BAIRD

Private Wealth Management

DIGEST

NEWS AND PERSPECTIVE FOR GROWING AND PRESERVING YOUR WEALTH

FALL 2022

Midterm Election Preview

WHAT A NEW CONGRESS MIGHT MEAN FOR THE ECONOMY

MAKING SENSE OF THE EMPTY NEST

TRUST 101: ELEMENTS AND BENEFITS OF ESTATE PLANNING

CALCULATING YOUR PERSONAL INFLATION RATE

Letter From Leadership

IN THIS ISSUE...

Baird's client-first mentality is at the forefront of everything we do. It's how we build trusted relationships with you, our clients, and it's how we help design better financial futures for individuals and families.

With that notion in mind, we recently conducted an anonymous client survey to find out more about how you would like to interact with your advisor team and how we can deliver the best solutions to meet your ever-evolving needs and desires.

We asked Katie Costigan, Market Director in our Private Wealth Management business unit, to explain how the results of this survey can help our clients. "As the financial world continues to grow more complex, we want to ensure that you're receiving the best client experience," Katie said. "For instance, we've learned that interest in various wealth planning topics varies greatly by the client's age and stage of life – demonstrating the importance of our personalized approach to financial planning."

"That's important information to have when we're considering what's most valuable for our clients," Katie added. "Feedback like this helps shape our partnership for the future together."

Thank you to all the clients who took the time to complete the survey and share your thoughts, and thank you for putting your continued trust in Baird.

MIKE SCHROEDER
CHAIRMAN OF PRIVATE
WEALTH MANAGEMENT

ERIK DAHLBERG
PRESIDENT
PRIVATE WEALTH MANAGEMENT

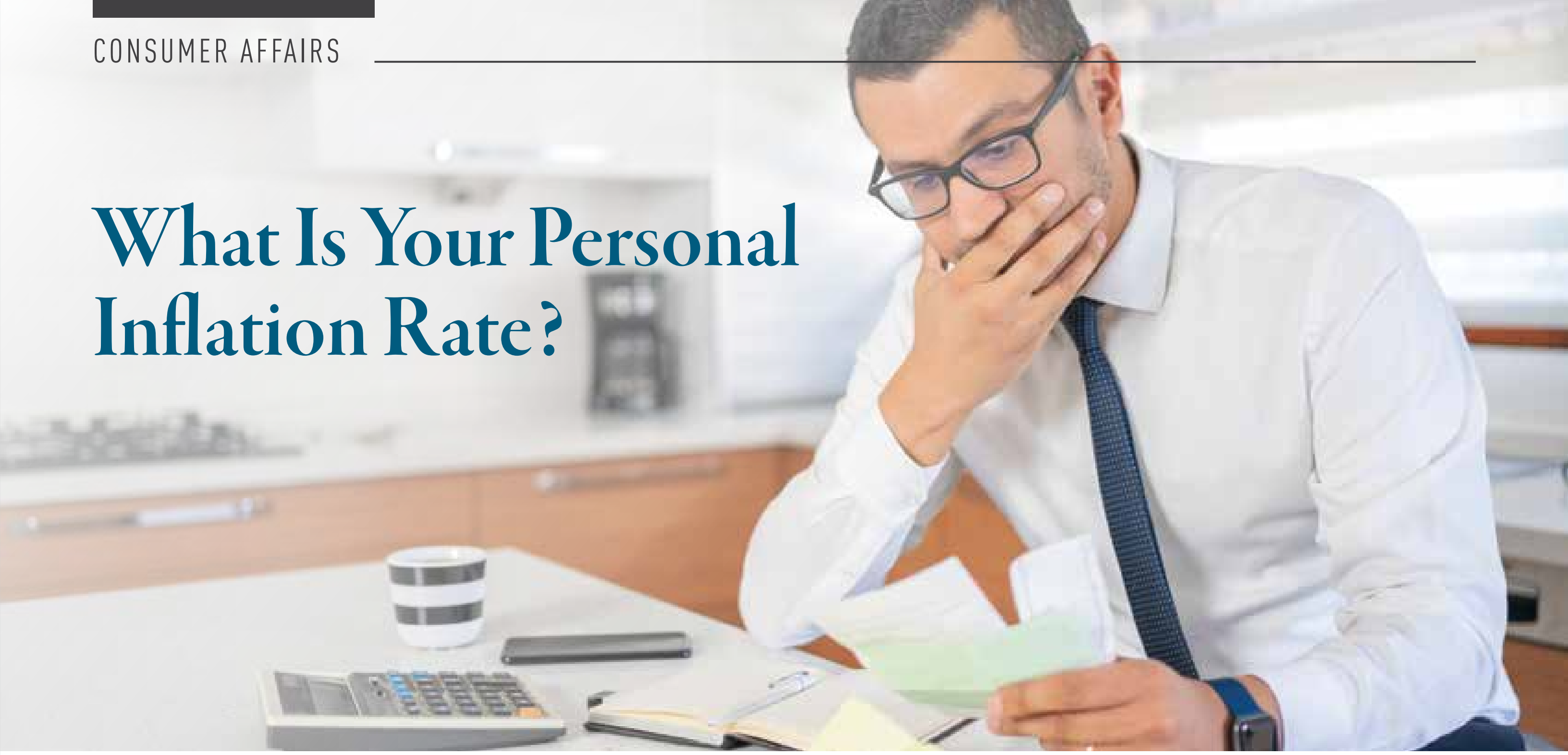
"Feedback like this helps shape our partnership for the future together."

