

Booth leads Baird into its second century

By Paul Gores
April 7, 2019

One hundred years after it opened for business, Robert W. Baird & Co. just made its biggest acquisition in company history.

The Milwaukee-based investment and wealth management firm closed on its purchase of Hilliard Lyons, a Louisville, Kentucky, wealth manager, on Monday. The deal added \$50 billion in client assets to Baird's \$208 billion in client assets and greatly enhanced Baird's wealth management operations, which already make up almost half of its business.

The transaction — the company's fifth acquisition since 2014 — probably is the largest Baird ever will do, said Steve Booth, president and chief executive officer of Baird.

"It is transformational for our biggest and most important business," Booth said.

In the wake of the deal — and with a big celebration of Baird's 100th anniversary on the calendar this summer — Booth met with the Journal Sentinel at Baird's headquarters in the U.S. Bank Center to talk about the company.

Booth, 58, who became CEO of Baird in 2016, was born in Milwaukee after his father begrudgingly took a job transfer here from Chicago, but then grew fond of the city.

"It was a classic story of being moved here kicking and screaming," Booth said. "They got dragged here kicking and screaming, for a job, and then they made my dad move back to Chicago. And he went back kicking and screaming because he loved Milwaukee."

As a result, Booth heard good things about Milwaukee from the time he was a boy. So even though Sarasota, Florida, later became the family home, Booth said he's happy to be back in a city that is the hub of the firm he runs in a very competitive industry.

Here is an edited version of Booth's conversation with the Journal Sentinel.

Question: What does the acquisition of Hilliard Lyons mean for Baird?

Steve Booth: Our biggest business is wealth management, and that's about 45% of our revenue. It's our biggest business and our biggest growth opportunity.

It will increase our revenue, and our people and our assets. But beyond the numbers, what that additional scale will do for us is it will allow us to continue to play offense and



Steve Booth, CEO of Robert W. Baird & Co., says Milwaukee is a good place for Baird's company headquarters.

reinvest to get better on behalf of our clients.

Hilliard has a highly successful trust company, uniquely integrated into their private wealth management business. The trust company represents about \$10 billion of their \$50 billion assets under management. Baird provides trust services through third parties but does not have our own trust company. We are very excited about leveraging that integrated

capability, and strategy, across our wealth management business over time.

Hilliard Lyons is a very well known, very attractive firm in our industry. Any wealth management firm with the size and the resources in the United States ... would have loved, loved to have acquired it. And that fact that they chose us — and chose us exclusively and preemptively — I think is maybe a proof point on where Baird has now landed in our industry.

Q. How do you feel about Milwaukee as a headquarters city for a company like Baird?

Booth: We now consider it a competitive advantage to be located here.

Via technology and other means, we're pretty agnostic on where people live. Many of our business unit leaders live elsewhere.

But Milwaukee is definitely a very attractive place for people, and as we have become a bigger and more attractive destination, we've been able to leverage Milwaukee as a competitive destination.

We're excited now because even young people who might leave and go away to college, and heretofore in our industry may have gone to New York, we can get them to come back to Milwaukee and work for Baird. We have a lot of the success stories, through our internship program in particular. So it's become a competitive advantage.

All of our support services groups are located here. When I say that, I think about human resources, IT, accounting

and finance, legal and compliance — those types of things. Our IT department, we have over 200 professionals, virtually all of them are here, and I believe we have the highest performing IT team in our industry. There's tremendous talent here that we've been able to attract.

I'm biased, but each of our groups we have here are exceptional, and we're a great place to work.

Q. What do you feel sets Baird apart from competitors?

Booth: Top of the list: being privately held and employee owned.

That enables us to do a number of things differently, and at the top of that list is to maintain our focus on our core beliefs and really not make exceptions. If you're publicly traded or you're owned by somebody in New York or Toronto or Zurich or London, they can say we need you to make exceptions.

