



Private Wealth  
Management

# DIGEST

NEWS AND PERSPECTIVE FOR  
GROWING AND PRESERVING YOUR WEALTH

WINTER 2022

## Retirement Planning for Women

CHARTING A COURSE  
THROUGH UNIQUE  
CHALLENGES



+

THE FUTURE OF  
ENERGY POLICY

# Letter From Mike Schroeder

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Although the challenges of 2021 were unique, we know that every year has its share of unexpected elements. But our company is structured to help you get through whatever comes our way.

That's because of the long-term, employee-owned, conservative way that we manage our business – all with a focus on doing our best

for you, our clients, and always with our eyes toward the future.

As we continue preparing for the future, one of the updates you'll notice is a familiar name and face with a new title. Erik Dahlberg has stepped into the role of President of our Private Wealth Management business, while I have assumed the role of Chairman. While we both have new titles, Erik and I have been working side by side for nearly two decades. That partnership and continuity – for both our associates and clients – will continue.

Just as in our approach to wealth management, Baird conducts all its business with a consistent, long-term approach geared toward producing steady, stable results. For both Erik and myself, delivering those results for our clients will always be our top priority.



MIKE SCHROEDER  
CHAIRMAN OF PRIVATE  
WEALTH MANAGEMENT

ERIK DAHLBERG  
PRESIDENT  
PRIVATE WEALTH MANAGEMENT

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## Want More?

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# Strategas Economic Outlook

## THE FUTURE OF ENERGY POLICY



As part of an aggressive climate change policy, the Biden administration has put forth multitrillion-dollar legislation that could impact the Energy sector for decades. We sat down with Strategas' Courtney Rosenberger to discuss its impact and other Energy priorities the administration might pursue.

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**YOU'VE NOTED THAT THE CURRENT ADMINISTRATION IS SEEKING TO MAKE FOSSIL FUELS MORE EXPENSIVE AND RENEWABLES CHEAPER. CAN YOU EXPAND ON THAT?**

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The Biden administration wants to cut U.S. emissions in half by 2030, relative to 2005 levels, by increasing the cost of fossil fuels (via higher taxes, more regulation and less distribution) and lowering the cost of renewables

(via subsidies and renewable energy mandates). The president has two levers to accomplish that – legislation and regulation.

On the legislative side, the administration put forth two major bills, one now law, designed to spur green energy utilization through direct funding (think electric vehicle charging and electric buses) and renewable energy tax credits. On the regulatory side, we see the administration taking a “whole of government” approach ►



## STRATEGAS ECONOMIC OUTLOOK

*Continued from page 1*



COURTNEY ROSENBERGER  
MANAGING DIRECTOR  
POLICY RESEARCH  
STRATEGAS

to climate change, ranging from the SEC requiring companies to disclose emissions, to the Federal Reserve incorporating climate risks into bank stress tests, to the Labor Department allowing 401(k)s to invest in ESG funds.

### ARE THERE ANY CONCERNS ABOUT THE ADMINISTRATION'S APPROACH TOWARD CLIMATE?

A big question with the approach of higher-priced fossil fuels and lower-priced renewables is timing. How long will it take to build out an electric vehicle charging network? And with a more onerous fossil fuel environment, would that mean

regulations are introduced, will consumers end up paying more in the interim period between renewable buildout and their imposition?

Consumer sensitivity to rising energy prices also leads to questions around how likely the administration's legislative and regulatory mechanisms will remain in place. Many of these measures are quite partisan, and we have seen how quickly a change in party can create a change in policy.

### WHAT UNEXPECTED WINNERS DO YOU SEE EMERGING FROM THE ADMINISTRATION'S CLIMATE GOALS?

One of our most out-of-consensus calls during the 2020 election was that large integrated oil companies might benefit from a more onerous policy environment for fossil fuels. We based this off what happened in 2009, when the big tobacco companies were

in favor of greater regulation because it made it difficult for smaller companies to compete. Based off smaller producers' own admissions, a more onerous tax and regulatory environment would hamper their ability to compete with larger companies. This would give large companies the opportunity to take market share as well as benefit from lower supply and less competition.

