



## Important Information for Retirement Investors Regarding U.S. Department of Labor Investment Advice Exemption

The following disclosures apply to Retirement Investor accounts. For purposes of this document, a “Retirement Investor” is defined as (i) a participant or beneficiary of an employee benefit plan described in ERISA Section 3(3) or any plan described in Internal Revenue Code Section 4975(e)(1)(A) (collectively a “Plan”); (ii) the beneficial owner of an IRA (defined below) acting on behalf of the IRA; or (iii) a fiduciary of a Plan or IRA. The term “IRA” is defined as any plan that is an account or annuity described in Internal Revenue Code Sections 4975(e)(1)(B) through (F). These include traditional and Roth IRAs, SEP and SIMPLE accounts, retirement plan (or 401(k)) accounts, Coverdell Education Savings accounts and Health Savings Accounts. Collectively, we will refer to these as “Retirement Accounts.”

This disclosure is required by Prohibited Transaction Exemption 2020-02, Improving Investment Advice for Workers & Retirees, adopted by the Employee Benefits Security Administration of the U.S. Department of Labor. Throughout this document, we will refer to this exemption as the “DOL Investment Advice Exemption.”

The DOL Investment Advice Exemption provides relief from applicable prohibited transactions to firms such as Baird that provide investment advice to Retirement Accounts, so long as certain conditions are met. Baird will rely on the exemption when providing investment advice and recommendations to Retirement Accounts.

The date on which Baird will begin to rely on the exemption and acknowledge fiduciary status for Retirement Accounts as required by the exemption is February 1, 2022.

### Acknowledgment of Fiduciary Status

When Baird and your Baird Financial Advisor (“we”) provide investment advice to you regarding your Retirement Account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code (Code), as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule (the DOL Investment Advice Exemption) that requires us to act in your best interest and not put our interest ahead of yours.

Please note that we generally provide investment advice and recommendations for both brokerage and investment advisory Retirement Accounts unless the account is designated as “self-directed,” meaning that you do not seek and you will not receive investment advice from us with respect to activities in that account. Baird does not acknowledge that we are fiduciaries with respect to self-directed brokerage Retirement Accounts, and the DOL Investment Advice Exemption does not apply to such accounts.

There may be circumstances in which we may solicit your interest in purchasing for your Retirement Account common stocks and other equity securities in offerings in which Baird is an underwriter (each, a “Baird Underwritten Equity Offering”). The DOL Investment Advice Exemption does not permit us to offer investment advice or recommendations to you about purchasing securities in Baird Underwritten Equity Offerings because of restrictions against principal transactions. Therefore, you should be aware that when we may inform you about the possibility of purchasing securities in Baird Underwritten Equity Offerings for your Retirement Account, our provision of such information is not investment advice and is not a recommendation that you purchase such securities, and you acknowledge that you are making your own decision whether or not to do so.

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### Requirements of the DOL Investment Advice Exemption

Under the provisions of the DOL Investment Advice Exemption, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### Conflict of Interest

For detailed information about conflicts of interest that apply to your Retirement Account, please see our Client Relationship Summary and our Client Relationship Details that are a part of Baird's Client Relationship Booklet. The Client Relationship Booklet can be found at <https://bairdwealth.com/retailinvestor>. There is a caption entitled "Conflicts of Interest" contained in the Client Relationship Details document. The conflicts of interest applicable to your relationship will differ depending on whether your account is a commission-based brokerage account or a fee-based investment advisory account. Other conflicts are common to both account types.

### Description of Services Baird Provides

For information about the brokerage and investment advisory services Baird provides, please see our Client Relationship Summary and our Client Relationship Details that are a part of Baird's Client Relationship Booklet. These can be found at <https://bairdwealth.com/retailinvestor>.

Your account agreement with Baird (e.g., the Client Relationship Agreement and, as applicable, the Advisory Program Supplement) will also describe the services you have requested.

### Description of Costs, Fees and Expenses

For information about the costs, fees and expenses that apply to your account and the transactions and other activity in your account, please see our Client Relationship Summary and our Client Relationship Details that are a part of Baird's Client Relationship Booklet. These can be found at <https://bairdwealth.com/retailinvestor>.

If your account is a brokerage account, you will pay commissions, sales charges or markups on securities trades executed for your account. For certain investments such as mutual funds an ongoing commission or fee will be paid as well. If your account is an investment advisory account, you will pay an ongoing fee based on the value of the assets in your account. Typically, for investment advisory accounts, the fee is a "wrap" fee, which means that the fee covers the provision of investment advisory services as well as non-advisory services such as trade execution, custody of your investments and other account services.

For more detailed information about the costs and fees associated with your accounts, visit <https://bairdwealth.com/retailinvestor>. Additional information about the commissions and markup schedules for brokerage accounts, operating expenses for various investment products (such as mutual funds) and account fees and service charges can be found under the caption "Costs & Fees." Additional information about ongoing advisory fees that apply to investment advisory accounts can be found under the caption "Investment Advisory Services."

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### Rollovers

The DOL Investment Advice Exemption requires firms such as Baird to provide specific reasons to Retirement Accounts for a rollover recommendation and why the recommendation is believed to be in their best interest. These reasons must be provided prior to engaging in the rollover. For purposes of the DOL Investment Advice Exemption, a rollover is defined to include rolling over assets from a Plan to an IRA or other Plan, from one IRA to another IRA or from one type of account (such as a brokerage account) to another type of account (such as a fee-based investment advisory account).

