

Digest

NEWS AND PERSPECTIVE FOR GROWING
AND PRESERVING YOUR WEALTH

BAIRD

Winter 2024

What To Watch in 2024



Strategas forecasts four trends that
could disrupt the market

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[SHARE YOUR "WHY" WITH A FAMILY LETTER / Pg 6](#)

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The Value of Partnership

Your relationship with your Baird Financial Advisor is unlike any other.

WITH A NEW YEAR COMES NEW POSSIBILITIES – and with them, a lot that might be on your mind. Maybe you're thinking about the state of the economy and the upcoming presidential election. Or maybe your thoughts are closer to home, like an upcoming family wedding or a new grandchild on the way.

Whatever's on your mind, your Financial Advisor is ready to support you – with powerful resources and expertise to enrich your relationship:

- ▶ Armed with an intimate understanding of your situation and priorities, your advisor can call in Baird's experts in wealth planning, trust solutions, business solutions and more to ensure you receive timely, specialized guidance. Case in point: On page 5, we discuss how – in reviewing your tax return – your advisor can seek out opportunities to make your wealth planning more tax-efficient.
- ▶ Their commitment to your well-being can be seen in your relationships with your other advisors: By "quarterbacking" the plans of your tax, legal and other specialists, your Financial Advisor can ensure the advice you receive is all working together.
- ▶ Your advisor can also facilitate complex but important family conversations around legacy planning, managing a family member's finances, funding a college plan and much more.

So as you think about what 2024 might have in store for you, connect with your Financial Advisor about what's on your mind. You might be surprised where that conversation can lead.

Wishing you a happy, healthy and prosperous New Year.



Mike Schroeder

Chairman
Private Wealth Management



Erik Dahlberg

President
Private Wealth Management

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Four Investment Themes for 2024

Strategas, a Baird Company, weighs in on what could move the market in 2024.

AT STRATEGAS, we often urge investors to avoid the siren song of over-trading and focus instead on long-term returns. (Warren Buffett – arguably the single best investor of all time – often reminds people that his favorite holding period is forever.) One way investors can play the long game is to choose major investment themes that are likely to stand the test of time. We believe the following four themes have the potential to offer superior returns in 2024. ▶



DEGLOBALIZATION



A FOCUS ON FLOW



RECESSION PROTECTION




ARTIFICIAL INTELLIGENCE


FOUR INVESTMENT THEMES FOR 2024

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DEGLOBALIZATION

The golden age of globalization that started with the fall of the Berlin Wall in 1989 seems to be coming to an end. Legislators on both sides of the aisle in Washington can agree on the risk China's emergence poses to American prosperity and security, and we believe many American companies will look to shorten the supply chains that help them produce and distribute the products they sell. Global defense spending tends to rise when geopolitical tensions rise, which could benefit Energy and Aerospace & Defense companies.

 **A FOCUS ON FLOW** As interest rates rise and become more variable, we believe investors should focus on companies that can organically generate profits and cash flows. Years of perpetually low interest rates made it possible for unprofitable companies to survive – incredibly, greater than 40% of the companies in the small-cap Russell 2000 Index have not generated a profit in the last 12 months. That is far less sustainable today, as access to outside capital has become more difficult and the cost of capital continues to rise. Large-cap stocks with a proven record of enhancing shareholder returns through dividends or share repurchases would be one way to take advantage of this theme.

 **RECESSION PROTECTION** No one really likes to think about the word “recession,” and so far, it appears the Fed has threaded the needle of fighting inflation while avoiding a significant economic slowdown. That said, the tools at the Fed's disposal are blunt, and the chances of recession increase greatly after a tightening of monetary policy. Given the current macroeconomic backdrop, we believe there is a 50% chance of a recession in 2024. History would suggest that recession losses can be offset with investments in pockets of the economy where consumer demand is more durable, such as Healthcare and Consumer Staples. ▶