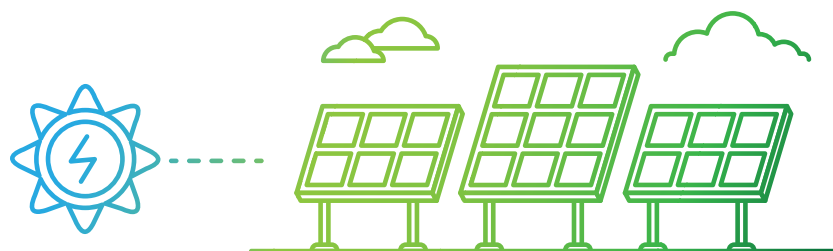
### IT'S NOT UNCOMMON FOR THE PARTY IN THE WHITE HOUSE TO LOSE CONGRESSIONAL SEATS IN THE MIDTERMS. SHOULD THE DEMOCRATS LOSE THE HOUSE OF REPRESENTATIVES IN 2022, WHAT ACTIONS COULD THE ADMINISTRATION TAKE TO ADVANCE ITS CLIMATE AGENDA?

In this scenario, there would be virtually no pathway for climate legislation. Regulatory and executive powers will be the only real power that Democrats can levy. We would expect

**“When it comes to green energy investments, the companies that are often in ETFs and larger funds are not necessarily the greatest beneficiaries from U.S. policy.”**

consumers pay more for gas in the meantime? The same goes for power generation – even with sizable tax credits, the U.S. electrical grid can't transform overnight. So if methane fees pass into law or new emissions





actions designed to reduce emissions and make production more costly. The most significant action, however, might be in the financials space, which could include making climate change exposure a systemic risk for companies, enhanced disclosure requirements for publicly traded companies and measures to reduce oil & gas companies' access to capital, such as through climate stress tests.

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#### **WHAT ARE SOME UNDERDISCUSSED LONG-TERM TRENDS IN THE RENEWABLE ENERGY SPACE?**

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Policy permanency is always going to be a concern in the U.S., given the potential changes in power each election cycle. We're watching how the industry engages in lobbying in the future. Looking at the industry today, we see strong lobbying efforts from green energy companies for energy storage, electric vehicles with charging and alternative fuels, and to a lesser extent wind and solar. Also, when it comes to green energy investments, the

companies that are often in ETFs and larger funds are not necessarily the greatest beneficiaries from U.S. policy. That's not to say that these companies wouldn't benefit from initiatives going on overseas, given the global climate push at play, but if investors are making decisions based off U.S. policy, there is some mismatch in terms of country domicile and labor usage they should be aware of.

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#### **WHAT IS THE CURRENT OUTLOOK FOR FEDERAL DRILLING PERMITS AND FRACKING?**

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There was a lot of attention paid to the administration's suspension of new oil and gas leases at the beginning of 2021. This suspension has run into issues with the courts, and though the administration is appealing the court rulings and continues to make efforts to limit new leasing, it has announced it will proceed with auctions on new lease sales. New drilling permits on existing leases continued throughout the

suspension. We don't expect any action to be taken on fracking – banning fracking entirely would require an act of Congress, an idea that does not have enough support at this time.

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#### **DO YOU THINK ENERGY COMPANIES CAN EVOLVE WITH THE CONVERSION TO GREEN ENERGY, OR ARE THEY DESTINED TO FOLLOW IN THE PATH OF THE COAL INDUSTRY?**

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The Energy Information Administration predicts that U.S. consumption of petroleum and natural gas will increase through 2050 and remain the dominant sources of fuel generation. The trend toward renewable energy may be set, but energy companies have decades to evolve or develop new technologies. There is a long way to go before the U.S. – or the world – can move off fossil fuels. **D**

For the full two-part conversation with Strategas, be sure to check out [bairdintexas.com](https://bairdintexas.com).

# Special Challenges for Retiring Women

WE TEND TO LIVE LONGER THAN MEN, BUT ON AVERAGE ACCUMULATE LESS FOR RETIREMENT. HOW DO WE OVERCOME THESE OBSTACLES?



It's no secret that, even when accounting for potentially mitigating factors, women earn less than men – barely 82 cents on the dollar. While an 18-cent gap might not sound like much, it can have profound, far-reaching consequences on your retirement savings over the course of your career.

