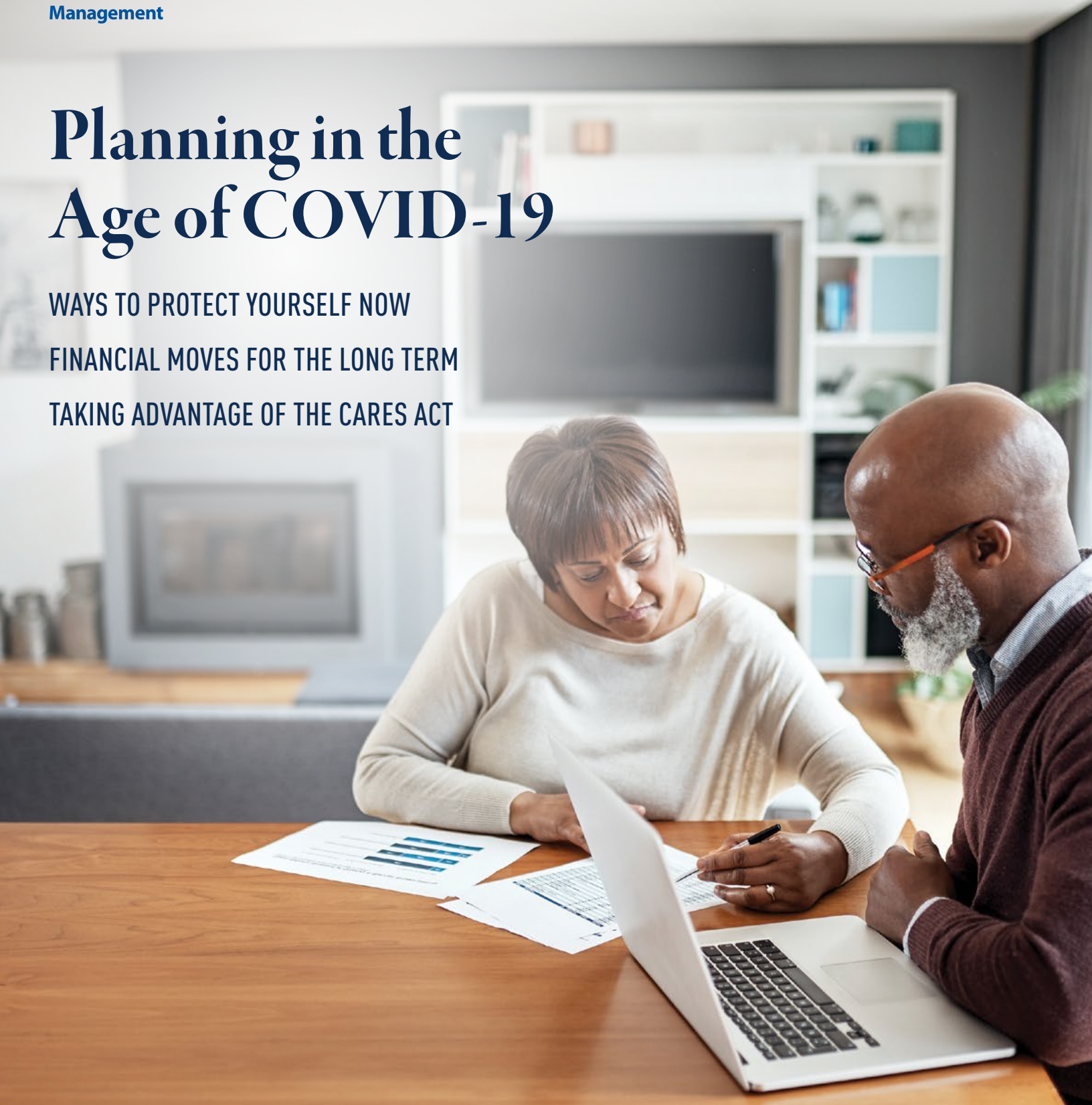
SUMMER 2020

## Planning in the Age of COVID-19

WAYS TO PROTECT YOURSELF NOW

FINANCIAL MOVES FOR THE LONG TERM

TAKING ADVANTAGE OF THE CARES ACT



## In Memoriam

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G. FREDERICK KASTEN, JR.



PAUL E. PURCELL

In the span of three months beginning late last year, our firm lost two of our most influential and beloved leaders.

**G. FREDERICK KASTEN, JR.**, former President, CEO & Chairman, passed in December 2019. Throughout his 42-year career at Baird, he celebrated and embodied our people-focused culture, codifying the principles it was built on as The Baird Way. Under his leadership, we grew from a small Midwestern brokerage into a diversified middle-market financial services firm. A kind and generous man, Fred was a shining example of Baird's commitment to community, particularly through his commitment to healthcare and support of medical research.

