Digest

NEWS AND PERSPECTIVE FOR GROWING AND PRESERVING YOUR WEALTH

BAIRD

Summer 2023

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How To Protect Your Online Assets

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Finding Strength in Resilience

Our Annual Report captures how Baird thrives during challenging times and helps our clients navigate uncertainty

AT BAIRD WE KNOW that everyone, eventually, deals with tough times. So when we were faced with inflation and a sputtering stock market last year, our Financial Advisors were able to draw on Baird's century of expertise to help our clients get through a challenging environment. As an employee-owned firm, our advisors have always kept their focus on creating plans for you that perform over the long term – after all, we succeed only when you succeed.

We had that history in mind when we chose "Resilience" as the theme for our new Annual Report, reflecting on how our advisors had once again provided confidence and stability in a time of uncertainty. Baird's resilience has long been derived from our talented, passionate associates who always put our clients first – working to create successful outcomes for you no matter what the future has in store.

If you haven't seen it yet, we invite you to review our recently released Annual Report and learn about the ways we helped clients like you navigate the challenges of last year. We focus on resilience because we know our clients also need to be resilient in the face of hard times. Rest assured, Baird will always have your back.

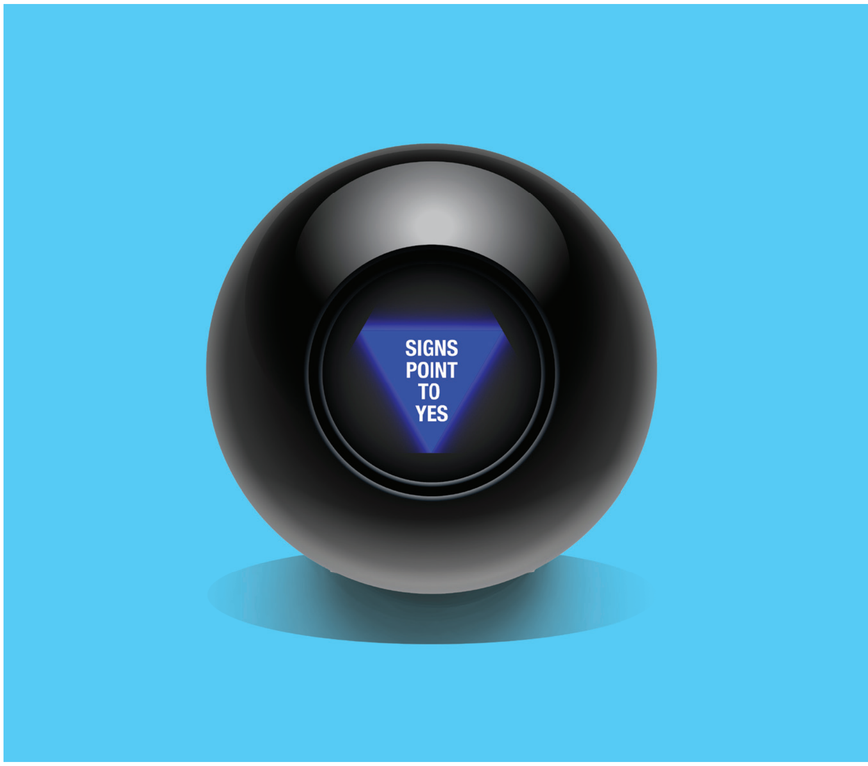
Access Baird's Annual Report by scanning the QR code below.

Mike Schroeder
Chairman
Private Wealth Management

Erik Dahlberg
President
Private Wealth Management

Why We Can't Shake Recession Fears

Despite some recent strength in the U.S. economy, we're still preparing for a downturn



AT THE BEGINNING OF 2023, recession fears were on everyone's mind. Inflation, though down from its peak, was still far above the Federal Reserve's 2% target, job growth seemed to be slowing from its white-hot pace, and the Fed continued to raise interest rates. Abroad, geopolitical turmoil persisted and the global economy's post-pandemic normalization remained uneven. Still, despite these headwinds, the U.S. economic growth across the first half of 2023 has been better than expected. Consumer spending has remained resilient and employment has continued to increase. All in all, the U.S. economy does not appear to be in recession currently. But some cracks are developing.