The main sources of funds for retirement include employer retirement plans, Social Security and personal savings and investments, and this 18-cent disparity has a significant impact on all of them:

**The discrepancy in take-home pay results in less money available to be moved into savings or invested. That difference is magnified over time as wealth accrues and is reinvested year after year.**

**It also results in fewer resources available to be put into an employer**

**retirement plan, often the biggest source of retirement funding.**

**Because Social Security is based on the wages earned over a career, women earning less than men can expect a commensurate drop in Social Security income.**

So for most women, three of the main sources of retirement funding are underfunded, compared to their male counterparts. As a result, women's average retirement savings are only 59% of those of men upon entering retirement. ►

What can women do now to build up their retirement savings? There are a few fronts on which you can fight this battle. Perhaps the most important thing to understand is that your ideal retirement is unique to you. Moving to a warm state and golfing three times per week isn't your only choice – your retirement might involve travel, moving close to the kids or taking up new hobbies. It might even involve not retiring at all – many people choose this time to start a second career, one that lets them explore activities that are meaningful to them.

As you think about your options, ask yourself what would make you content. Start with the activities and lifestyle that you would find personally enriching and build around them. Other considerations include:

#### **WHERE DO YOU WANT TO LIVE?**

Do you want to be close to family and friends? What kind of climate appeals to you? It's worth giving some thought to taxes and cost of living in different locales, but you don't want to trade your happiness for a lower tax rate.

#### **WHAT HEALTHCARE NEEDS**

**DO YOU ANTICIPATE?** A recent actuarial report from the risk management firm Milliman projected that a woman at age 40 in average health could expect

\$531,000 in lifetime medical and drug costs, compared to \$417,000 for men. That makes health care decisions for retired women even trickier. While genetics aren't destiny, consider your family health history when making decisions around your residence, travel, pastimes and finances.

#### **HOW WILL YOU SAVE FOR THOSE HEALTHCARE NEEDS?**

Health savings accounts can be an incredibly valuable tool for mitigating the high costs of healthcare: Not only are they funded with pretax dollars (lowering your taxable income), but any potential growth of your investments and qualified withdrawals are tax-free as well – all for expenses that are virtually inevitable.

#### **HOW LONG WILL YOU LIVE – AND HOW LONG WILL YOU LIVE ALONE?**

Longevity data from 2020 points to women living on average 80.5 years, compared to 75.1 years for men. However, a closer look at Social Security actuarial data reveals the actual longevity difference to be more significant than that. After age 65, two-thirds of women outlive their husbands – and then go on to live an additional 11.5 years.

#### **HOW DO YOU CURRENTLY HANDLE SURPRISE EXPENSES?**

According to a recent Society of Actuaries survey of U.S. retirees, 19% of retirees and 24% of retired

widows experienced four or more major, unexpected financial “shocks” in retirement. (The two most frequently mentioned expenses: home repairs and major dental expenses.) Do you have reserves in place for such an issue, or do you just deal with emergencies as they come?

By thinking about these issues early, you can start identifying which are must-haves and which are nice-to-haves, and creating a spending goal that matches your preferences. As you do, your financial needs in retirement will come more sharply into focus, and you can start thinking about spending goals that are appropriate for your preferred retirement lifestyle. **D**

This article is excerpted from a new publication, *Baird's Retirement Guide for Women*. To download the entire guide, scan the QR code or go to [WomenAtBaird.com](https://www.womenatbaird.com)





A photograph of an older man and woman sitting on a dark grey couch in a bright, modern living room. The man, on the left, has grey hair, a mustache, and wears glasses and a maroon sweater. The woman, on the right, has short grey hair and wears a striped shirt. They are both looking at a laptop screen which is partially visible on the right. The woman has her hand on the man's shoulder. In the background, there is a large window with a view of greenery and a white shelving unit with books and a small plant.

# A Holistic Approach to Wealth Management

KEEPING YOUR EYES ON THE BIG PICTURE CAN HELP YOU MEET YOUR FINANCIAL GOALS

As the world becomes more complex, our financial decisions are also getting more complex, with various pieces interacting with one another in ways that can be hard to keep track of. This can be increasingly difficult when your assets and accounts are held at a number of different institutions. Dealing with an increasing number of moving pieces requires a more holistic view of your financial information.

That's why a holistic approach to financial planning has become so critical. A holistic financial plan looks at every aspect of your financial life – your goals, values, and priorities as well as your investments, asset allocation, insurance, retirement plans and risk tolerance. A holistic plan also requires collaboration between your Financial Advisor and other key partners who work with you. It can all get very complicated.