**PAUL E. PURCELL**, former President & CEO, was our Chairman when he passed in February 2020. Recruited to the firm by Fred in 1994, he brought with him a keen strategic mind and extensive equity capital markets knowledge. His unwavering belief that things could always be better – for our clients and for the firm – inspired everyone who knew him and helped drive Baird to new heights of growth and success for clients. Under his leadership, our equity businesses expanded into Europe and Asia. In 2004, he engineered the buyback of outstanding shares that enabled

Baird to become employee-owned and independent, ensuring control of our own destiny and that our clients' needs would always come first. Always thinking of the future, Paul was deeply committed to supporting education and children's causes.

We miss them deeply, but will continue to celebrate their lives and legacies through our commitment to you, our clients, and the communities we share.

# Letter From Mike Schroeder

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As this issue of *Digest* is reaching your hands, America is facing unprecedented challenges. While the coronavirus pandemic continues to wreak havoc on our health and economy, the civil unrest impacting our communities also weighs heavily on all of us.

Confronting the persistence of racism, inequality and injustice, we must all work to do better ... to be better. We must work toward fostering an environment where every individual truly matters. We must demonstrate empathy and treat each other with dignity. We must hold each other accountable. We must be present – to lean on, to be patient with and to stay positive for one another. In a world where many of us are already feeling overwhelmed, we need resilience, leadership and effective action to drive us forward.

In addition to the civil unrest, we're also facing a worldwide pandemic. Your health and your family's safety are undoubtedly on your mind, and navigating the challenges to stop the spread of the virus has forced all of us to be more diligent. Baird has gone to great lengths to ensure that your Financial Advisor and the professionals they rely on have the

technology, resources and support to continue serving all of your financial needs, so you can focus on what matters most to you.

Despite the challenges that we are all facing, we are grateful for the trusted relationships that we've built, and we are here for you.

Please take care of you and yours and, if you have any questions about your accounts or your financial future, don't hesitate to reach out to your Financial Advisor.



MIKE SCHROEDER  
PRESIDENT  
PRIVATE WEALTH MANAGEMENT

Baird has always embraced, valued and emphasized Inclusion and Diversity for all associates. We believe strongly in our commitment to providing both personal and professional opportunities for every individual regardless of gender, race, color, age, religious affiliation, nationality, sexual orientation, physical ability and gender identity.

We strive to create an environment where differences are understood, respected and valued, and where diversity unites rather than divides us.

To learn more about Baird's commitment to inclusion and diversity and to read a letter from our CEO to all Baird employees, visit: [rwbaird.com/Our-Commitment-to-Inclusion-and-Diversity](http://rwbaird.com/Our-Commitment-to-Inclusion-and-Diversity)

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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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# Planning in the Age of COVID-19

The coronavirus pandemic turned the markets – and our daily routines – upside-down, with much of the country struggling to adjust to a COVID-19 world. Here are some ways you can regain some financial control in these unprecedented times, today and over the long term, plus a look at how to take advantage of the recently passed Coronavirus Aid, Relief, and Economic Security (CARES) Act.

## What You Can Do Today

### RETHINK YOUR FINANCES

By taking stock of how your financial needs and expenses have changed, you can make adjustments that better reflect the new landscape.

- Take the money you're not spending on entertainment and consider moving it to your retirement or emergency funds.

- If you've lost income due to the recent downturn, talk with your advisor about relief under the CARES Act or if selling positions from your investment accounts makes sense.

- Take the time to revisit your asset allocation, risk tolerance and financial goals in light of the extreme market volatility we've seen.

### EXPLORE DEBT REFINANCING

In response to the pandemic, the Federal Reserve cut interest rates to near-zero – which could provide an opportunity to refinance debt on more favorable terms.

- Check the APR on your credit cards, and consider transferring credit card balances with high interest rates to cards with lower rates.



❑ If you've been impacted by COVID-19, you may be able to withdraw – penalty-free – from your retirement plan to reduce debt. Understand that you'd be sacrificing growth on your retirement savings in the interim.

❑ Thinking of refinancing your mortgage? Consider shortening the term so you can get out from under it sooner.

#### **MANAGE CHANGES TO HIGHER EDUCATION**

With so many college students finishing their semesters at home, it's worth reviewing what's happened to education loans and expenses.

❑ Federal student loan borrowers are in administrative forbearance until September 30, meaning you can stop making payments without risking default or additional interest.

❑ Interest rates on federal direct loans, FFEL Program loans, federal Perkins loans and defaulted HEAL loans have been reduced to 0% until September 30, provided they are still owned by the Department of Education.

❑ If funds withdrawn from a 529 account have been refunded to you, you may have to pay taxes and penalties on the distribution.

Your Financial Advisor can review your options with you. ►

## Planning for the Future

### TAX PLANNING STRATEGIES

With the recent market downturn, you might consider applying some tried-and-true tax mitigation strategies.