At a high level, the U.S. economy has been generating a nominal GDP growth of roughly 6% recently, but (unfortunately) the mix has been 2% from real growth and 4% from inflation. That looks unstable to us, since the Federal Reserve is an institution which, by mandate, is tasked with fighting excessive price changes. Their target is 2% consumer inflation, which we are well above currently by almost any metric.

This gets us back to the main reason for our concern about an economic downturn, which is the same as it was at the start of the year: an imbalanced U.S. economy. The goal of economic policy is to help balance supply and demand. Unfortunately, many global economies have found it difficult to achieve this type of balance over the past three years. There have been very large shocks to the system, due to both health concerns and geopolitical events. Ultimately, demand exceeding supply has generated the largest spate of U.S. inflation in the past 40 years.

Of course, the Fed does not control the supply side of the economy. They cannot plant more crops, build more houses, or pump more oil. And if supply will not increase to meet demand, then demand must fall to meet supply. To influence demand in the economy, the Fed can raise or lower interest rates to make borrowing cheaper or more expensive. But bringing demand down a significant extent is another way of saying the economy will be in recession. That is ultimately why Fed hiking cycles have often led to recessions in the past – higher rates lead to lower demand and higher risk of recession. ▶

We've already seen significant policy tightening. As of mid-year, the Federal Reserve had raised interest rates ten times over 15 months, taking the bank's key policy rate from 0% to 5%. Central banks around the globe have largely followed suit with tighter policy of their own. And while we are likely near the end of the Fed's hiking cycle, monetary policy generally acts with a lag, so today's actions will continue to impact the economy in coming years. Even if we have gotten past the bulk of the rate hikes, we are not past the effect of these policies.

All in all, the U.S. economy does not appear to be in recession currently. But some cracks are developing.

And so, it should not be surprising that despite economic resilience in the U.S., there are some cracks developing. The U.S. housing market has slowed significantly in the past year. The local manufacturing sector has moved into contraction territory based on some timely data. There have also been several high-profile bank failures in 2023. Abroad, the German economy has already seen two consecutive quarters of negative real GDP growth (a common definition of recession), while economic activity in China has also been disappointing despite the initial optimism for a post-Covid boom in 2023.

Further, according to senior loan officer surveys, banks have begun generally tightening their lending standards. This area is under particular scrutiny due to the U.S. banking turmoil earlier this year, and tighter lending standards have historically been a leading indicator of permanent job loss. Thus far, we have seen a slowing in the growth of employment, but not outright declines in key data such as U.S. nonfarm payrolls. Unfortunately, we believe there is still weakness to come.

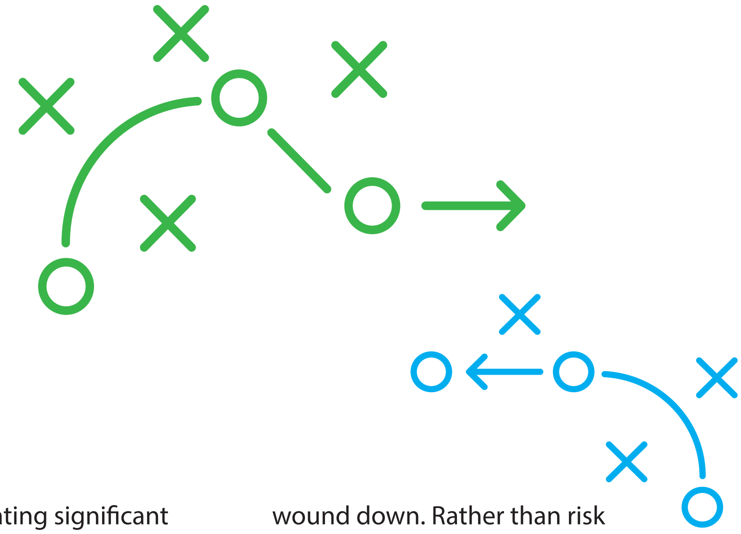
On a more optimistic note, there are several cushions that could help limit the damage. There is still some excess cash saving left over from the pandemic-era fiscal stimulus, and the U.S. labor market remains extremely tight (to the extent that there are roughly 1.6 job openings for every unemployed person). The Fed's hope is that they can remove job openings from the system, thereby bringing down wage growth, without destroying too many actual jobs.