People in our industry make exceptions all the time to make money. It's making money or you have managers who are trying to hit certain budget requirements.

We have a balanced business, so we're uniquely stable in a somewhat unstable industry. Ultimately what's led to our success is we've had a lot of great people come and stay. We've been able to attract great people and retain them.

Q: What is your biggest concern as CEO of Baird?

Booth: We've worked very hard to get here, and we have to keep working hard. Making sure that we don't get complacent is at the top of my list. As we've enjoyed some of our success I worry about complacency.

There are certain things that have served us well. Being privately held and employee owned is crucial to our success, and we've been able to resist bureaucracy and maintain a very flat organization as we've grown. So in addition to making sure we're not complacent, we need to make sure we resist bureaucracy and keep flat. That keeps the voice of the client very apparent to us who are leading the firm.

Q. How do you feel about the economy? Is there a recession on the horizon?

Booth: Right now, we think the U.S. economy is still on firm ground. I think the concern that exists is, "Will the global economy potentially lead the U.S. into a recession?"

Europe has its own set of issues. Brexit is a sub issue of Europe. And then you've got Asia, and you do have the trade and tariff issue in the U.S., which right now the markets are assuming is going to get resolved in the next several weeks.

We would say this has been an extended cycle. It's been a slow-growth cycle. The tax cuts in the U.S. helped dramatically. And so we think the chances are better than not that we're going to continue our expansion. We'll have little bit of a soft landing, but we won't have a recession.

Q. What does Baird have planned for its 100th anniversary?

Booth: We're going to have our own celebration. We have 3,600 employees, who we call associates. Everybody and a guest is invited to Milwaukee (June 12- 14). We're going to try very hard to get everybody here on our nickel.

We'll have our annual meeting here. We've outgrown the Milwaukee Auditorium, which is where we typically have done this. So we're going to have our first outdoor annual meeting at the BMO Harris Pavilion (on the Summerfest grounds). Then we're going to have a celebration right after that. That night we'll go right next door to the new amphitheater, where we're going to have Zac Brown.

We have hotel rooms all over. There will be Baird people all over the place.

Q. Baird manages wealth, but a lot of people who aren't wealthy could use some help. Can you offer any fundamental advice for people who are just starting out about how to build personal wealth?

Booth: First and foremost is get started early. Don't defer it because the time value of money. It is crystal clear that getting started early and then taking advantage of tax advantaged accounts — IRAs, 401(k)s and your company match — those are turbocharged dollars.

If you have money, you should get it invested and not try to time the market. You should diversify. These are just time-tested things.

And I would say the single biggest thing is don't sell when things are getting difficult. That's great advice for young people, it's great advice for everyone. Frankly, it's the value of what a really good wealth management adviser like we have at Baird, and there are others, can do for you.

With the market you need to understand that there is volatility and that just comes with the territory.

Q. A just-for-fun question here. In New Berlin recently, someone — we don't know who yet — bought a Powerball lottery ticket that turned out to be worth \$768 million. That is about as sudden as "sudden wealth" gets. What should that person be doing?

Booth: You need to get great tax advice right now. There are things you can do, because that's all taxable income.

The person would be well-served to get financial advice. I would say financial advice on setting up what would be a pretty robust plan on what it is you're going to do and how you're going to do it, and try to anticipate, via that plan, all the things that are going to come at you.

You're going to have a lot of relatives coming at you. So what is your strategy going to be for that and how much are you going to set aside for that and where are you going to draw the line on that? This is all part of the plan. Second, you're going to have wonderful charitable organizations looking for you to help out. Actually, one of the things you can do from a tax standpoint is set up a foundation.

Thirdly, people will come after you to invest in their business opportunities. And that's where a lot of money is lost. So you just need to have a set pool on what goes there.

Then you need to invest with the help of some great advisers and set up what you're going to live off of, and that will dictate anything else you're going to do incrementally.

But a plan, broadly speaking, to get in front of what's going to come after you is the punchline.