

Digest

NEWS AND PERSPECTIVE FOR GROWING
AND PRESERVING YOUR WEALTH

BAIRD

Summer 2024

Create a Legacy That Lasts

The Ultimate Guide to
Effective Estate Planning



[WHAT COULD THE POLICY IMPACTS OF THE 2024 ELECTION MEAN FOR INVESTORS?](#) / Pg 4

[HOW TO TALK WITH YOUR HEIRS ABOUT THEIR INHERITANCE](#) / Pg 8

[CONSIDERATIONS WHEN CARING FOR AN ELDERLY PARENT](#) / Pg 10

In this issue...

2

Diving Into Proposed Economic Policies

Breaking down five key policy differences this presidential election

4

How the Party in Power Influences Stock Market Performance

Or does it?

6

COVER STORY Planning for Your Legacy

7

Is It Time To Update Your Estate Plan?

Milestone events that should trigger a revisit

8

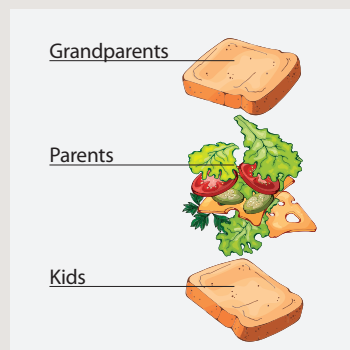
Ensuring a Smooth Transition

How to facilitate family discussions around inheritances

10

Stuck in the Middle: Making Sense of the Sandwich

Considerations when caring for an elderly parent – plus, how to prepare your kids to someday do the same for you



12

Inherited IRAs: The New 10-Year Rule

Who does – and doesn't – need to spend down their inherited IRA

Personal Values, Local Action

GIVING BACK is an important part of Baird's DNA – and a way we put our values into practice. This year, we celebrate the 15th anniversary of Baird Gives Back, the associate resource group committed to deepening associate involvement in their local communities through volunteer and networking opportunities. But that's only one way Baird associates make their mark:

- We support our associates' personal giving through Baird Foundation, which directs donations to organizations they are actively supporting. In addition to funding nonprofits in such areas as health and human services, education and the arts, Baird Foundation serves as a resource to help our associates join boards and serve in leadership roles.
- Baird associates fund and nominate recipients for the Paul Purcell "Kids Win!" Annual Baird Education Grant. In 2024, the grant recognized 18 organizations committed to helping kids win, from University of Alaska Foundation to Junior Achievement of Southwest Florida.
- For more than 65 years, Baird has supported the United Way's mission to build stronger, more resilient communities. In 2023, 93% of associates from 59 offices pitched in to benefit 99 local United Ways.

There's a lot that makes Baird unique in our industry, including an employee ownership structure that lets us prioritize client service. But what has always set us apart is the character of our people – a quality we hope you feel in every meeting, email and phone call.



Mike Schroeder
Chairman
Private Wealth Management



Erik Dahlberg
President
Private Wealth Management



Laura Callahan
PWM Chief
Talent Officer

“Baird associates have a long history of getting involved where the community needs them most and around causes they're passionate about.”

Five Economic Policy Differences in This Presidential Election

ELECTION CYCLES are always filled with unpredictability, but today's political backdrop is even more uncertain than usual. The post-pandemic period has seen major changes across fiscal, monetary, and geopolitical policy frameworks, to say nothing of the rapidly-evolving election dynamics. Even as we write this in late July, many critical components of the election remain unsettled. That is why now more than ever we believe a focus on policy over politics will serve investors well. Here are five policy areas in which we see a stark difference that will matter for markets in the coming years.

1 TAXES With nearly \$4 trillion of tax and spending provisions set to expire, 2025 could be the most important year for tax policy since the creation of the income tax in 1913. These expiring provisions include lower individual rates, a 20% exemption for pass-through entities and higher estate and gift tax exemptions, as well as enhanced Affordable Care Act

subsidies to purchase health insurance. The Democratic candidate will likely focus on extending the ACA subsidies and tax cuts for lower income individuals, while pushing to offset those costs through higher taxes on corporations and high-income individuals. The Republican candidate will seek to extend a wider array of the expiring tax cuts and will seek to offset costs through spending cuts, tariffs and scaled-back ACA and green energy subsidies.