But the bottom line remains: Wringing inflation out of the system is unlikely to be painless, and we believe risks to economic growth currently skew to the downside. As we like to remind our clients, history teaches us that inflation should be symmetrical – the steeper the increase in price pressure, the steeper the decline on the back end. This should remain the underlying trend in 2023 and 2024: with restrictive monetary policy in place, inflation should come down and the Fed will eventually feel less urgency to fight inflation. But, given what the Fed has done to get there – and what they may have left to do – the cost is likely to be a decline in U.S. job counts and an eventual recession.

Donald Rissmiller

Director of Macroeconomic Research, Strategas

Don Rissmiller has directed Strategas' macroeconomic research efforts since the firm's founding in 2006.



How To Prepare for a Recession

Six financial adjustments to make should the economy stumble

IN THE PREVIOUS PAGES, our experts at Strategas discussed the factors that could dictate when – and for how long – the economy might fall into recession. While hard to predict, recessions are a regular and even necessary part of the economic cycle – but that doesn't mean you have to take them lying down. Here are six actions you can take to make sure you're financially prepared.

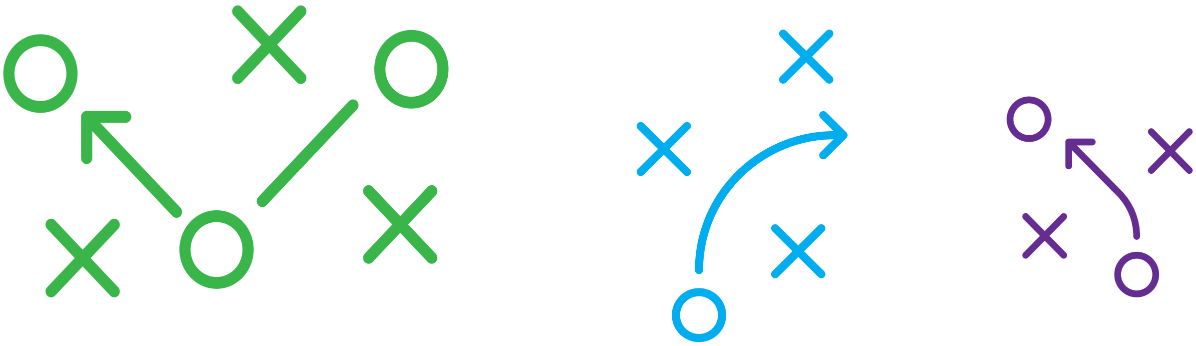
TAKE THE LONG VIEW. Recessions can be painful in the moment, but if you're able to ride them out, they can end up generating significant returns. The U.S. has endured seven recessions over the last 50 years – yet over that time frame the S&P 500 is still up well over 15,000%. As the saying goes, time in the market beats market timing, even when the market seems bleak.

CHECK YOUR PORTFOLIO. Even if a recession looms on the horizon, there's no way to know exactly when to sell and when to buy – some of the market's best performances have been right before a recession begins or before it's completely wound down. Rather than risk mistiming the market, focus on what you can control – that starts with positioning your assets appropriately for your goals and risk tolerance.