So how do you keep all the pieces of your financial life within reach? Fortunately, there are new tools like Baird's 360 Wealth that put all your financial information on the same page. 360 Wealth brings your online financial accounts into a single view, enabling both you and your financial advisor to review and evaluate your information directly through Baird Online. ►



360 Wealth allows you to coordinate activity among your:

#### **Savings Accounts**

#### **Cash**

#### **Outside Investments**

#### **401(k)**

#### **Liabilities**

#### **Spending**

#### **Budget**

Having all these pieces in one location can be invaluable to your long-term planning. You can see how changing your spending habits can help you pay down liabilities such as your mortgage, or how shifting your asset allocation could affect your retirement plans, and ultimately ensure that you are on track to hitting your goals.

There are issues with such an approach: Many people are rightfully concerned about the security of linking all their information together. But with 360 Wealth, data is collected and transmitted over encrypted channels, ensuring your confidentiality, availability, and data integrity are met at all times.

And not even your Financial Advisor has access to your accounts – the service is read-only for your Advisor, meaning that they can see your account type and balance but no transactions or updates can be made. In fact, they do not even see your transaction information.

360 Wealth is now available through Baird Online, but we are proud to announce that we will also be launching a mobile app with 360 Wealth capabilities in 2022. This will put all of your financial data at your fingertips, whenever you need access to it. It's an elegant solution to an ever more complicated world. **D**

**For more information about how 360 Wealth can help you keep control of your financial future, talk to your Baird Financial Advisors team, or scan the QR code for a demonstration:**



# Planning Calendar

## **January's *Wealth Strategies* webinar: Investor Psychology and Behavioral Finance**

**JANUARY 1 – MARCH 31**

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

## **February's *Wealth Strategies* webinar: Technology Update**

**FEBRUARY 15**

Baird issues the first wave of 1099s for accounts holding individual equities, bonds or mutual funds whose final tax information has been provided. See [bairdwealth.com/taxes](https://bairdwealth.com/taxes) for details.

## **March's *Wealth Strategies* webinar: Equity Compensation**

**MARCH 1**

Baird issues the second wave of 1099s for accounts holding mutual funds, ETFs and REITs whose final tax information was provided after the previous update. See [bairdwealth.com/taxes](https://bairdwealth.com/taxes) for details.

**MARCH 15**

Baird issues the final wave of 1099s for remaining accounts holding mutual funds, as well as for any accounts holding REMICs or WHMTs. See [bairdwealth.com/taxes](https://bairdwealth.com/taxes) for details.

## **April's *Wealth Strategies* webinar: IRA Tax Planning Under the SECURE Act**

**APRIL 18**

2021 tax returns and 2022 first-quarter federal estimated tax payments are due.

Scan the QR code to access our *Wealth Strategies* webinar series – expert insights on the financial issues that matter to you.



# The Biggest Questions in Financial Planning

BAIRD'S NEW WEALTH SOLUTIONS VIDEO SERIES



What role should taxes play in my investment decisions? How can I use credit as part of my overall financial strategy? At what stage in my life do I need to look into long-term care insurance?

Baird's Wealth Solutions Group is proud to announce a new series of videos addressing many of your most common financial planning questions. These videos feature some of Baird's top wealth management experts explaining, in simple English, answers to such questions as:

## **TAX PLANNING**

Which life changes incur the greatest need for tax planning?

Why does a truly effective tax strategy need to be monitored year-round?

## **INSURANCE PLANNING**

At what points in my life do I need to revisit my insurance needs?

Is it realistic to rely on self-insurance for long-term care?

## **LIQUIDITY SOLUTIONS**

What role can liquidity play in my financial plan?

Are there areas of my financial life where debt can be a powerful part of my strategy?

## **ESTATE PLANNING**

Who needs to consider creating an estate plan?

Why is it important to consider estate planning as part of a full financial plan?

## **EDUCATION PLANNING**

When is a good time to start considering education planning?

How can I deal with the fact that college costs are rising faster than inflation?

## **TECHNOLOGY**

What role does technology play in monitoring my financial plans?

What future technology advancements can I expect from Baird? **D**

The videos are available on [BairdWealth.com](https://www.bairdwealth.com) and through your Financial Advisor.

# Doing Well by Doing Good

At Baird, we're passionate about what moves you. That's why we were excited to advise Canyon Bicycles, a world leader in conventional and electric bikes, on a new investor partnership in December 2020. By teaming Canyon Bicycles with investors with a long history of technological expertise and innovation, we helped position the company to continue delivering meaningful outdoor experiences well into the future.

Discover the *Baird Difference*

Andrew Martin  
Baird's Global  
Investment Banking





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