2 DEFICIT The U.S. budget deficit will be around \$2 trillion for fiscal 2024, or

roughly 7% of GDP – an unusually high percentage for an economy not in recession. Because interest rates increased in 2022 and 2023, the net interest cost on the deficit is at its highest level in over 25 years. The U.S. Treasury has the tools to mitigate some of the deficit's effects, but the net interest cost could infringe on other government spending priorities. The debt ceiling expires at the beginning of the next presidential term and Congress will need to raise the debt ceiling at some point in 2025. Both presidential candidates could be



Taxes
Trade
Deficit

expected to raise taxes or tariffs to finance an extension of the existing tax code.

3 TRADE After decades of globalization, policymakers of both parties now seek to deglobalize, providing incentives to bolster domestic manufacturing and build out more resilient supply chains. We expect this trend to continue regardless of which party takes the White House. While the current administration has used targeted tariffs to accomplish policy goals (e.g., Mexican steel and aluminum, Chinese EVs), a Republican presidency will likely utilize tariffs more broadly to upend supply chains, forcing companies to move faster than they might otherwise. This could lead to

supply chain migration away from China and into other countries including India, Mexico, Vietnam, Canada, and the U.S.

4 REGULATION The Republican economic plan centers around deregulation across several critical industries, with a focus on the Financial, Energy and Technology sectors. We'd expect to see an emphasis on streamlining energy infrastructure projects, expanding liquefied natural gas exports and increasing fossil fuel usage for domestic electricity. We'd also expect a focus on fewer bank capital buffer restrictions and a broader deregulatory approach toward artificial intelligence. Should the Democratic ticket emerge victorious, we expect a focus on implementing the Inflation Reduction Act and cleaner energy projects, as well as

Strategas' Washington Policy Research Team

Strategas, a Baird Company, provides award-winning market and macroeconomic insights and commentary. Their Washington Policy Research team studies how elections and public policy might influence the economy and financial markets so that clients receive the best forward-looking information relevant to their investment strategies.

additional steps toward solidifying antitrust regulation. We also expect a stricter approach to AI regulation, as evidenced by last October's AI Executive Order.

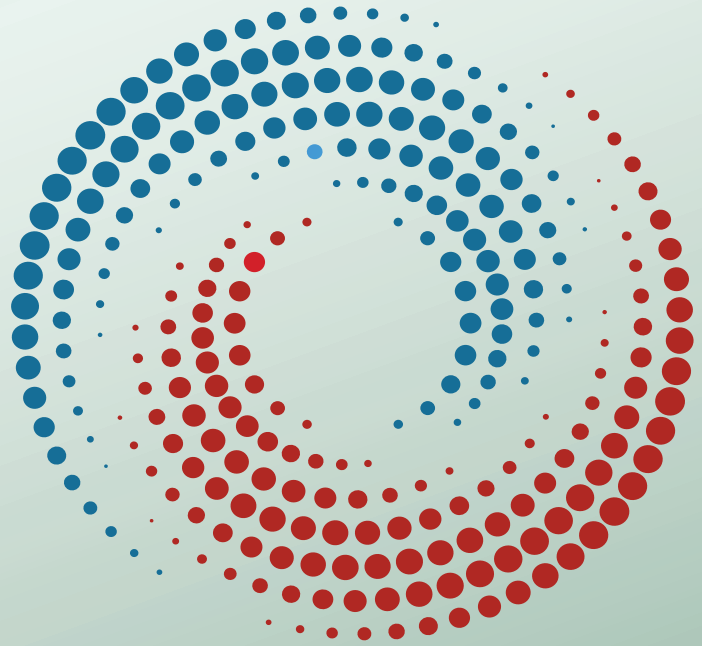
5 IMMIGRATION Along with the economy, immigration is a key issue for voters this election. Should the Democratic candidate win the election, we would expect many of the current border policies to continue in place. Under a Republican administration, we would expect an immediate focus on significantly reducing migration across the southern border. This will have important macroeconomic implications since the Federal Reserve will be focused on the labor supply, and non-native born workers have been filling jobs and supporting the U.S. economy.



Regulation Immigration

This Election Season, Avoid the Big Mistake

In the previous pages, the macroeconomic analysts at Strategas, a Baird Company, discussed the policy impacts of the 2024 presidential elections. But what would it mean for the individual investor? Below, Market Strategist Mike Antonelli and Investment Strategist Ross Mayfield weigh in on how you might think about the upcoming presidential race as part of your own investment and planning decisions.