REVISIT ALL AREAS OF YOUR FINANCIAL PLANS. Decreased asset values don't just affect your plans for retirement – an extended market downturn can impact all areas of wealth management, from taxes to what you leave your heirs to how you pay for college. A proactive review could uncover ▶

Planning Calendar

July 31	August 16		September
This is the last day employers with calendar-year retirement plans can file Form 5500 for 2022.	August's Wealth Strategies webinar: Charitable Giving		Put any year-end tax plans in motion – reach out to your Financial Advisor for how you might lower your tax bill for 2023.



concentrations in your portfolio and make your wealth more durable.

EXPLORE BUILDING A LADDER. If you're able to ladder bond investments so your annual yield matches your living expenses, you can potentially create a cushion should markets get rough. This could allow you to keep the equity portion of your portfolio invested and let those holdings rebuild in value when the markets rebound.

GET LEAN. When used judiciously, debt can be rocket fuel during good times – but a lead balloon during the bad. Eliminating especially high-interest debt can make it easier to outlast a market downturn without having to sell off equities at depressed values. Also be wary of using your assets as collateral for a loan, as recessions can cause their value to dip unexpectedly, potentially causing the loan to be called early.

On average, the stock market has shown a 140% return in the 10 years following the onset of a recession.

BUILD UP YOUR CASH. A market in recession can take a long time to rebound – 18 months on average, with the longest recovery taking five years. Building up your financial reserves in money markets and interest-bearing accounts can keep you from having to sell stocks when equities are down. Baird's Cash Sweeps program lets you incorporate cash strategies into your wealth management plan in a way that can provide enhanced safety, simplicity and yield.

Recessions can be challenging for any investor – but when you're well-prepared, they can also present new possibilities. Your Baird Financial Advisor can help make sure you're ready for whatever the market has in store.

September 8	**September 15**	**September 20**	Scan the QR code to access our *Wealth Strategies* webinar series
401(k) Day is the first Friday after Labor Day! Celebrate by reviewing your retirement savings plans.	Third-quarter federal estimated income tax payments for 2023 are due.	September's Wealth Strategies webinar: Medicare	

Creating a Digital Estate Plan

Many of your assets are virtual now. Here's how to protect them after you're gone.

GIVEN THE EXTENT to which we live our lives online, it's become critical to treat digital assets the same as any other asset. That means protecting and preserving them – and making them part of your estate – with arrangements for what happens to them after you pass on.

What is a digital asset? It's any material that includes text, graphics, audio, video and animations. Simply put, almost anything you keep a digital record of should be considered a digital asset and is something that should be noted in your digital estate plan.

CREATING A DIGITAL ESTATE PLAN

The first step in creating your digital estate plan is to take inventory of all your digital assets. It's important to be meticulous with your checklist and consider everything from social media accounts to online banking information. If you bank online, you should list all your financial institutions and accounts, in addition to any investment and retirement accounts. This digital inventory should be updated regularly when new digital assets are acquired or credentials are changed.

You should also appoint a digital executor in your will, someone who will have access to all your digital assets as well as your smartphone and your social media accounts after you pass. While it may be easier to appoint a family member ▶

Digital assets can be separated into four categories:

Personal Digital Assets

Photos, videos, emails, contact lists, music, medical records, blogs, e-books, gaming assets, avatars, home security systems, loyalty programs

Social Digital Assets

Facebook, Twitter, Instagram, Pinterest, LinkedIn, etc.

Financial Digital Assets

Bank and credit card accounts, tax documents, PayPal, Apple Pay

Business Digital Assets

Business-oriented social media, domain names, customer and vendor information, intellectual property

CREATING A DIGITAL ESTATE PLAN

Continued from page 7

as your digital executor, it is not a necessity. Your attorney or another trusted professional can serve as digital executor. The important thing is to make sure it is someone you can trust completely.

Remember, it is still possible for heirs to access your accounts after you're gone even without a record of your password. Many phones allow you to establish a contact in the event of your passing (often known as a Legacy Contact or Inactive Account Manager) that can help in the transition.