-Katie Costigan, Market Director
Private Wealth Management

Want More?

Additional information is available at **bairddigest.com**, or contact a Baird Financial Advisor at **800-79-BAIRD**.

What Is Your Personal Inflation Rate?



Prices don't rise in lockstep. Here's how – and why – you can figure out the impact inflation has had on you over the past year.

While inflation has had a great effect on all of our lives over the past year, it's important to remember that it doesn't impact everyone and everything equally. Some prices have increased dramatically, like gasoline rising by 44% from July 2021 to July 2022, while medical care commodities are up by just 3.7% over that same time frame, according to the Bureau of Labor and Statistics.

So the amount of inflationary pressure you feel personally depends heavily on how you spend your money. It can be helpful in these fluctuating circumstances to figure your own personal inflation rate. Here's one way to do that:

- **Total up all your spending by category for the most recent month.**
- **Go back to your bank and credit card records from one year ago to figure out what your expenses were for each category in that month.**
- **Subtract your total 2022 expenses for the month from your total for 2021. Divide the difference by your 2021 total. The result is your personal inflation rate.**

So if you spent $8,500 in July 2022 and $7,500 in July of 2021, your personal inflation rate is:

($8,500 – $7,500) ÷ $7,500 = 13.3%

It can be helpful, in doing this exercise, to divide your expenses up by category for each month: This can give you an idea of how prices have risen for you as compared to the national averages in each category. And it can give you some insight into any changes you want to make in your monthly budgeting.

Inflation is always a challenge for both consumers and investors. That's one reason that the financial plans created by your Baird Financial Advisor are designed to withstand future changes in the inflation rate, helping you to thrive under any circumstances. If you're concerned about how your personal budget or retirement strategy may be affected by inflation, we encourage you to give them a call. D

Making Sense of the Empty Nest!

AS YOUR KIDS MOVE OUT OF THE HOUSE AND INTO ADULTHOOD, THESE MOVES CAN KEEP YOU BOTH FINANCIALLY SECURE

Are your children ready to move out of the house for college or a job of their own? It can be a tricky balance to cut the apron strings while also helping them build a solid financial future for themselves. Here are a few moves you should keep in mind:

SETTING UP THEIR INSURANCE

In most cases, a child can stay on their parents' health insurance, even if the child is offered coverage at their own job (which may turn out to be more expensive than being added to a parent's plan) or if they are no longer listed as a dependent on their parents' taxes. But that coverage almost always ends when the child turns 26. At that point they'll want to review their options and ensure continuity of coverage, so don't let them wait till the last minute to move onto their employer's plan.

In contrast, your child can stay on their parents' car insurance only as long as they live with you in your home. If they're away at college, they can stay on as long as they share your permanent address. After that, they'll need to take out their own policy. ▶

BUILDING THEIR WEALTH

Your child may not have much of a credit history prior to turning 18, but minor children can be a target for identity thieves. So it's worth ordering a credit report to be sure that nothing inadvertent or fraudulent has been connected to his or her Social Security number. Baird has partnered with InfoArmor, an industry-leading identity protection service, to help keep our clients safe, or you can get a free credit report from each of the three major credit reporting agencies at annualcreditreport.com.