Mike: Ross, it's election season again, that time when investors often commit what I call "the big mistake" – letting how they feel about a presidential race influence their personal financial decisions.

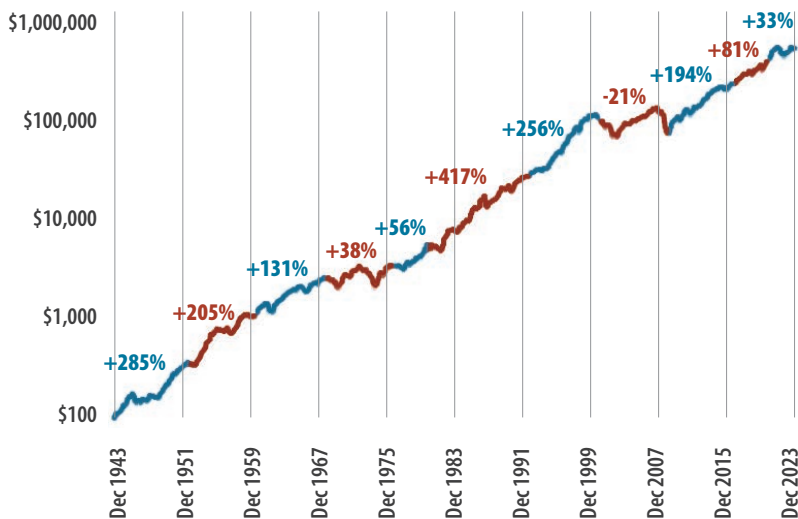


Ross: I can see how it might happen. When it comes to politics, people frequently become invested

in one side or the other. But while a person might root for one candidate or another, the stock market does not. If you look at the following chart, you'll see that no matter which party is in power, market performance has remained pretty consistent: an overall trend of growth with occasional periods of regression. ►

The stock market doesn't "prefer" one candidate or party more than another – each party in power has seen significant market growth with occasional declines.

GROWTH OF \$100 IN THE S&P 500 SINCE DECEMBER 1943



— Democratic President — Republican President

Source: Strategas, Factset

Mike: That’s right. And it makes sense too – think about the big movers in the market, like Apple, Boeing, Costco or Starbucks. These companies weren’t formed because one party was or wasn’t in power – they were formed because someone had a good idea or wanted to solve a problem. Policy can have an impact, but that’s not what really determines corporate performance over longer periods of time. The best investors make their decisions around things like technology, leadership and ingenuity – without any regard to who sits in the Oval Office at that time.

Ross: The same holds true if you go beyond the White House and include Congress. The average stock market return for a given year is roughly 9–10%. As the chart below shows, just about any

combination of partisan control has historically matched or exceeded that benchmark. (The one that didn’t, a Republican presidency with a Democratic Congress, saw the Global Financial Crisis and a bear market from 1973 to 1974 – otherwise it too would be right in line.)

Mike: So where does that leave us? What advice do you give for clients a few months ahead of the election?

Ross: I would say to try to limit your engagement with the 24-hour news cycle. The media thrives on conflict – that’s how they drive attention and ultimately revenue. And when that conflict is political in nature, expect to see a lot of information (or misinformation) designed to prey on your emotions. At a time when people can self-select the

Mike Antonelli, PWM Market Strategist
A market analyst with a deep understanding of history, Mike Antonelli uses lessons from the past to help keep clients focused on their investment journey.

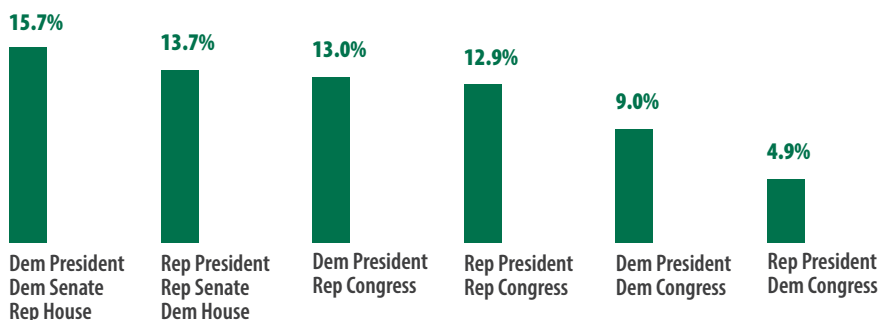
Ross Mayfield, Investment Strategist
Investment Strategist Ross Mayfield strives to cut through the chaos of the market and guide his readers to making smart financial decisions.

news they receive – and receive it constantly – it’s easy to get caught up in the short-term emotion and make decisions that are out of sync with your longer-term plans.