PROTECTING AGAINST FRAUD

You'll want to protect your accounts from fraudulent attacks, which can be common after a person has passed away. If a hacker can obtain your Social Security number, date of birth, and/or account numbers, they can gain access to accounts that have yet to be closed while family members are unlikely to be paying attention.

Baird has partnered with InfoArmor, an identity protection firm that can help keep your assets from harm. If anyone tries to access the accounts of someone who is recently deceased, InfoArmor can notify a family member or designated executor immediately so that the breach can be closed and remediated appropriately.

HANDLING SOCIAL MEDIA ACCOUNTS

Without some sort of intervention from a surviving loved one, social media accounts can live on in perpetuity. Until recently, anyone could notify LinkedIn after a user's death and shut down an account with little to no documentation. Twitter currently allows family members to remove an account after presenting the company with proper documentation, such as an Authorization and Consent for Release of Electronically Stored Information.

Some people use the decedent's Facebook account to issue announcements or create a memorial. Facebook also has a legacy contact option to close or "memorialize" someone's Facebook page, without the ability to post as the individual. After some time, the best practice is to close these social media accounts down, to prevent anyone from hacking into a forgotten profile.

Our real lives have migrated online so gradually over time that it can be easy to lose track of how much our financial lives now live there. If you want to get your digital assets in order to make sure all of your online assets are protected, talk to your Baird Financial Advisor.

WHAT YOU CAN DO TODAY

- **Find someone to serve as your digital executor. In interviewing younger family members of professionals, you may find that they have a strong grasp on your digital concerns, and can help you establish a savvier strategy.**
- **Set up the Legacy Contact/ Inactive Account Manager on your phone, and let that person know you have done so.**
- **Enlist an identity protection service.**
- **Create a list of your key online accounts, including all bank and investment accounts, social media accounts, and recurring payment sites such as utilities. Make sure a trusted contact can gain access to these things if you're not around.**
- **Start saving photos, emails and other digital documents that you will want your heirs to have access to after you're gone.**
- **Make sure any valuable digital assets are covered by your will and estate planning documents.**

Mark Criner III, JD

Trust Strategist, Baird Trust

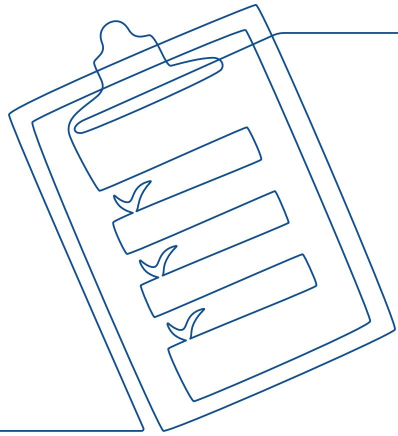
A Trust Strategist for Baird Trust, Mark Criner works with Baird Financial Advisors and their clients offering complex trust and estate planning guidance.

Lisa North

Identity Theft Protection Consultant, Wealth Solutions Group

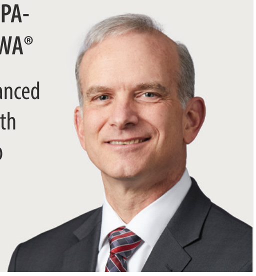
Lisa North manages Baird's Identity Theft Protection Program, focusing on safeguarding the assets that Baird clients have worked so hard to build.