### Rollovers from Plan to Plan, Plan to IRA and IRA to Plan

Baird does not make any recommendations to Retirement Accounts to roll over assets from a Plan to an IRA, from a Plan to another Plan or from an IRA to a Plan. As a matter of policy, Baird provides education with respect to such rollovers and Baird Financial Advisors can explain the benefits and disadvantages of such rollovers but are prohibited from making recommendations. For more information about the benefits and disadvantages of IRA rollovers, please see the document entitled “Important Information About IRA Rollovers: Education of the Potential Benefits and Disadvantages of an IRA Rollover,” contained in Baird’s Client Relationship Booklet at <https://bairdwealth.com/retailinvestor> or separately available at <https://bairdwealth.com/retailinvestor> under the heading “Client Relationship Information.

### IRA to IRA Transfers

A rollover includes a transfer of an IRA from one firm to another firm, which can occur when the financial advisor or representative at one firm moves his/her business to another firm and a client decides to transfer his/her IRA to the financial advisor’s new firm, or otherwise when a client with an IRA at one firm decides to move his/her IRA to another firm.

If your Financial Advisor recommends that you move assets from an IRA at another firm to Baird, he or she is required to consider, based on the information you provide, whether you will be giving up certain important investment-related benefits at the other firm and has determined that the recommendation is in your best interest for these specific reasons:

- The Financial Advisor believes that his/her experience, judgment, accessibility and client service will be beneficial to you, help you achieve your investment goals, and meet your various financial needs;
- The various types of accounts, investments and other financial products, as well as the breadth, depth and quality of investment, planning and other wealth management services, programs and solutions, offered at Baird and available to your IRA are sufficient to meet your expected goals, planning and other needs, and specific requests;
- When a transfer of an IRA from another firm to Baird is recommended as a result of your Financial Advisor moving from that firm to Baird, you are already familiar with your Financial Advisor and have previously worked with him/her at the other firm; and
- The costs and fees associated with having your IRA at Baird are justified by these services and benefits.

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Notwithstanding whether a recommendation has been made, you understand and agree that with respect to any assets you decide to transfer/roll over from a Plan or move from an IRA at another financial institution now or in the future, you must: (1) evaluate the investment and non-investment considerations important to you in making the decision; (2) review and understand the fees and costs associated with maintaining an IRA at Baird; (3) recognize that higher net fees (if applicable) will substantially reduce your investment returns and ultimate retirement assets; and (4) understand the conflicts of interest raised by the financial benefits to Baird and its employees resulting from your decision to roll or transfer assets to an IRA at Baird. Please read Baird's Client Relationship Booklet at <https://bairdwealth.com/retailinvestor>.

### **Traditional to Roth IRAs/Roth Conversions**

A rollover includes a transfer or conversion of all or a portion of your traditional IRA into a Roth IRA.

If your Baird Financial Advisor recommends that you transfer or convert your traditional IRA (or a portion of the assets in your traditional IRA) into a Roth IRA, your Baird Financial Advisor has considered the fact that, despite paying income taxes on the amount transferred, he has considered your investment profile, tax bracket, the rules applicable to Roth conversions and other factors, and has determined that a Roth conversion is in your best interest for the following specific reasons:

- It is likely that you are in a lower tax bracket today than you will be in the future;
- Withdrawals in retirement from your Roth IRA are not subject to federal income tax;
- Your income may exceed limits imposed to make direct contributions to a Roth IRA; and
- A Roth IRA does not have required minimum distributions during your lifetime, allowing your assets in the Roth IRA to continue to grow tax-free for a longer period of time.

### **Account Types**

A rollover includes a change in account type involving a Retirement Account, such as converting a commission-based brokerage account at a firm to a fee-based investment advisory account, or vice versa.

*Brokerage to Advisory Account Recommendation.* When your Baird Financial Advisor makes an account type recommendation that involves recommending that assets in your Retirement Account be placed in a fee-based investment advisory account from a commission-based brokerage account, your Financial Advisor has determined that doing so in your best interest based on your stated investment profile for the following specific reasons:

- You want or prefer to receive regular and continuous investment advice or professional management of your assets
- You desire knowing that Baird and your Baird Financial Advisor have fiduciary duties and responsibilities as an investment adviser under the Investment Advisers Act of 1940;
- The investment programs, solutions, services and products available to you in an investment advisory account are not available in a brokerage account;
- The investment advisory program or solution recommended to you meet your investment objectives, goals, time horizon and risk profile;

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- The asset-based fees associated with an investment advisory account better aligns the interests of Baird and your Baird Financial Advisor with your interests and avoid common conflicts associated with a commission-based account; and
- The asset-based fees associated with an investment advisory account are justified by the services and features offered in that account.

*Advisory to Brokerage Recommendation.* When your Baird Financial Advisor makes an account type recommendation that involves recommending that assets in your Retirement Account be placed in a commission-based brokerage account from a fee-based brokerage account, your Financial Advisor has determined that doing so is in your best interest based on your stated investment profile for the following specific reasons:

- You do not want or need regular and continuous investment advice from a financial professional or ongoing monitoring of your account;
- You have or expect to have low or no trading activity;
- You prefer or tend to make decisions about securities transactions without recommendations or advice, which are commonly referred to as “unsolicited” transactions;
- You intend to use an investment strategy, product or solution that is only available in a brokerage account
- Your account maintains high levels of cash or concentrated positions; and
- The commission- or transaction-based costs associated with a brokerage account are justified by the services and features offered in that account.

Notwithstanding whether a recommendation has been made, you understand and agree that with respect to any assets you decide to move into a brokerage or advisory account, you must: (1) evaluate the investment and non-investment considerations important to you in making the decision; (2) review and understand the fees and costs associated with the account; (3) recognize that higher net fees (if applicable) will reduce your investment returns and ultimate retirement assets; and (4) understand the conflicts of interest raised by the financial benefits to Baird and its employees resulting from your decision to move assets into the account. Please read Baird’s Client Relationship Booklet at <https://bairdwealth.com/retailinvestor>.