Mike: I agree with that 100%. My advice would be to keep in mind what you’re investing in. Financial history has shown that the best investors invest in the long-term growth of the United States, not the potential ramifications of how an election might turn out. Instead, talk through any portfolio changes you’re thinking of making with your Financial Advisor: Not only can they provide informed and objective advice, but it’s coming from someone in your corner who wants what’s best for you. And remember, the plans you and your advisor made are stress-tested against a wide variety of potential outcomes – so you’ll be well-positioned to succeed no matter what happens this November.

Historically, the market has performed best in a split government, with one party controlling the presidency and the other controlling the House.

AVERAGE ANNUAL S&P 500 PERFORMANCE BY PARTISAN CONTROL



1933 – 2023, excluding 2001 – 2002 due to Sen. Jeffords changing parties in mid-2001

Source: Strategas, Factset

Planning for Your Legacy

WHEN YOU STARTED your relationship with your Baird Financial Advisor, you were likely hoping to get some answers to questions that were relevant to what was going on in your life at that moment. Perhaps you were curious about the best strategy for paying off your student loans, or wondering whether your portfolio was diversified enough to weather the markets.

And while those questions remain important, you also experience changes that spark new shifts and focuses in your life: Maybe your kids start their own families, or you transition in the next generation of leadership within your business. No matter the changes, you've been meeting with your Baird Financial Advisor all along, reviewing your plan to achieving your goals.

At some point, you may take a step back and realize: The wealth and legacy you've created are going to live on for generations. Now, the bigger picture starts to come into play. Maybe you're wondering,

Will my family be financially taken care of when I'm gone?

Do my kids know and embrace the values of our family?

Even if you haven't dwelled on these questions, don't fret – because we are. Solving for the existential questions of your legacy isn't a task you do alone.

The following pages are a starting point for you to reflect on your legacy – preparing your heirs for an inheritance, caring for an elderly parent and more. Use them to outline a conversation with your Financial Advisor – so that we can ensure your wealth is protected for generations to come. ►

Is It Time To Update Your Estate Plan?

Life happens more quickly than you think, and that estate plan you drafted years ago may not reflect the wishes you have today.



Are There New Branches in Your Family Tree?

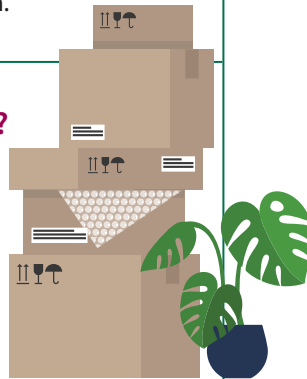
If you're getting married, welcoming a little one or experiencing any type of familial change, you may want to reconsider how your assets are distributed and who your beneficiary, power of attorney and trustee designations are.

Have There Been Significant Changes in Your Assets?

If you purchased real estate, you'll want to lay out your wishes for the property after you pass. Coming into new wealth, starting or inheriting a business are also reasons to revisit your estate plan.

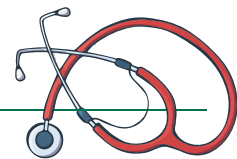
Did You Move to a Different State?

The rules for trusts and living wills differ between states. As you use this opportunity to review your plan, your advisor can help you assess your new state's laws and tax implications.



Are There New Changes in Your Health?

If you've received a new health diagnosis, allow plenty of time to consider the potential impact on your current wealth management and legacy plans. And if your condition will require ongoing care, you may want to revisit your appointed Healthcare Power of Attorney as well.



Has There Been a Shift in Your Goals or Wishes?

Perhaps your charitable inclinations changed as you entered retirement, or your relationship with a family member has changed, requiring a second look at your plan. Or, maybe over time you've redefined what you'd like your legacy to be.

Once you update your estate plan with your lawyer and Baird Financial Advisor, consider setting expectations with your family around inheritances and upholding your legacy after you pass. To help you in those conversations, see page 8.