A Financial Checklist for Post-Graduates



Tim Steffen, CPA-PFS, CFP®, CPWA®

Director of Advanced Planning, Wealth Solutions Group



IF YOU'RE A NEW GRAD starting your first real job, it's time to start adulting, including being responsible for your own financial life. Here are a few items to help you stay on your feet:

- ☐ **CREATE A BUDGET…** This may be your first experience with a regular paycheck, but also with regular expenses, so plan for how they're all going to work together. There are plenty of apps to help you figure out what you can afford to spend, and then help you stick to the program.
- ☐ **…AND THEN KEEP TRACK OF EVERYTHING** Write down everything you spend – including automatic monthly charges – and you'll notice that you're paying for things you don't need, like subscriptions you never use anymore.
- ☐ **PAY OFF DEBTS** Making minimal payments on credit card debts or student loans will chip off only small portions of the principal and stretch the total payments out for years. Make larger payments if you can, focusing on the most expensive debt first.
- ☐ **SAVE ON YOUR HOUSING** Your biggest expense right now is probably rent, which means it's also your biggest opportunity to save some money. There are several ways to do this: Take on a roommate, say, or look for a place in a less costly neighborhood.
- ☐ **REVIEW YOUR HEALTHCARE OPTIONS** In most cases you can stay on your parent's insurance until you turn 26, even if you are offered coverage at your own job (which may be more expensive). But that coverage almost always ends at 26, so don't wait till the last minute to arrange for your own coverage.
- ☐ **GET YOUR OWN CAR INSURANCE** You can generally stay on your parents' car insurance only as long as you live with them in their home. After that, you'll need to take out your own policy.
- ☐ **LOOK INTO RENTERS INSURANCE** Renters insurance is generally not very expensive – under $200 a year in most states – and it can help keep minor events, like a burst water pipe, from spiraling into a highly damaging expense. It's also required by many landlords.
- ☐ **START SAVING FOR RETIREMENT** Yes, it's still forty-odd years away, but the earlier you start putting money toward your future, the more it can grow. The easiest way: contribute to your 401(k) and maximize your employer match.

For tips on starting your retirement savings plan at your first job, scan the QR code below.

The Reality Behind Widowhood

Widowhood can happen sooner than families anticipate – so the time to prepare is now.

IT'S COMMONLY UNDERSTOOD that women on average live longer than men – but the age at which a woman loses her spouse is younger than most people realize. We sat down with Baird Trust's Jackie Russell and Baird Family Wealth's Jaleigh White to discuss the common misconceptions around widowhood – and what women can do now to prepare for the likelihood of living alone.

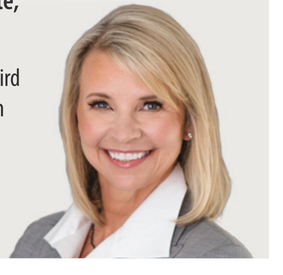
THE AVERAGE AGE OF WIDOWHOOD IS YOUNGER THAN MANY PEOPLE EXPECT.

For many people, the term "widow" evokes a woman later in life – but that picture isn't fully accurate. While it's true more than half of all women over age 75 are widowed, the U.S. Census also reports that the average age of widowhood for women is only 59 years old – an age when many couples are working ▶

Jacqueline K. Russell, CFP®, CTFA

Trust Officer, Baird Trust

Jackie has been implementing and educating clients on estate and financial planning strategies for more than 25 years.



Jaleigh White, CPA, CPWA®

Director of Baird Family Wealth

As Director of Baird Family Wealth, Jaleigh helps business owners, executives and multigenerational client families navigate their lives' major transitions.

Carve out time now, and it will pay dividends ten times over when you need it the most.

and still expecting to draw an income from an employer. As Baird Trust Officer Jackie Russell points out, many widows are caught off-guard from the death of a spouse, and often find themselves financially unprepared to suddenly have lost half the family income or access to a spouse's pension or Social Security benefits.

THE IMPACT AND RESPONSIBILITIES OF WIDOWHOOD ARE FAR-REACHING.
Upon the death of a spouse, widows are often in a vulnerable state, having to balance their own personal grief against the unfamiliar world of collecting life insurance benefits, planning a funeral or arranging a memorial service. But while making these final arrangements might be the immediate priority, they are not the only concerns that need to be addressed. Bills still need to be paid, the home still needs to be maintained – and all the tasks associated with daily life now fall on the surviving spouse. Jackie Russell notes, "We know in our lives as couples, we divide and conquer activities of daily living. When the entirety of those responsibilities falls solely and suddenly on a surviving spouse, that can lead to an incredible amount of stress, making an already difficult time that much harder."