Applying for a credit card without a parent on the account is a good way for a child to start building credit. In addition to giving the child access to funds and teaching them some measure of fiscal responsibility, it can also be useful in cases of emergency.

Many young people stay on their parents' cell phone plan well into adulthood, and really, there's no hurry to kick them off. The carriers are happy to keep the extra customers rather than risk losing them to a competitor, and there are no age or address restrictions covering who's eligible to be in a "family plan."

A Reminder: Paying for things like your child's car insurance or cell phone bill are technically considered gifts. You'll want to keep track of these things if you're nearing the $16,000 annual gifting limit.

SOLIDIFYING THEIR HEALTH CARE

Because of the Health Insurance Portability and Accountability Act (HIPAA), health care providers are not legally permitted to disclose an adult's medical record or even discuss their health status, even if that adult is still on your health insurance plan. But your adult child can sign a HIPAA release form to give you access to such information.

A health care proxy allows you to make health care decisions for a person who has become unable to due to injury or illness. Once your child reaches age 18, you can no longer make decisions for them, even if they're incapacitated, without a proxy.

A durable power of attorney authorizes you to manage your child's finances in the event that they are unable to make decisions themselves. It also lets you act on their behalf when he or she is unavailable to do things, such as sign a lease, while they're studying abroad, for instance.

Leaving home is an important time in your child's life, and it gives you the opportunity to get their adulthood started on a solid footing. If you're concerned about building their financial future, talk to your Baird Financial advisor. D

What to Expect from the Midterm Elections

STRATEGAS ECONOMIC OUTLOOK

Historically, midterm elections following a newly elected president have been referendums on that president's first two years in office. Those midterm elections have not been good for the president's political party. On average, the incumbent's party loses 29 House seats in their first midterm election.

In fact, over the past 100 years, just two presidents have gained seats in their first midterm election, and both were due to extraordinary circumstances: FDR during the Great Depression and George W. Bush following the 9/11 attacks. Republicans need to win just four seats to gain the majority in the House in the 2022 midterm elections.

Since the midterm elections are generally referendums on incumbent presidents, it is not a coincidence that the best midterm election indicator is the president's approval rating. The weaker (or stronger) the president's approval rating, the more seats the president's party loses (or wins) in House races. President Biden's approval rating has hovered around the low end of presidents historically, and is roughly at the same level as President Trump at this point in his presidency. Trump went on to lose more than 40 House seats in his 2018 midterm election. Biden's low approval rating is ▶

consistent with the Republicans winning the House.

On the Senate side, the relationship between a president's approval rating and lost Senate seats is not as clear. In fact, a sitting president loses on average just one Senate seat in their first midterm election, which is not usually enough to flip the Senate to the other party. But in today's 50-50 Senate, a net one-seat gain will flip the chamber to either party.

While the national mood has benefited Republicans, Democrats do have several advantages. First, Republicans are on defense, with 21 seats to defend while Democrats have just 14. Second, the Republicans have to defend such swing states as Pennsylvania, Ohio, North Carolina, and Wisconsin. Democrats also have a significant fundraising advantage and better candidate quality. Like the presidential election of 2020, the key states are Arizona, Georgia, Wisconsin, Pennsylvania, North Carolina, and Nevada.

Midterm election years are also historically the most volatile years of the four-year presidential cycle for the stock market. The S&P 500 suffers an average intra-year decline in midterm election years of 19%, as compared to just 13% in the other three years of the presidential cycle. We have generally found midterm election years to be marked by declining presidential approval ratings, tighter monetary policy, tighter fiscal policy, and an increasing likelihood of a change in political party.

The good news is that the sharp declines in midterm election years are met with even sharper rebounds. The S&P 500 is up 32% on average one year later than its midterm election-year low. In fact, we have found that just getting to the midterm election has been a positive catalyst for stocks, regardless of which party wins the election. The S&P 500 has not declined in the 12 months following a midterm election since 1946, which is likely explained by the end of the election season and greater certainty with regard to domestic policy with a split government scenario.

Divided government, as currently forecast in the market probabilities, has also been good for the S&P 500. A Republican Congress and Democratic president has produced an average annual return of 13.8% per year. Similarly, a Republican House, Democratic Senate, and Democratic president has produced an average annual return of 13%.