Preparing Your Heirs for Their Inheritance

The Art of Open Conversation

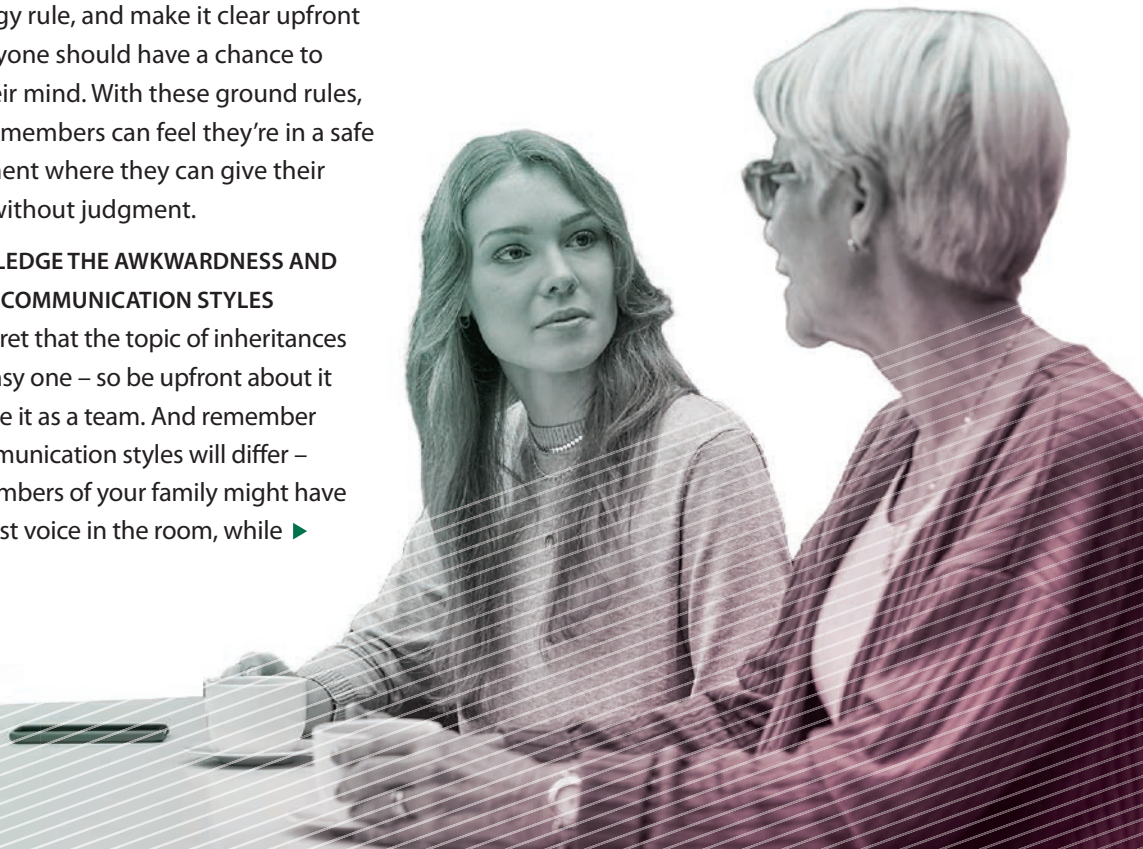
ONCE YOU'VE ESTABLISHED and reviewed your estate plan with your advisor, it's time to share your intentions with your heirs. Talking with your family about wealth may be difficult, but these conversations can give your loved ones peace of mind they will be cared for. Below are six strategies you can use to facilitate productive, family-wide discussions around your estate plan:

DECIDE ON GROUND RULES – TOGETHER As the initiator of these family meetings, your family is likely looking to you to lead these conversations. Open, candid discussions are key: Consider establishing a no-technology rule, and make it clear upfront that everyone should have a chance to speak their mind. With these ground rules, all family members can feel they're in a safe environment where they can give their opinion without judgment.

ACKNOWLEDGE THE AWKWARDNESS AND ADDRESS COMMUNICATION STYLES It's no secret that the topic of inheritances isn't an easy one – so be upfront about it and tackle it as a team. And remember that communication styles will differ – some members of your family might have the loudest voice in the room, while ►

“Like most things in life, children do a better job of managing something when they are prepared for it, and an inheritance is no exception. This is an opportunity for parents to teach and say how they feel – but, crucially, to also give space for children to do the same.”