### RECOGNIZING GAINS AND LOSSES

If you sold securities at a loss, you can use them to offset capital gains on your tax returns. Just keep in mind the wash sale rule's 61-day window.

**IRA REPOSITIONING** The tax hit from converting a traditional IRA to a Roth IRA is less severe in a down market. This is also a good time to review your IRA beneficiary decisions and make any adjustments.

**STOCK OPTIONS** The recent market decline demonstrates

the difference between stock and stock options. With options, if the stock price falls below the grant price, the option is "underwater" and holds no intrinsic value. Your advisor can help you incorporate options into your broader plans.

### ESTATE PLANNING STRATEGIES

Estate plans should be reviewed regularly, especially given the many provisions in recent tax legislation.

**GIFT TAX EXEMPTIONS** The Tax Cuts and Jobs Act (TCJA) established an \$11,580,000 lifetime exemption against gift and estate taxes – an exemption that reverts to \$5 million (adjusted for inflation) in 2026. Any gifts that surpass \$15,000 per recipient per year tap into that lifetime exemption.

### GRANTOR-RETAINED ANNUITY TRUSTS

A GRAT is an irrevocable trust with a fixed expiration date that makes an annual payment – plus interest – to its creator. After it expires, any remaining funds go to the beneficiaries without gift or estate tax consequences, making GRATs a useful tool for those who have already exhausted their exemptions.

**CHARITABLE GIVING** Under the CARES Act, taxpayers who don't itemize – which is an estimated 90% of all U.S. tax filers – can now deduct up to \$300 of their cash donations to qualifying organizations. ►





# Taking Advantage of the SECURE Act


The Setting Every Community Up for Retirement Enhancement (SECURE) Act, which became law at the beginning of 2020, has the potential to enhance your financial well-being in a variety of areas. Here are a few ways for you to take advantage of the new rules:

**EXPANDING IRA CONTRIBUTIONS** The SECURE Act removes the age cap on making a contribution to a traditional IRA, which previously started the year you turn 70½. Under the new rules, as long as you have earned income, you can make a contribution to a traditional IRA at any age. The law has also raised the required beginning date for taking required minimum distributions from a traditional IRA from age 70½ to 72.

**NEW FLEXIBILITY FOR 529s** As much as \$10,000 can now be used for any siblings of a 529 plan's initial beneficiary. In addition, you can use up to \$10,000 in 529 Plan assets to pay down student debt during the beneficiary's lifetime.

**BONUS FOR NEW PARENTS** You can now withdraw up to \$5,000 from an IRA for childbirth or adoption expenses, without penalties for early withdrawal. If the distribution is taken from a qualified plan, it is exempt from the mandatory 20% withholding requirement.

**LOSING THE STRETCH IRA** In the past, non-spouse beneficiaries of an inherited IRA could stretch the required minimum distributions out over their life expectancy, providing significant tax advantages. The new law mandates that most beneficiaries must fully withdraw the balance of an inherited IRA within ten years of the IRA owner's death.

To learn more about how to make use of any of these strategies, contact your Baird Financial Advisor. 

## Planning Calendar

### JULY 15

As of this writing, 2019 tax returns and 2020 first- and second-quarter estimated tax payments are due. If you are unable to file by the July 15 deadline, you can request an extension.

### JULY 31

As of this writing, the last day employers with calendar-year retirement plans can file Form 5500 without an extension.

### SEPTEMBER

Put any year-end tax plans in motion. Reach out to your Financial Advisor and tax professional to start talking about steps you may be able to take to lower your tax bill for 2020.

### SEPTEMBER 11

National 401(k) Day is the first Friday after Labor Day – consider taking this time to review your retirement savings plans.

### SEPTEMBER 15

Third-quarter estimated income tax payments are due.

An aerial photograph showing a dark asphalt road that curves through a vast, dense forest of tall, green evergreen trees. A single white car is visible on the road, moving away from the viewer. The forest is thick and covers the entire landscape except for the road.

# The Road Out of Uncharted Territory

STRATEGAS' ECONOMIC OUTLOOK

This Economic Outlook was assembled by the leadership team of Strategas, a Baird company and top-ranked investment strategy research firm:

JASON DESENA TRENNERT  
CHAIRMAN & CEO

NICHOLAS BOHNSACK  
PRESIDENT & COO

DONALD J. RISSMILLER  
CHIEF RESEARCH OFFICER

DAN CLIFTON  
HEAD OF POLICY RESEARCH

CHRISTOPHER VERRONE, CMT  
HEAD OF TECHNICAL ANALYSIS

These have been very challenging times for all Americans, but here at Strategas, one of the challenges we've been facing is this: Simply put, we have never seen an economic landscape like this. As an economic forecasting and investment advisory firm (and a wholly owned division of Baird), it is our task to make sense of what's happening to our economy, and help provide a path forward for our client base. We have long provided our expertise to some of the world's largest sovereign wealth funds, mutual funds, hedge funds,

pensions and endowments. But now we're in uncharted territory.

