Digest

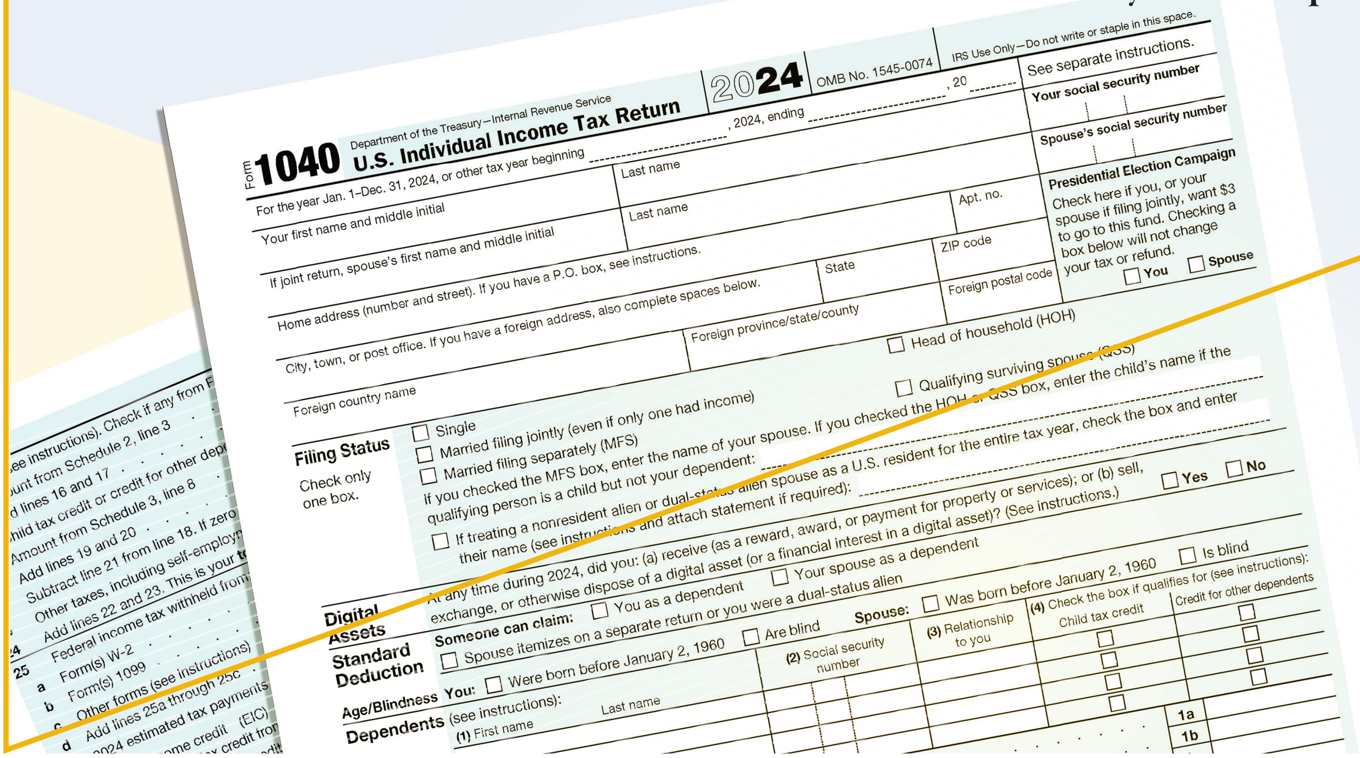
NEWS AND PERSPECTIVE FOR GROWING AND PRESERVING YOUR WEALTH

BAIRD

Spring 2025

Tariffs, Tax Planning and Everything In Between

Contextualizing Your Plan Within Today's Landscape



THE POTENTIAL EFFECTS OF TARIFFS, EXPLAINED / Pg 2

TAX STRATEGIES YOU WON'T WANT TO OVERLOOK / Pg 6

IS YOUR MONEY MINDSET ALIGNED WITH RETIREMENT REALITIES? / Pg 10

In this issue...

1
What's Important to You
How your feedback regarding the services we provide informs the future of our business.

2
The Impact of Tariffs: Big and Small
What you need to know as a consumer and an investor.

4
Using 529 Funds on More Than Tuition
Five key options, from paying student loans to funding your Roth IRA.

6
Tax Strategies You Might Be Missing Out On
Why year-round planning is imperative to minimizing your tax burden.

10
Financially *Planning* Vs. Mentally *Preparing* for Retirement
Tips from various Baird experts on how to adapt your money mindset in retirement.

13
Introducing *Invested*
Baird's new podcast aiming to support and empower women through life's ups and downs.

Your Feedback Shapes Our Future

You continually help ensure we're delivering on what's most important.