Melanie Schmieding, CTFA
Director of Baird Family Wealth



others might need some encouragement. It's also important to recognize generational gaps that may show up in conversation. Heirs who are part of Generation X grew up in a different economic environment than did millennials or Gen Z. While the advice and information you give may not change, consider how your messaging can come across.

SHARE YOUR FEELINGS To model the behavior you're looking to foster, be candid and honest. While sharing how you feel may risk a disruption to the status quo, it's important to keep in mind the long-term goals of these potentially difficult conversations. Of course you'll want to maintain the family peace – but your desire for harmony shouldn't be a reason to put a superficial filter over these challenging conversations. Share what being a good steward of family wealth means to you and the legacy you hope to pass down throughout your family tree.

REMAIN AWARE OF YOUR OUTWARD REACTIONS You're not going to agree with everything that is said throughout your meetings – and that's okay. To encourage everyone to contribute openly and honestly, it's vital that you stay aware of how you react to things that are said – sometimes even body language is enough to shut down communication.

DESCRIBE YOUR LEGACY THROUGH STORYTELLING Encourage your older family members to talk through their experiences with younger ones. By sharing the personal stories and accomplishments you're proud of and the setbacks you've learned from, the entire family can understand the story behind their legacy – and hopefully gain a new appreciation for the values that formed from it.

SHARE YOUR ESTATE PLANNING DOCUMENTS At some point during these conversations, make sure your family knows where and how to access your estate planning documents. By doing this, you're taking away the added stress and worry that could come with an already challenging time that occurs when a family member passes away.

If you feel you're ready to start having these conversations with your family, let your Baird Financial Advisor know. As a resource who understands your family's finances and values, they can help you create a specific plan for addressing your legacy with your heirs.



Planning Calendar

September

Time to put any year-end tax plans in motion. Reach out to your Financial Advisor and tax professional to start talking about steps you can take to lower your tax bill for 2024.

September 6

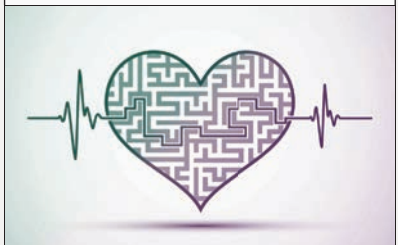
It's 401(k) Day, and that means it's time for a retirement plan checkup! Fall is a good time to look at your retirement assets, wherever they may be held. Work with your Financial Advisor to make sure your asset allocation is still consistent with your goals, and, if necessary, rebalance your investments.

September 16

Third-quarter federal estimated income tax payments are due.

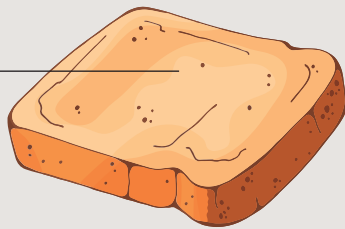
September 18

Tune into September's Wealth Strategies webinar, Navigating the Medicare Maze: Making Sense of Federal Health Insurance. Sign up at bairdwealth.com/wealthstrategies.

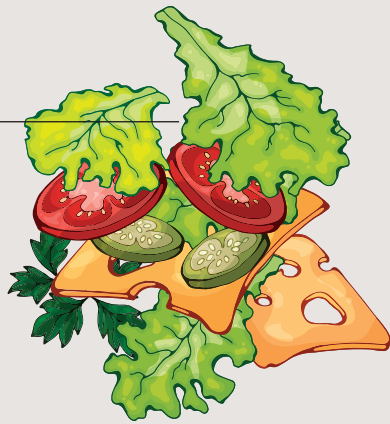


Stuck in the Middle: Making Sense of the Sandwich

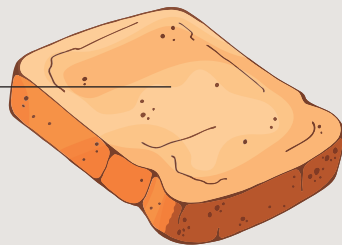
Grandparents



Parents



Kids



AMID BALANCING YOUR KIDS'

EDUCATION, soccer practices and family social gatherings, you may be faced with an entirely new challenge – taking on the care of your aging parent. As you enter this sandwich generation era, this guide can be used as a starting point to make the transition as smooth as possible.