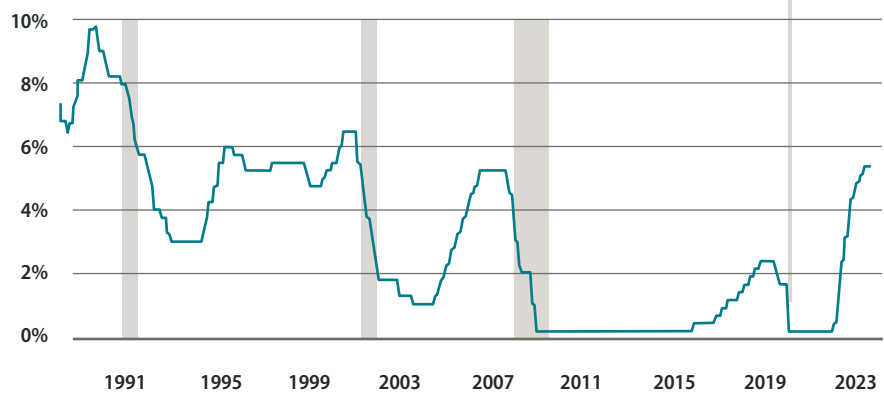
About Strategas, A Baird Company

Strategas' award-winning global macroeconomic research and policy insights help shape the guidance we offer wealth management clients.

STRATEGAS A BAIRD COMPANY

“Given the current macroeconomic backdrop, we believe there is a 50% chance of a recession in 2024.”

Periods of Federal Reserve rate hikes have often been followed by recessions.

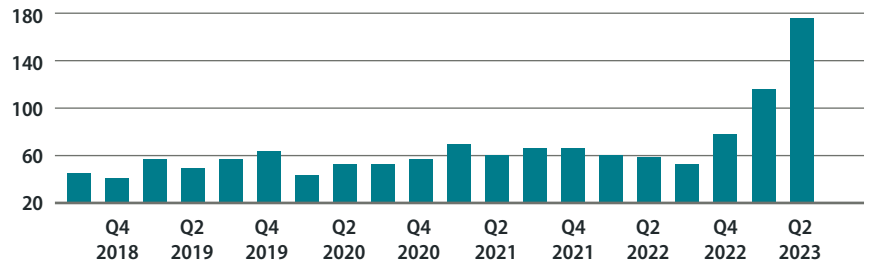




ARTIFICIAL INTELLIGENCE

We believe the companies that best leverage the power of generative artificial intelligence will be most able to maintain profit margins and grow earnings. While the widespread use of artificial intelligence in day-to-day business operations is still a long way off, virtually every company of scale has started experimenting with this powerful new technology – for both growth and survival. Many hardware and software companies in the Technology sector are well-positioned for almost-certain growth in the use of artificial intelligence and related cybersecurity solutions.

The number of S&P 500 companies that referenced “artificial intelligence” on earning calls more than doubled since the end of 2022.



We believe long-term investors will be served well by these four themes for 2024. In our opinion, a broadly diversified portfolio of companies that are poised to take advantage of these trends can provide the right balance between preserving capital and taking advantage of growth opportunities.



How Do Baird’s Planners Plan?

Want to start 2024 off on the right foot? We spoke with Baird’s planning experts for their best early-year tips.



Jim Guckenberg, Estate Planner

“Check in on your estate plan. Ensuring your assets are properly titled and beneficiary designations are up-to-date can bring peace of mind for the coming year.”



C.J. Jessup, Manager of Wealth Planning Associates

“If you’re looking to create some financial momentum, start by reviewing how your income might have changed last year and if that affects this year’s budget. Expenses change annually too – eggs aren’t getting any cheaper!”



Alex Sanzone, Manager of Financial Planning

“Did you recently get married or divorced? Are you anticipating a large tax refund? If so, it might be time to update your withholding. Depending on what changed, you could find yourself owing taxes in the following year if you don’t adjust your W-4.”




Tim Steffen, Director of Advanced Planning


“Making retirement plan contributions early in the year allows that tax-deferred growth to start sooner. Waiting until late in the year means missing out on that opportunity.”