WHILE WE ARE in the advice-giving business, wealth management at Baird is never a one-way street. Your thoughts on our relationship with you helps us prioritize how we grow and ensures the service we provide aligns with what you need.

Every few years, we survey a randomized sample of clients using a third-party research firm. We ask clients to reflect on their relationships with Baird – not only the advice and solutions we currently provide, but how our business can evolve to meet your needs in the future.

You can see the result of past survey feedback with enhancements to our tax planning solutions, our expansion of market strategy expertise and upgrades to our Baird mobile app – all examples of opportunities we received from you previously.

We recently completed our 2025 client survey, and the initial results affirm our commitment to you: **over 90% of surveyed clients gave us a top ranking in satisfaction with their Baird Financial Advisor**. We will be sure to share more insights into what we heard from you in our next issue of *Digest*. One thing we want to make clear, though: The best feedback is ongoing. Any time you have thoughts about how we can better serve you and your family, your Financial Advisor team is only a phone call away.

Ellen Galezewski

Director of Wealth Strategy & Solutions

"We view our connection with you as a true relationship, and your valuable insights ensure we can best serve you."

Mike Schroeder
Chairman
Private Wealth Management

Erik Dahlberg
President
Private Wealth Management

Everything You Need To Know About Tariffs

An investor's guide to tariffs and their impact.

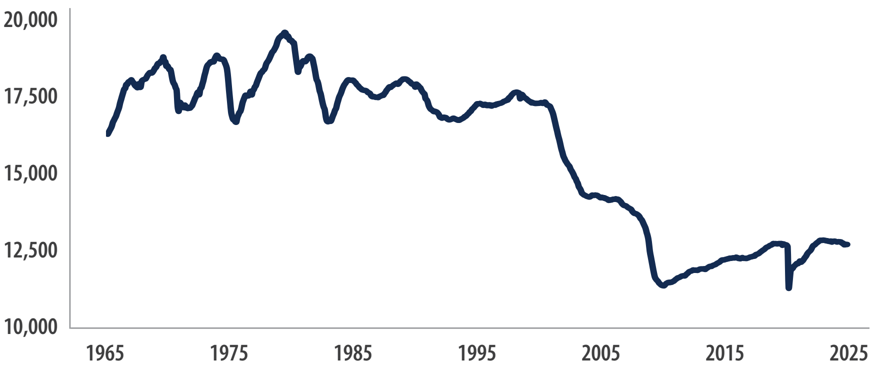
INTERNATIONAL TRADE has been in the news of late, as the Trump administration has enacted tariffs on a range of goods across a range of trading partners. To understand the "what, why and how" of this new trade paradigm, we asked a few questions of Strategas' Chief Economist Don Rissmiller.

Q: WHAT ARE TARIFFS AND WHAT DO THEY ACCOMPLISH?

A: At its simplest, a tariff is a tax that is levied on imported goods and paid by the importer. That tax brings in revenue to the government – and given that the U.S. has a substantial federal budget deficit, the revenue would be welcome. Tariffs can also accomplish political objectives: Global firms want access to the U.S.'s large domestic consumer market, and tariffs – or even the threat of tariffs – can be used to influence other countries' actions. (We saw this firsthand when Colombia had refused to accept deported migrants from the U.S. in January.) Tariffs can further be used to interrupt trade flows that may not be desirable due to national security concerns, such as high-tech products that can have military applications.

Even more fundamentally, tariffs can challenge the entire system of global trade that has been in place for decades (and which some members of the administration feel has been unfair to America). For years, entities around the globe have socked away excess savings into U.S. markets (primarily U.S. Treasurys – the closest thing to a global risk-free asset), which has kept the U.S. dollar artificially strong. A strong dollar makes U.S. goods more expensive on the global market, which punishes U.S. manufacturers over time. By imposing tariffs on a wide range of goods (thus making it less beneficial to import), the current administration would hope to reignite domestic manufacturing and level the playing field. ▶

By making imports more expensive, tariffs could help reverse the slump in domestic manufacturing.



About Strategas

Strategas, a Baird Company, is a top-ranked independent research firm that provides market and macroeconomic insights and commentary.

STRATEGAS A BAIRD COMPANY

Source on last page

Q: HISTORICALLY, HOW HAVE TARIFFS IMPACTED THE ECONOMY?

A: Drawing conclusions from previous experiences with tariffs throughout history is not straightforward. For example, certain economies like the U.K. (i.e., an island) are unlikely to have developed as quickly as they did without robust international trade. Yet for the U.S., a much larger and resource-rich nation, the range of economic outcomes is wider, from the Smoot-Hawley tariffs in 1930, which contributed to the Great Depression, to the 2018 Trump 1.0 tariffs, which had little macroeconomic impact.