YOU DON'T HAVE TO DO IT ALL YOURSELF.
The process of moving forward financially can be both overwhelming and time-consuming – gathering your assets, modeling what-if scenarios, exploring how the death of a spouse might affect decisions surrounding your lifestyle, retirement and long-term care can be physically and emotionally taxing. But you don't have to figure this all out on your own. In addition to the expertise your Baird Financial Advisor has in financial planning and wealth management, they also have access to specialists like Jackie and Jaleigh – experts who have dedicated their careers to helping women and families pursue their best lives.

3 Must-Do's To Prepare for Widowhood

Recommendations for every family.

1. Pre-plan

Many women don't think about the real-life implications of widowhood until after the fact. The best time to make these decisions is as a couple, where you can come to an agreement around the things that are important to you as a family. This is also a great time to cross-train one another on each spouse's daily responsibilities such as finances or home maintenance, especially who to call if you need a professional.

2. Formalize

Once you've identified your priorities in widowhood, bring in your Financial Advisor to fold them into your plans.

3. Communicate

Share your wishes with your family and loved ones, so in a time of emergency there are no surprises.

There's much more to Jackie's and Jaleigh's perspectives on widowhood – including Jaleigh's experiences guiding business owners through loss and Jackie's personal experience helping families through widowhood. Scan the QR code for a video of their conversation – exclusively for Digest readers.

The Great Wealth Transfer Has Begun

As baby boomers retire, estate planning has never been more important

WHEN I'M ASKED about the next big trend in wealth management, I think most expect a technology-centric response, like "artificial intelligence" or "cryptocurrency." The real answer is much more prosaic by comparison – but nonetheless will entail a truly seismic shift in how clients approach managing their wealth.

Until recently, the baby boom generation was the largest living adult generation in history, peaking at just shy of 80 million people. They have also been the most prosperous, controlling 56% of the country's $140 trillion in wealth. With the youngest baby boomers passing age 65 by the end of the decade, we are beginning to witness an unprecedented amount of money in motion as the wealth from this generation transfers to the next.

Adding an interesting wrinkle and heightened sense of urgency to this phenomenon is the sunset of certain estate tax provisions from 2017's Tax Cuts and Jobs Act. Among other things, this legislation increased the gift and estate tax exclusion amount – that is, how much you can transfer, in life or at death, without incurring gift or estate tax – from $5 million per individual in 2017 to an inflation-adjusted $12.92 million today. However, after 2025, that exclusion amount reverts to levels more in line with 2017, potentially shutting the door on this opportunity.

When done well, wealth transfer is planned for and executed over several years so people can move their money in the most frictionless and tax-efficient way possible. Especially for families with sophisticated wealth needs, it can involve many moving parts (such as trust services, tax and estate planning, business sale or succession-planning) and highly advanced gifting strategies.

For my fellow baby boomers, I would advise you: The time to start making plans with your advisor is now.

John Taft

Vice Chairman

As Vice Chairman of Baird and member of the firm's Executive Committee, John Taft has been providing investors with trusted perspective on the financial industry for more than 35 years.

For more of John's insights, subscribe to his blog, Finance for the Greater Good, by scanning the QR code below.

SOLVING AN ENVIRONMENTAL CRISIS like water scarcity – which already impacts more than 2 billion people worldwide, according to a 2023 report by the UN – requires real innovation and partnership. Whether it's assembling water filters at a women's leadership event hosted by Baird or investing in Baird Capital portfolio company cleanwater1, which creates water quality management solutions to the municipal water market, we're committed to making a difference for our clients, our communities and our planet.

Protecting a Precious Resource

In May 2023, attendees at Baird's THRIVE leadership event donated more than 100 water filters for global communities in need.

Want More?

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

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