If Republicans take control of both the House and the Senate, President Biden will be able to veto any legislation they enact, making legislation tough to pass. Priorities are expected to be immigration, education, energy, and tech regulation. Republicans will also focus on oversight of the Biden Administration. We see the Republicans using the budget process to win legislative victories on energy and immigration, although the gains may be more limited than the party would want.

If the Democrats were to maintain control of both the House and the Senate, they are likely to keep control by very slim margins. As a result, their policies will continue to have to be moderated down, as we saw with passage of the Inflation Reduction Act, which was pared back significantly over the past year. They will likely focus on renewing the child tax credit, continuing to accelerate green energy initiatives, and providing additional funding for education, child care, and home health.

Either way, almost immediately following the election, the 2024 presidential election will begin.

Trust 101: The Elements and Benefits of Estate Planning

Looking to build and protect your legacy for your family's future generations? This list from Baird Trust points out the building blocks that can get you started.

Estate planning is for more than just the ultra-wealthy; it's a vital tool for everyone who wants to leave something behind for their family and the causes they believe in. The benefits range from asset protection to charitable giving to avoiding probate.

Haven't started on an estate plan yet? Here's what you need to know:

BUILDING BLOCKS OF AN ESTATE PLAN

Last Will and Testament A will is a legal declaration of how, when and to whom you want your assets to be distributed upon your death. If you die without a will, your assets could be distributed according to your state's laws, which could run counter to your personal wishes.

Power of Attorney A power of attorney is a legally binding document that appoints someone to act as your agent and manage your financial or legal affairs. A living will, also known as an advanced health care directive, formally outlines your wishes for medical care. ▶

Provisions in Case of Incapacitation An estate plan can help you build the structure that protects your assets and invests decision-making abilities in the people and financial institutions you trust – before the worst happens and you can't make those decisions yourself.

Retirement/Life Insurance Designations Proper beneficiary designation can help keep assets from retirement plans and life insurance policies from falling into probate, or going to outdated or deceased designees. Remember, a beneficiary designation overrides anything set forth in a will or trust.

Trusts Trusts are vehicles for holding your assets that can shield them from taxes, help them grow for future generations, and make your charitable giving more effective. They can be revocable or irrevocable, depending on your needs.

Philanthropic Tools Tools that can help with philanthropic giving include various charitable trusts, charitable endowments and family foundations. Charitable giving comes with many tax implications, so this is an area in which an estate planner can provide significant benefit.

BENEFITS OF AN ESTATE PLAN

Protecting Assets As part of an estate plan, gifting strategies and irrevocable trusts can help make sure that your assets stay where you intended them to be and to protect them from unknown creditors.

Mitigating Taxation If your estate value is in danger of bumping up against the federal estate tax – the exemption for 2022 is $12.06 million – planning strategies can help ensure the amount of tax due is reduced or eliminated so your assets remain as part of your legacy. Certain states also levy an estate or inheritance tax.

Planning for Business Succession Estate planning can ensure that a business stays within the family and is run by the people you designate, as well as minimizing the tax bite your heirs will have.

Avoiding Probate Probate court proceedings can be a cumbersome, time-consuming and often expensive process for distributing your assets after you're deceased. A detailed estate plan can help direct your assets while keeping your heirs from going through the probate process.

Protecting Confidentiality Some elements of asset transfer, such as probate court proceedings, are public and can expose your financial situation to anyone who chooses to learn about it. Estate planning strategies like revocable living trusts can help protect the privacy of your assets.