For an economy that is a large global producer, tariffs can be devastating if they cascade into a global trade war, with countries levying import tariffs on each other's goods. Yet a consumer-focused economy (like that in the U.S.) can benefit from competing forces: If domestic production can grow enough to offset the hit to consumption, the overall economic impact of tariffs can be neutralized domestically over time.

Q: HOW MIGHT TARIFFS IMPACT THE U.S. STOCK MARKET?

A: Stock prices are a function of company earnings and interest rates. With a tariff, companies that benefit from a resulting increase in domestic production will see a tailwind for earnings, while those in the crosshairs of the tariff's tax component will be disadvantaged. However, price changes due to tariffs are not guaranteed to pass all the way through the supply chain. Local consumers can still substitute non-affected products, and foreign producers might hold their market share (limiting price pass-through) if they believe the tariffs are temporary.

All said, a broad trade war could lead to a "stagflationary" outcome, which would pair weak growth with high inflation. Historically, such an outcome has been bad for real equity returns (e.g., the U.S. in the 1970s). Reduced global capital flows would also threaten companies whose valuations have been supported by foreign buyers.

However, there are offsets available to help provide a cushion, including extended tax cuts (more growth) and lower energy prices (less inflation). A sustained boost in productivity from the private sector (e.g., via artificial intelligence tools or a reduced regulatory burden) would also help ease the weight of tariffs on profits. All said, it's the combined impact of monetary, fiscal, trade and regulatory policies that will determine future growth, inflation and stock prices. The risk of a trade war is clear – but there's also likely support from those other policy pillars. To be fair, in 2025, that support can't come soon enough.

Five Ways To Use 529 Funds – Beyond the Tuition Bill

You might be able to put those savings to use in more ways than you thought.

THE EARLIER YOU START saving for college, the better. And oftentimes, that starts with parents or grandparents putting money away for a child's education long before college tours commence. Since their inception in the mid-90s, 529 plans have been a popular way for families to do this – but what if you save all that money, and your child doesn't end up going to college? Or what if your child finishes college and still has funds left over?

Luckily, you have options.

1 CONSIDER OTHER COLLEGE EXPENSES

Tuition payments are usually the first place 529 funds go – but the money can also be used on other education expenses that are considered qualified. From books and internet services to off-campus housing and food, there are many expenses that qualify for this, tax and penalties-free.

If you use 529 funds on these expenses, any withdrawals will need to be done in the same calendar year you pay the expenses in – so it's important to keep track of which expenses are paid in full at the beginning of the school year, and which are paid for per semester. Remember to keep all transaction records, bills and receipts as well. ▶

2 CONSIDER OTHER MISCELLANEOUS EXPENSES

If you've accounted for all qualified expenses, you can also use the money in a 529 account on nonqualified expenses. For example, the funds could be used to help the beneficiary with a large investment, such as buying a car or their first home. These expenses come with federal and state tax implications, but can still be helpful for a young person just getting their feet off the ground. Your Baird Financial Advisor can help you determine how this would impact your tax bill, and whether it would be an effective solution for your situation.

3 PAY OFF STUDENT LOANS

If the beneficiary of the 529 account has student loans following graduation, you can now use up to $10,000 of 529 funds to pay down federal and private student loan debt. You can contribute towards both the loan's principal and interest payments without tax penalties, but any interest paid for with 529 plan funds is not eligible for the student loan interest deduction. Because of this, it's ideal to use 529 funds to pay off the principal of the loan before any interest accrues.

Another tip: You can use the funds in the beneficiary's 529 account to pay down any siblings' student loan debt as well, without having to change the beneficiary.

4 TRANSFER THE FUNDS TO A FAMILY MEMBER

Another unique advantage of 529 accounts is that their funds can be transferred to qualifying family members (those within the beneficiary's immediate and extended family) without tax or penalty. Just keep in mind that if the new recipient is in a younger generation than the beneficiary, the funds may be considered a gift for tax purposes.

As you consider transferring these funds, remember that they are not limited to traditional four-year colleges – they can be used on other eligible postsecondary education paths, including trade and graduate school. Plus, families can use up to $10,000 of the funds per year on tuition for eligible K-12 schools.

