



DIGEST

NEWS AND PERSPECTIVE FOR
GROWING AND PRESERVING YOUR WEALTH

FALL 2021

Private Wealth
Management

Smart Moves for Year's End

- FIVE SIMPLE MOVES FOR
YOUR ESTATE PLAN
- TAKE ADVANTAGE OF
EXPIRING TAX PROVISIONS



Letter From Mike Schroeder

Our former chairman Paul Purcell, who passed away in 2020, devoted much of his life to supporting educational organizations, always focusing his efforts toward answering one question: “Do the kids win?”

With that in mind, Baird announced its first Kids Win! Award winners earlier this year, with donations to seven

organizations that provide innovative educational opportunities to kids who deserve a leg up. The recipients include an Innovation Center at Cristo Rey Jesuit High School in Milwaukee, Teach for America in Greater Chicago – Northwest Indiana, and Nashville’s Martha O’Bryan Center, a community organization that supports first-generation college students.

These grants are a fitting tribute to Paul, who led Baird for more than 25 years. “The American dream is conditioned on people being reasonably well-educated,” he once said. “If we don’t offer that to everybody—everybody—then fundamentally, we’re not fulfilling who we are and what we say we are.”

The Kids Win! Grants are part of Baird’s long tradition of giving back to the communities we serve, and are integral to what we call The Baird Way.

We at Baird are all about building a brighter future for you and your family. Let us know what we can do to help your own kids win.



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**.



Tax Tips Expiring at Year's End

TAKE ADVANTAGE OF THESE PROVISIONS WHILE YOU CAN

After a flurry of tax legislation in the past year or so that was designed to address both the coronavirus pandemic and the subsequent economic downturn, there are several provisions in the tax code set to expire at the end of this year.

The CARES Act, the SECURE Act, the Consolidated Appropriations Act and the American Rescue Plan Act all offered short-term incentives designed to help the economy – but they won't last for long.

So before the end of the year, you may want to talk to your Baird Financial Advisor Team to make sure you're getting the most of your last chance to take advantage of them. Some of these provisions include:

THE FULLY REFUNDABLE CHILD TAX CREDIT

The existing child tax credit of \$2,000 per child has been increased to \$3,000 per child (\$3,600 for children under age 6) for 2021 by the American Rescue Plan Act. It was also made fully refundable, whereas only \$1,400 had been refundable prior to ARPA, meaning you had to have an existing tax liability in order to make use of it. In addition, the maximum age for children to qualify was increased ►

Planning Calendar

OCTOBER 1

First date to file the Free Application for Federal Student Aid (FAFSA) for the 2022–2023 school year.

Deadline for self-employed persons or small employers to establish a SIMPLE IRA for 2021.

OCTOBER 15 – DECEMBER 7

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

OCTOBER 15

Final extended due date for filing 2020 income tax returns.

Last day to recharacterize a Roth IRA contribution.

NOVEMBER

It's Giving Month! Direct donations of cash, material goods or investments can all make a difference in people's lives as well as your 2021 tax liability.

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 on December 31).

DECEMBER 31

Deadline for taking required minimum distributions from retirement plans for 2021 (extended to April 1, 2022, if 2021 is your first year to take RMDs).

Last day to convert a traditional, SEP and SIMPLE IRA to a Roth IRA. Any converted amount is included in the IRA owner's taxable income in the year of conversion.

TAX TIPS EXPIRING AT YEAR'S END

Continued from page 1

from 16 to 17. The amount in excess of the \$2,000 credit begins to phase out when your modified adjusted gross income exceeds \$150,000 for joint returns, \$112,500 for head of household returns, and \$75,000 for single returns.

ENHANCED CHILD AND DEPENDENT CARE CREDIT

Prior to the American Rescue Plan Act, you could claim a maximum credit equal to 35% of up to \$3,000 in qualified expenses (\$6,000 for two or more dependents), but the new law increased that to 50% on a maximum of \$8,000 (\$16,000 for two or more dependents) through the end of 2021. The credit used to be nonrefundable, but it's fully refundable this year. When claiming the child and dependent care credit, you must reduce your claim by any employer-provided dependent care benefits, but there's another benefit for 2021: For this year only, that exclusion is raised from \$5,000 to \$10,500 (\$5,250 for a married taxpayer filing separately), assuming the employer conforms to such change.

DEDUCT UP TO 100% IN CHARITABLE DONATIONS

In earlier years, the amount of cash contributions given directly to a public charity were limited to 60% of your adjusted gross income. The CARES Act raised this figure to a full 100% of your AGI, but that's slated to expire at the end of 2021.

DEDUCT UP TO \$300 IN CHARITABLE CONTRIBUTIONS WITHOUT ITEMIZING

In years past, you were not permitted to take any charitable deductions unless you itemized your deductions. And since the Tax Cuts and Jobs Act raised the standard deduction to \$24,800 for joint filers, it hasn't made sense for a lot of people to take note of their charitable contributions in recent years. However, the CARES Act and Consolidated Appropriations Act allow you to deduct up to \$300 (\$600 for joint filers) in cash contributions through the end of 2021, whether you itemize or not.