HOUSING NEEDS

The best housing option for your parent is greatly dependent on their needs and level of independence. For example, a generally healthy parent may just need a few modifications to their current home like handrails and step-in showers. But, someone who needs assistance with daily living activities may need an in-home caregiver or assisted living center. When deciding on housing, be sure to consider factors like cost, proximity to family and even weather conditions.

How You Can Help: *If your parent isn't comfortable moving to a facility, you might welcome them to move in with you. If you decide to do so, consider any modifications you'd need to make to your home and how your kids and family may need to adjust. ►*



SOCIAL NEEDS

Be sure your parent has access to transportation

so they can keep their social spark alive. And if your parent struggles with mobility, introduce them to the possibility of a continuing care retirement community where they can connect with their peers.

How You Can Help: *Get every generation involved! Maybe your own children can help train your parent on keeping in touch through technology or encourage them to come along on family outings.*



HEALTHCARE NEEDS

Be sure you understand all your parent's

health concerns, including the care required for them and any medications they've been prescribed. Also, check that they've appointed a Healthcare Power of Attorney and that you both have a comprehensive understanding of what is and isn't covered on their health insurance.

How You Can Help: *Perhaps one of your older kids can drive your parent to appointments – or you can arrange to visit your parent's doctors with them. This way, you can meet their healthcare providers and ensure you're getting full and accurate information about their health concerns.*



FINANCIAL NEEDS

Take a more active role in monitoring your

parent's finances. Ask about their preparation for future healthcare costs, their advisors' contact information and their bank account information. Lastly, talk about their estate planning needs, ensuring they've appointed a Power of Attorney and that you have access to the paperwork for their wills, trusts and end-of-life preferences.

How You Can Help: *Set up a meeting with your parent and their Financial Advisor, maybe even including your older children for awareness. While legacy planning can be a difficult topic to discuss, having these conversations can help avoid any future potential confusion.*

SETTING YOUR KIDS UP FOR SUCCESS

If you've felt the stress of needing to care for your parent and want to prepare your children for the possibility of them caring for you someday, we have some tips.

First, get all your crucial documents in order and share them with your kids long ahead of time. Make sure they have access to paperwork like your will, insurance card, medications list and usernames and passwords for any online

accounts. Consider using Baird's Personal Information Guide – designed to help you capture all your personal and financial information into one document.

It's also vital that you have an intentional conversation around one another's expectations and boundaries. Consider how dependent you'll need to be, like whether you'll need your child for transportation or meals. Once you step into the role of the elderly parent, take the chance to double down on anything you felt went well when you were the caretaker, and share what you feel could've gone better.



Scan to download our two planning checklists, one with guidance for how to take care of your aging parents, and one with proactive tasks to prepare your children for the future. After you've completed, share with your Baird Financial Advisor so they can ensure your plan is reflective of your needs.