For more planning opportunities, check out our Market, Policy and Planning outlook series at bairdwealth.com/2024Outlook.


How To Survive Tax Season

Want to take some of the stress out of tax preparation? Make it easy for yourself and your CPA with these six strategies.

 **START EARLY ...**
 Preparing your tax return should be a marathon, not a sprint. By starting now, you give yourself plenty of time to identify what you have and what you're still missing. It also lets your CPA work without the deadline pressure of Tax Day, which means fewer errors and more time to find ways to minimize your tax bill.

 **... AND GO SLOW**
 Procrastination leads to rushing, and rushing leads to mistakes. You don't have to complete your return in one sitting: Give yourself time for all the forms to arrive and to double-check your work. If needed, be prepared to file an extension – there's no harm in doing so, especially if that extra time results in avoiding unforced errors. (And no, an extension won't increase your risk of an audit.)



 **USE YOUR CPA'S QUESTIONNAIRE**
 While filling out the questionnaire might be tedious, it can help make sure you don't forget anything important and prevent having to scramble on Tax Day. Be sure to review every question: Lives change from year to year, and those answers can help avoid misunderstandings or missed opportunities. ▶

Planning Calendar

<p>January 1 – March 31</p> <p>General enrollment period for Medicare for those who missed their initial enrollment period.</p>	<p>January 16</p> <p>Federal estimated income tax payments for Q4 2023 are due.</p>	<p>February 15</p> <p>Baird issues the first wave of 1099s for accounts holding individual equities, bonds or mutual funds whose final tax information has been provided.</p>	<p>March 1</p> <p>Baird issues the second wave of 1099s for accounts holding securities that require year-end tax information adjustments or income reclassifications.</p>
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January's Wealth Strategies webinar: What Matters in 2024?



BE AS COMPLETE AS POSSIBLE

While it's understandable to want to send tax documents to your CPA as soon as you get them, doing so in batches risks misfiled or lost forms. Try to deliver all your documentation at once – including those tax forms that aren't standard, such as confirmation letters for charitable donations.



KEEP YOUR OLD FILES HANDY

It's a good idea to use last year's returns as a guide for preparing this year's returns. As a rule, you'll want to keep tax documents for three years, which is the limit for filing an amended return (seven years if you're reporting one-off transactions such as a bad debt deduction). For shorter-term documents, keep your monthly statements until you get the annual summary statement, and your annual statements until you sell the positions or close the account.



PROTECT YOURSELF FROM IDENTITY THEFT

Tax season is prime time for identity thieves to try to access your personal financial information. Ignore any texts, emails, social media messages or phone calls claiming to be from the IRS – if there are issues with your return, the IRS will send you a letter. Filing electronically and requesting an Identity Protection PIN from the IRS can also deter identity thieves from filing fraudulent tax returns.

For more about protecting your identity, check out "Staying Safe in an Online World" on page 9.



According to the IRS, three of the most common tax filing mistakes are:

- X MATH ERRORS**
- X UNSIGNED RETURNS**
- X INCORRECT SOCIAL SECURITY OR BANK ROUTING NUMBER**

Before filing away your return, bring a copy to your Baird Financial Advisor for review. They may be able to identify planning opportunities, and can collaborate with your CPA on strategies that can pay off now and in the future. Talk to your advisor to learn more.

<p>March 15</p> <p>Baird issues the final wave of 1099s for all remaining accounts, as well as for any accounts holding REMICs.</p>	<p>April 15</p> <p>Tax returns for 2023 are due, as are Q1 2024 federal estimated income tax payments and 2023 contributions to IRAs and Health Savings Accounts.</p>	<p>Scan the QR code to access our <i>Wealth Strategies</i> webinar series – expert insights on the financial issues that matter to you.</p> 
<p>February's Wealth Strategies webinar: Navigating the Social Security Landscape</p>		



A Message From the Heart

A family letter lets you share your “why” with your loved ones.