EMPLOYEE RETENTION TAX CREDIT

Some good news for small business owners: The Employee Retention Tax Credit gives a break to employers who had to suspend or reduce operations due to a COVID-19-related government order. These business owners can deduct up to 70% of the first \$10,000 of qualified quarterly wages paid per employee from March 13, 2020, through the end of 2021. That's up from 50% in 2020.

If you think you might be able to take advantage of any of these strategies before year end, talk to your Baird Financial Advisor Team for help. **D**



Get Your Estate Plans in Order

FIVE STEPS TO TAKE TO KEEP YOUR LEGACY CURRENT

As 2021 winds to a close, it's a good time to take some simple steps toward making sure your legacy remains strong and directed toward the people you want to enjoy it. Here are five ideas from Baird Trust that you may be able to take advantage of before year's end to help ensure your estate plan remains on track.

1. If you will potentially be subject to estate tax (which currently applies to a married couple with assets of more than \$23.4 million), consider using your 2021 Federal Estate and Gift Tax Exemption this year. Proposed legislation could significantly reduce the amount of the exemption at some point in the future, which now sits at \$11.77 million per person.

FOR YOUR CHILDREN, you may want to consider either outright gifts or gifts to trusts for their benefit.

FOR YOUR SPOUSE, you may wish to consider a Spousal Lifetime/Limited Access Trust (SLAT), which allows each member of the couple to retain limited access to the assets and income. Each spouse can create a SLAT for the other, but the trusts can't be identical. ►

Did You Know?

This fall, Hilliard Lyons Trust, which has nearly four decades of experience serving estate planning clients throughout the U.S., was renamed Baird Trust.



GET YOUR ESTATE PLANS IN ORDER

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- 2.** Make annual exclusion gifts of up to \$15,000 to every recipient. As with the estate tax, your ability to do this may be limited in the future under proposed legislation.
 - 3.** Review your retirement account beneficiary designations, especially since the 2019 SECURE Act significantly changed the required distribution rules for most retirement accounts. Most non-spouse beneficiaries must now fully withdraw an inherited IRA within 10 years of the IRA owner's death, so if you have a retirement account slated to go to someone other than your spouse, this is a good time to revisit your strategy.
 - 4.** Review the people and institutions you have listed as trustee, executor and power of attorney in your plan to ensure they are still the most appropriate choice.
 - 5.** Finally, note that this will be a very busy year end for estate planning attorneys, so don't wait until the last minute to contact your financial professional. Getting on their calendar to review and possibly update an estate plan early is the best way to make sure you can complete your updates by year end. For more information on what you can do to make sure your estate plan will accomplish what you need it to, contact your Baird Financial Advisor team. **D**
- Over time, it's often the case that some individuals are no longer able to fulfill their role, or may even have died.

It Takes Two To Keep Your Information Safe



At Baird, keeping your confidential information secure is our No. 1 priority. Here are some of the steps we take to protect your data – plus some tips on how you can help.

HOW WE KEEP YOUR INFORMATION SECURE

Technology. We use layered, industry-leading defenses to protect our most critical systems and client data, including encryption and intrusion prevention systems.

Security procedures. We have policies in place to help reduce the risk of fraud. For example, we only verify confidential information in person or via Baird Online, our secure online portal – never by text or standard email.

Practices and security assessments. Baird conducts ongoing testing of our critical systems, including independent reviews conducted by outside security firms, to proactively find vulnerabilities.

Employee awareness and training. We require our employees to complete annual training on information security best practices and security procedures.

Third-party risk management. Our Risk Management department conducts due diligence, monitors and maintains risk profiles for every third-party organization we work with.

HOW YOU CAN HELP

Keep your software up-to-date.

Install patches for your operating system, applications and web browsers as soon as they're released.

Use a reputable antivirus software.

Antivirus software can help keep your computer from becoming infected with malware.

Think before you click. Don't click on links or attachments in unexpected emails or texts – they could be attempts to infect you with malware or harvest your information.

Secure your accounts. Use a long and unique easy-to-remember passphrase for each of your accounts. A password manager app can help you create and store strong passwords securely.

Take control of your digital footprint.

Be mindful of the information you share online, whether it's for a financial transaction or social media. **D**

To learn more about how you can stay safe and secure online, contact your Baird Financial Advisor or visit the Department of Homeland Security cybersecurity website at dhs.gov/stopthinkconnect.

China in the Balance

WHAT WILL WASHINGTON'S HAWKISH STANCE MEAN FOR U.S. INVESTORS?

Given that China is the world's second largest economy, the U.S. government's policy toward it will necessarily have an impact on our own financial status.

The Chinese economy was estimated at just under \$15 trillion in 2020, as opposed to an American economy of more than \$20 trillion, but China claims to be growing faster (the official numbers out of Beijing tend to be unreliable). And while our country's issues with China predate both Presidents Trump and Biden, the number and the severity are growing.