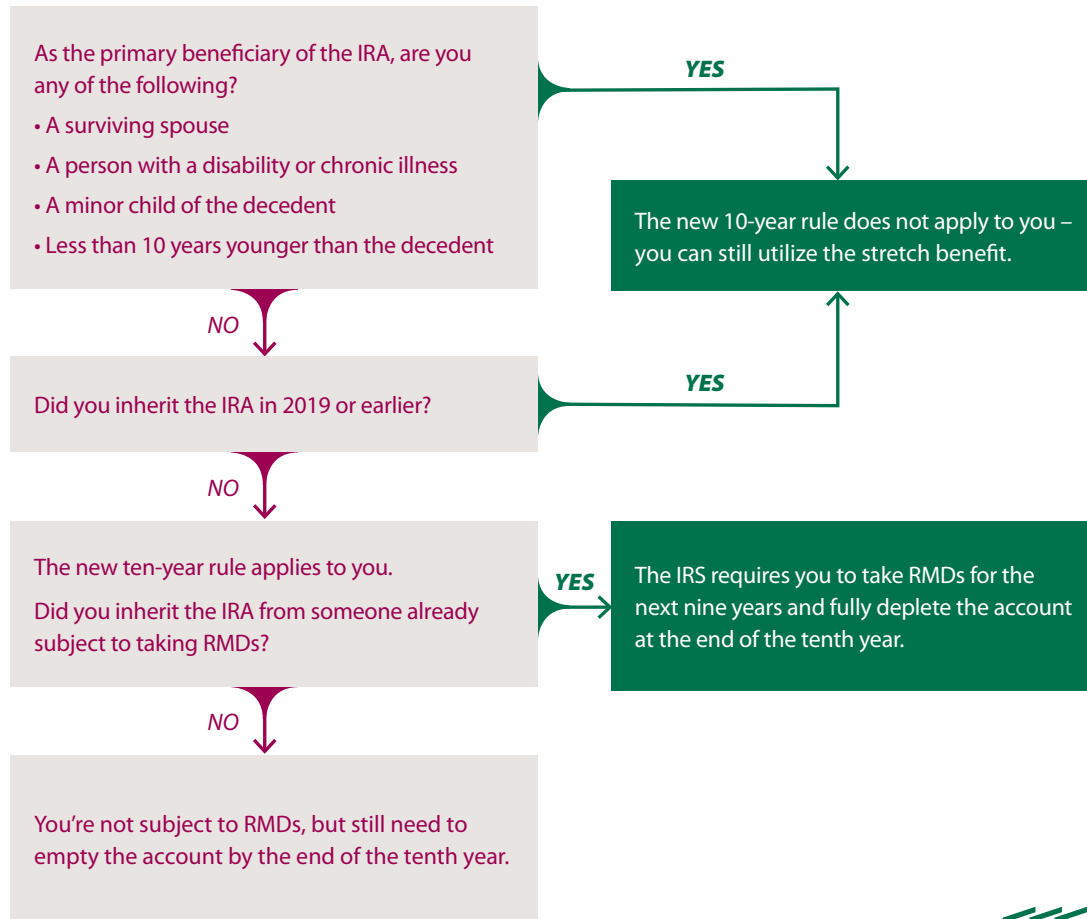
Demystifying Inherited IRAs: What You Need To Know

OVER THE PAST FEW YEARS, several rules have changed in relation to inherited IRAs – including the SECURE Act’s elimination of the option to “stretch” distributions over a lifetime for most beneficiaries. In July, the IRS released their most recent guidance on distributions from inherited IRAs, and confirmed that many beneficiaries must empty their inherited IRA account within ten years of the decedent’s death – and in some cases, take taxable minimum distributions for the first nine years.

If you’re the beneficiary of an IRA, now is the time to plan how you’re going to liquidate the account. And if you’re planning on leaving an IRA to an heir, it’s a great idea to meet proactively with your advisor to ensure your beneficiaries get the most out of their inheritance.

IF YOU’RE INHERITING AN IRA

If you’re a beneficiary, standing on the right side of the IRS starts with understanding how these new rules apply to you:



DOING WELL BY DOING GOOD



The Value of Relationship

HOW DO YOU BUILD a rich and sustainable future? By honoring the past. When the Confederated Tribes of Grand Ronde sought to establish and preserve their culture, they wanted a partner who truly appreciated their vision. By taking the time to regularly meet with the Tribal Council and build relationships with their community, we were able to recognize their history and create a financial solution to help them flourish – both now and for generations.

Discover the *Baird Difference*

The Confederated Tribes of Grand Ronde is a client of Robert W. Baird & Co. Incorporated. No cash or non-cash compensation or other direct or indirect benefit was provided in exchange for this testimonial. The experience of the client described in this material may not be representative of the experiences of all Baird clients. Investing involves risk and there is no guarantee of future performance or success. Please visit rwbaird.com for more information about Baird.

We invite you to learn more about the Confederated Tribes of Grand Ronde in our new series “The Meaning Behind the Money,” available on Baird’s YouTube channel.



Baird does not provide tax or legal services. This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. Information in *Digest* has been obtained from sources we consider to be reliable, but we cannot guarantee its accuracy. All investments carry some level of risk, including loss of principal. Past performance is not a guarantee of future results.

©2024 Robert W. Baird & Co. Incorporated. 777 East Wisconsin Avenue, Milwaukee, WI 53202. 800-79-BAIRD. rwbaird.com. Member New York Stock Exchange Inc. and other principal exchanges. Member SIPC. MC-1382804. #7056.55.

Want More?

Additional information is available at bairdwealth.com/digest, or contact a Baird Financial Advisor at 800-79-BAIRD.