CONSIDER THE ELEMENTS that can go into a comprehensive estate plan – a will, a power of attorney, maybe a guardianship designation. While each of these documents can be vital and hard-working, they don’t give you the space to convey the reasoning behind your decisions, or how much your loved ones mean to you. They might answer the “how” and “when” but not the “why.”

Fortunately, thoughtful estate planning doesn’t limit you to just a

series of forms. By supplementing your estate plans with a personal letter to the members of your family, you can turn what’s often a dry and cumbersome process into one your loved ones can cherish long after you’re gone.

PUTTING YOUR THOUGHTS – AND VALUES – ON PAPER

A family letter gives you the opportunity to add context and meaning to your estate planning documents. While there’s no wrong way to write one, they generally have two components. ►



“Here’s an opportunity for you to reflect on your life and your journey, giving credit and love to all those who supported you. It’s a gift you can leave behind to your family.”

The Personal Message

The family letter lets you share your story – how you grew up, the lessons you’ve learned over a lifetime, the people that shaped you into who you have become. It’s an opportunity to re-instill your family’s values as well: Maybe you can share the role education played in your family’s history, or why the philanthropic causes you support mean so much to you. It also gives you a chance to explain decisions you made in your will that might otherwise be misunderstood, such as why one child might inherit a family business rather than another, or the conditions you might have placed on a trust.

Most of all, the family letter lets you reinforce how much your loved ones mean to you. Many people find it easier to express their feelings in writing than out loud – putting pen to paper in a family letter lets you choose your words carefully and leave behind a document your loved ones will treasure.

Important Financial Information

While not a legally binding document, the family letter gives you an opportunity to list all your financial accounts and policies,

which can provide guidance for your loved ones at an already difficult time. In addition to your personal message, your letter can include:

- ▶ Copies of important planning documents like a will and power of attorney
- ▶ Brokerage and banking account statements
- ▶ Credit card statements
- ▶ Sources of income your heirs might benefit from, such as insurance policies
- ▶ Locations of important documents as well as usernames and passwords of online accounts
- ▶ End-of-life arrangements, such as music played at a memorial service or where you’d like your remains

You can also use your family letter to provide the contact information of the financial professionals you work with. Especially for family members who live out-of-state, laying out your wishes and listing your financial advisors can provide an invaluable roadmap for the future.

RELY ON YOUR BAIRD FINANCIAL ADVISOR

There are a lot of decisions that can go into writing the perfect family letter, such as when you want it read or if you should

About Baird Trust

Baird Trust helps multigenerational families protect, grow and transfer their wealth through asset management, trust administration and estate settlement services. Contact your Baird Financial Advisor to discuss if working with Baird Trust makes sense for you and your family.



write one letter for the whole family or separate messages to individual members. Or maybe you want to consider your family letter as part of a larger family conversation about the future. Your Baird Financial Advisor is a great resource to help you collect your thoughts and create a letter in a way that has the greatest impact.



Helping Your Kids Weather the Storm

At a time of hyperinflation and home prices that are through the roof, it's understandable why young adults just starting out might be feeling let down. Baird's Mike Antonelli ("Bull and Baird") and John Taft ("Finance for the Greater Good") sat down to discuss how parents can help their kids through tough economic times.



John: Help me out, Mike – we've been telling our kids and grandkids for years,

"If you want to be financially successful, go to college, get a job and buy a house. Brew coffee at home instead of hitting the local coffeeshop." Is that advice still relevant today?



Mike: Good advice is good advice, regardless of who gives it. But I will say this: We need to

be thoughtful about what younger generations are going through. Not only have they lived through some scary historical events, but they've also had doomsayers delivering bad news to their phones 24 hours a day for their entire lives. To say they're disillusioned with repeating what previous generations did is an understatement.

Every generation wants the same things: To feel safe and secure, to

be part of a community and to have their work valued. Advice to rising generations needs to center on how they can achieve those things while reminding them the world has always been a crazy place. They may have grown up with COVID, but other generations grew up with the Cuban Missile Crisis, the Vietnam War or 9/11. It's the messaging that needs to change, not the advice. We also need to appreciate that younger generations get their content delivered in five-second snippets on TikTok – believe me, young adults aren't champing at the bit to listen to a 30-minute talk on retirement investing.