China has been labeled a currency manipulator (devaluing its currency to increase the competitiveness of its exports) and has been accused of nearly constant intellectual property theft from foreign entities, in addition to its state subsidies of private enterprise and territorial holdings in the South China Sea. These issues ultimately contributed to the trade war that dominated headlines during President Trump's tenure.

The good news is, this is an advantageous moment for the United States. China's brand has suffered long-term damage over the pandemic, and as a result, the

U.S. and its allies are less willing to concede on these long-simmering issues. At the same time, China is becoming increasingly aggressive geopolitically and economically, exerting control over Hong Kong (with its sights set on Taiwan), while using trade to inflict economic pain on others. All in all, a further decoupling between the two powers is likely.

THE NEW ADMINISTRATION

Investors initially expected President Biden to be softer on China than President Trump had been, but this is not turning out to be the case. Although Biden's tactics differ from Trump's aggressive use of tariffs and ►

sanctions, the U.S. seems to be adopting a more permanently hawkish position on China. Biden's strategy includes building a unified front with allies and re-exerting U.S. influence in the Indo-Pacific region in order to serve as a counterbalance to China.

And the administration is increasingly making competition with China a key agenda item. This is also one of the few issues that has bipartisan support in Congress, which is now looking to invest billions to support domestic manufacturing, the U.S. semiconductor industry, and development of future technologies.

THE TRADE DEFICIT

The growing U.S.-China trade deficit has come to represent many of the tensions between the two powers. Because China has a lower standard of living than the U.S., labor there tends to be cheaper, which means that goods and services cost much less to produce. The Chinese government also directly subsidizes many of the country's exports. The resulting lower prices make it difficult for domestic firms to compete, so the U.S. ends up importing far more from China than it exports.

While this trade deficit can be considered a boon to the American consumer, many argue

that it has led to a loss of U.S. jobs, particularly in manufacturing, and has contributed to a hollowing out of the American middle class.

THE RISK TO INVESTORS

Congress recently passed a law that allows firms to be delisted from U.S. exchanges if they do not comply with U.S. accounting rules after three years – which China-based companies have long refused to do. Thus, the U.S. could move to accelerate the delisting of these companies, creating the possibility for global investors that they will have to accept more risk. As a starting point, the SEC announced that it will seek additional disclosures from ►



CHINA IN THE BALANCE

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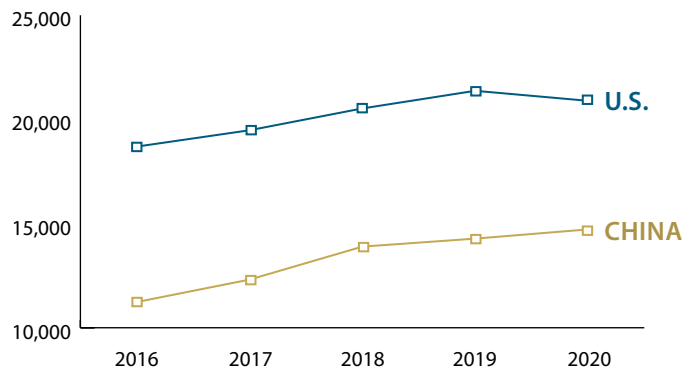
China-based companies pre-IPO with a focus on potential regulatory risk from the Chinese government, whether the issuer has Chinese government approval to list on U.S. exchanges, the risk of delisting for not allowing U.S. audits, and so forth. U.S. efforts could escalate if China continues to intervene in China-based companies, and this will be another risk to investors going forward.

China's recent decisions to sanction firms like Didi (a ride-sharing behemoth) are not one-time events; instead, they indicate that the Communist Party will likely always put itself ahead of corporate profits. In this particular case, Didi's stock plummeted when China announced a cybersecurity investigation into the company shortly after its IPO.

Increasingly, Western investors see capital risk when investing in Chinese firms, and American politicians are beginning to add pressure. From China's perspective,

U.S. GDP VS. CHINA'S

Although the gap has narrowed in recent years, the U.S. remains the world's largest economy



Figures in billions. Source: FactSet

trepidation against U.S. listing argues that it now sees more cost from accepting Western money than benefit, an inflection point in the decoupling. In the end, the two powers may be reconsidering globalization entirely, and investors will need to adjust. **D**

Doing Well by Doing Good

Baird oversees several programs designed to bring younger Financial Advisors into the fold, including our Foundations program, which cycles promising young talent through several of Baird's Wealth Solutions Groups, and the Baird Professorship in Finance, an endowed faculty position at the Wisconsin School of Business. We recognize that your family's wealth doesn't end with you – it should pass to subsequent generations, and you will need an educated advisor to help your legacy continue. By making sure our next generation of Financial Advisors is well-trained and experienced, we strive to ensure the best for your next generation as well.

Discover the *Baird Difference*

Anita Volk
Next Generation
Talent Manager



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