As we as a nation have faced this unprecedented crisis, isolated and without our customary support, any circumstance beyond our control can present seemingly insurmountable odds. On the other hand, crises can remind us of the power that collective energies and community spirit can have in overcoming any obstacle. That's true of not just the medical issues that the pandemic has presented, but the societal and economic issues as well.



Without dismissing the very real human health tragedy that COVID-19 has wrought, investors must also recognize its financial costs. Many traditional economic data series are registering some of their worst readings... ever. In the first quarter of 2020, America's GDP declined by 4.8%, the worst figure we've seen since the Great Recession. We lost more than 20 million jobs in April, the highest figure on record. Corporate profits are showcasing sharp declines.

While these economic impacts resulted from public health directives aimed at mitigating the impact of the virus, they still cause investors no shortage of anxiety. The natural reaction for most investors is to let these near-term uncertainties cloud our longer-term objectives. The need to fight against this tendency underscores the importance of holistic wealth planning and value of the deep relationships we form with our advisors.

If there's some good news to be found, it's that investors seem to have latched on to modest improvements on the health front (i.e., flattening the curve and lowered worst-case projections) and the unprecedented actions taken by policymakers in

backstopping the economy to drive shares off their late-March lows. The combination appears to have moved the consensus to quickly dismiss the worst of 2020 and embrace the potential for better in 2021. At this point, GDP looks to be on track to decline by 5.4% in 2020, but our initial forecast for 2021 sees it rising by 2.0%.

There are some unusual indicators to watch for that might signal the economy returning to full strength. The TSA Total Traveler Throughput, for instance, collapsed in March of this year; when it rebounds, that will be a good sign for our economy. At a more local level, keep an eye on the number of OpenTable Reservations.

While it is possible that a "white swan" health event could offset the "black swan" pandemic, it is difficult to base investment decisions on the potential for such events. Policy has likely bought us some time. The developed economies have been aggressive, and the size of fiscal stimulus initiatives will almost certainly continue to grow.

In an effort to navigate this environment and to help us reconcile current conditions with our long-term objectives, we are

focused on five prerequisites. Principal among these, of course, is the **containment and medical cure of the virus**. Beyond that, the integrity of a market advance seems to rest on four critical pieces of information:

**A measure of the trough level of activity, i.e., how bad will it get?**

**A timeline for the full reopening the economy**

**The shape of the recovery - V, U, W, L, etc. While a V-shape would be the quickest rebound, our modeling shows we are more likely to face a U-shaped recovery.**

**A growth catalyst**

As we navigate through the dislocation and uncertainty caused by the rapid onset of this crisis, we are wise to also focus on the longer-term opportunities it presents. The resiliency of the American economy and, more importantly, its people will carry the day. The kernels of new industries will be formed in the depths of the pandemic, and we appear resolved to put as much of a premium on social profit and well-being as we are on the financial ramifications. From our darkest days comes a bright future. **D**



## Going Green

HOW BAIRD IS BECOMING MORE ECO-FRIENDLY – AND YOU CAN TOO

If this issue of *Digest* feels a little different to you, it's because we've listened to you, and eliminated the plastic bag the magazine used to come in.

Going forward, *Digest* will be more environmentally sensitive, and mailed with your address simply stamped on the outside.

That's not the only way in which Baird has been going green. You can now get electronic delivery of all your statements, confirmations, client communications and even performance reports, sparing a significant number of trees.

If you are already working with Baird Online, just go to the "Account Services" tab, then select "eDelivery Elections." If there are certain documents you'd prefer to have on paper and others you want electronically, that's easy enough to set up. You can select paper or electronic delivery for each category or account, or apply your preferences to all the accounts you own.

If you haven't used Baird Online before, just go to our secure site, [bol.rwbaird.com/register](https://bol.rwbaird.com/register), and you can choose your eDelivery preferences during registration.

Baird Online also makes it easy for you and your Financial Advisor to share documents with each other using a safe and efficient Secure Document Exchange inbox, avoiding the paper printing and mailing of important financial documents. Just one more way in which Baird is trying make life better – for all of us. **D**

## Did You Know?

A Baird Capital portfolio company is contributing to the effort to end the global COVID-19 pandemic

Baird Capital, our private equity and venture capital fund business, has an investment in NeuMoDx Molecular, a molecular diagnostics and solutions company. We are pleased that NeuMoDx recently received FDA emergency use approval for a test for SARS-CoV-2, the virus that causes COVID-19.

To learn more, visit [BairdCapital.com](https://BairdCapital.com).



# DIGEST

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