John: Sometimes the old-school wisdom still applies – like "Compounding is the eighth wonder of the world." Translation: Start saving early, automate your saving and don't

Mike Antonelli, Baird Market Strategist

As a Market Strategist for Baird, Mike focuses on the behavioral side of investing. He regularly speaks at Baird events to discuss how trends within the global markets could impact investors.

John Taft, Vice Chair

As Vice Chair 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.

stop and start. The value of the S&P 500 today is 7x what it was 50 years ago, and it could grow in value by as much again over the next 50 years.



Mike: I think the best advice we can give young people synergizes what we

know to be true with where they are in their lives. I'd want to tell a 21-year-old, "Save for your future, it's important, but also enjoy this time because experiences, not account balances, make us who we are."



Staying Safe in an Online World

According to the Federal Trade Commission, a new instance of identity theft is reported every 2 seconds. Here are a few reminders on how to stay safe in an online world.

SAFEGUARD YOUR PERSONAL INFORMATION

- ▶ Cybercriminals can use your Social Security number to create a new identity. Take a moment and ask how your personal identifiable information will be used before disclosing it.
- ▶ Every online account should have its own unique password, so thieves who break into one can't access them all. Use simple phrases to create longer, more complicated passwords.
- ▶ Be thoughtful about what you share on social media. Wait until after vacation to post any pictures, and don't participate in online quizzes that ask for personal information.

SAFEGUARD YOUR DOCUMENTS

- ▶ Thieves can use old financial and tax documents to steal your identity. Shred what you no longer need.
- ▶ Cybercriminals love old online accounts: They contain personal data but are often less secure. As best you can, delete orphaned accounts you no longer use.
- ▶ Check your financial statements frequently and contact your

banking institutions if anything looks out of place.

SAFEGUARD YOUR ELECTRONIC COMMUNICATIONS

- ▶ Don't use public computers or Wi-Fi to conduct sensitive transactions. Use a VPN or Hotspot instead, and keep your device's antivirus software and operating system up-to-date.
- ▶ Be wary of any email or text urging you to take action by clicking a link. If you think a

request is legitimate, go to the sender's website or app or contact them offline.

- ▶ Before recycling or disposing of old computers or smartphones, fully wipe all data.

When it comes to staying safe in today's world, a little forethought can go a long way. For more about these and other identity protection strategies, reach out to your Baird Financial Advisor.



SAVE IT OR SHRED IT?

Scanning and securely storing digital copies of important documents is always a good idea. Should you decide to work exclusively in hard copy, though, here's brief guide to how long you should keep them.

SAVE IT!

- Birth and death certificates**
Copies to executor, family members
- Pension plan documents**
Copies to Baird Financial Advisor
- Divorce decrees**
Copies to lawyer
- Health and immunization records**
Copies to doctor
- Retirement plan benefits**
Copies to Baird Financial Advisor
- Legal contracts and agreements**
Copies to lawyer
- Canceled checks (for assets of significant value)**
Keep to establish cost basis

SHRED IT!

- Identification like passports and driver's licenses**
Shred when replaced
- Wills and trusts**
Shred when a new one is signed
- Tax returns**
Keep as long as is feasible, minimum of three years
- Loan documents**
Shred 10 years after repayment
- Canceled checks (for day-to-day purchases)**
Shred after check clears



DOING WELL BY DOING GOOD

A New School of Thought

THE NEED FOR HIGH-QUALITY early childhood education and enrichment opportunities has never been more important. Applying its expertise in this space, Baird's Global Investment Banking team facilitated the 2023 sale of education pioneer School of Rock to Youth Enrichment Brands, a leading platform for youth activities. Last year School of Rock helped more than 180,000 students build their confidence, creativity and musical ability – and Youth Enrichment Brands is uniquely positioned to provide the leadership and resources to continue School of Rock's climb up the charts.

Discover the *Baird Difference*

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