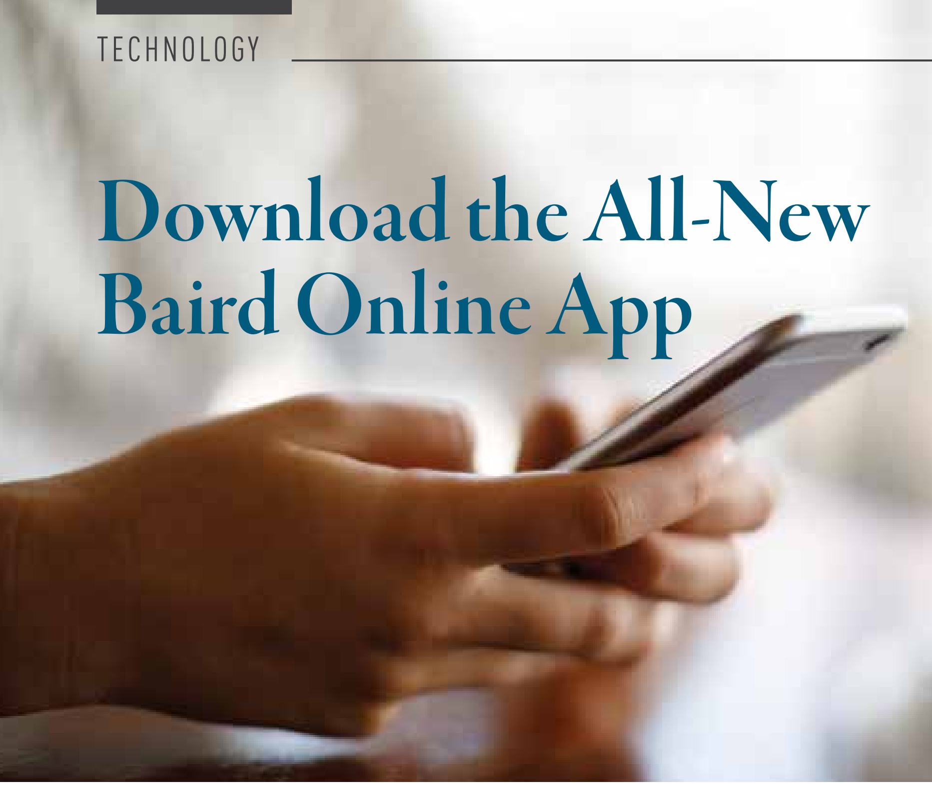
Preserving Long-Term Family Legacy And finally, the most important reason to make use of estate planning is to ensure that subsequent generations are able to enjoy the legacy you've worked so hard to provide.

If any of these potential benefits apply to you, it's time to start estate planning. Your Baird Financial Advisor can work with you to help ensure that your legacy – and your family – are protected. D

ABOUT BAIRD TRUST

Baird Trust provides high-net-worth clients with asset management, trust administration and estate settlement services. They help individuals and families protect, grow and transfer their wealth in a way that reflects their values. Contact your Baird Financial Advisor to discuss if working with a trust company makes sense for you and your family.

BAIRD TRUST



Download the All-New Baird Online App

Rebuilt from the ground up, the Baird Online app provides confidence and convenience in the palm of your hand. With new features, a more intuitive design and additional security, you can see your financial plans in action and review your information from anywhere with complete peace of mind.

SECURITY
End-to-end encryption
Biometric FaceID and fingerprint authentication

CONVENIENCE
The functionality of 360 Wealth and your Baird Online account
Technology to scan and upload documents directly from your phone or tablet

INSIGHTS
Easy access to the Baird research library as well as advice from Baird planning experts

PARTNERSHIP
One-tap communication with your Baird Financial Advisor

Get peace of mind at your fingertips – download the Baird Online app now.

Planning Calendar

OCTOBER 1

First date to file the Free Application for Federal Student Aid (FAFSA) for the 2023–2024 school year. Many (but not all) forms of financial aid are first-come, first-served.

OCTOBER 15 – DECEMBER 7

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

OCTOBER 17

Final extended deadline for filing 2021 income tax returns for those who requested an extension.

October's *Wealth Strategies* webinar: Medicare Planning

NOVEMBER

November is Giving Month! Direct donations of cash, material goods or investments can make a big difference in people's lives – and your 2022 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. (The sale must occur on December 31.)

November's *Wealth Strategies* webinar: Year-End Tax Planning

DECEMBER 31

Deadline for taking required minimum distributions from retirement plans for 2022.

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

Making Space Flight Safer

Virtual Incision, a Baird Capital portfolio company, has announced that it will test its MIRA® Platform in space in 2024 aboard the International Space Station. MIRA is a miniaturized surgical robotic support device designed for onboard colon resections, with more surgical applications to follow. The plan is to eventually use the technology for various medical purposes on a long-duration space mission. Baird's Venture Capital team has been invested in Virtual Incision since December 2021. Congratulations!

Want More?

Additional information is available at **bairddigest.com**, or contact a Baird Financial Advisor at **800-79-BAIRD**.