5 ROLL THE FUNDS INTO A ROTH IRA

When the SECURE Act 2.0 was passed in 2022, it included a provision that allows 529 account owners to roll excess 529 funds into a Roth IRA. To do so, a few requirements must be met:

- The 529 account must have been opened for at least 15 years
- The beneficiary of the 529 account must also be the beneficiary of the Roth IRA
- The beneficiary's earned income cannot be less than the rollover amount

Jeannette Haen

Investment Products Consultant II, Education Planning

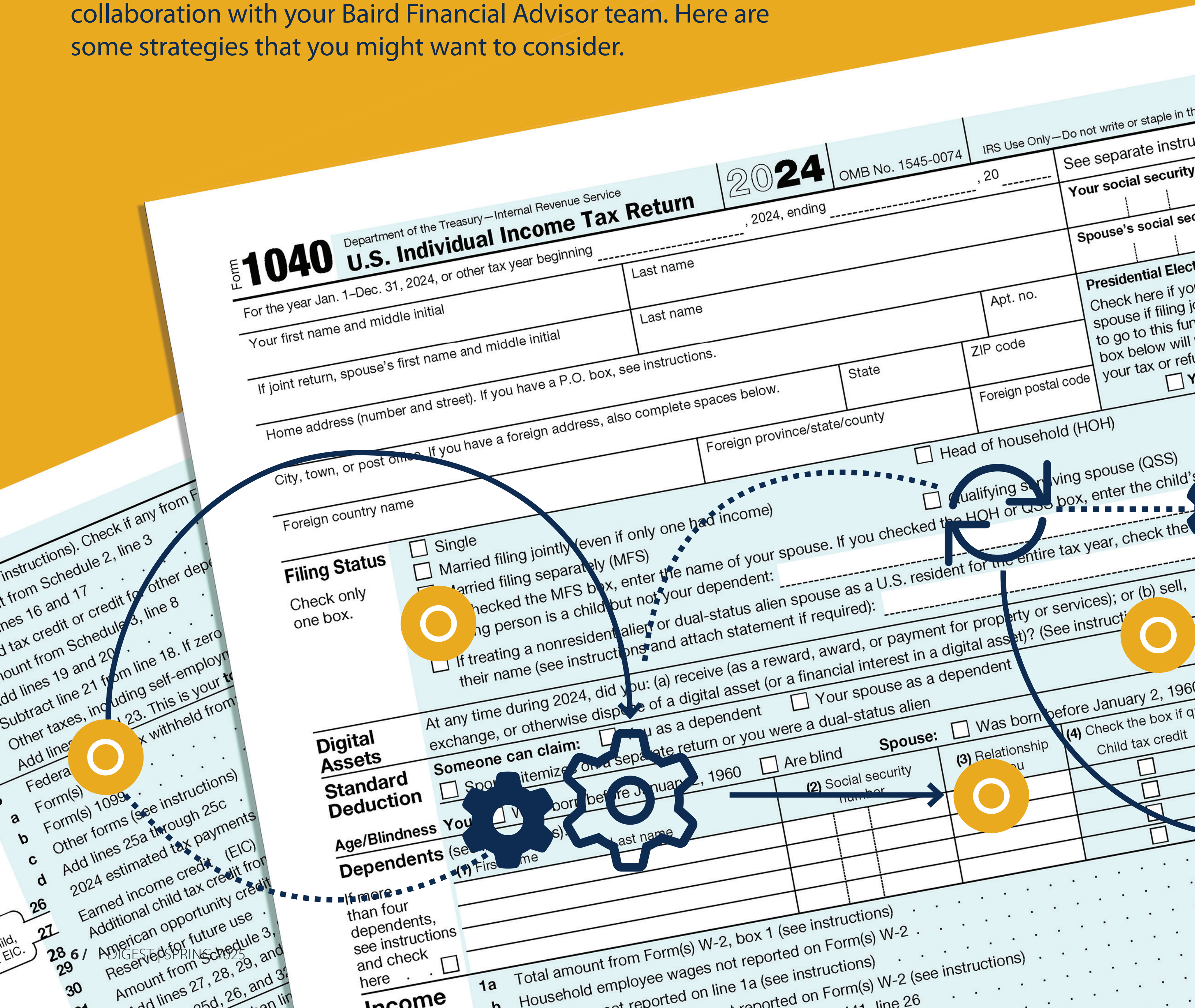
In total, you can only transfer the account balance from five years prior to the rollover date (with a lifetime cap of $35,000). Annually, you can contribute up to the maximum contribution amount for Roth IRAs ($7,000 in 2025).

Since the 529 rollover method is relatively new, more guidance is expected from the IRS in the future. Stay connected with your Baird Financial Advisor to continue receiving the latest information to inform your strategies.

With a little planning, any excess funds in a 529 account won't go to waste. For questions on your personal situation, contact your Baird Financial Advisor team.

Tax Strategies You Might Be Missing Out On

While you might have finished filing your tax returns, it'd be a mistake to file them away without a second thought. Making your tax burden less of a burden is best explored with year-round collaboration with your Baird Financial Advisor team. Here are some strategies that you might want to consider.



MAXIMIZE YOUR RETIREMENT PLAN CONTRIBUTIONS

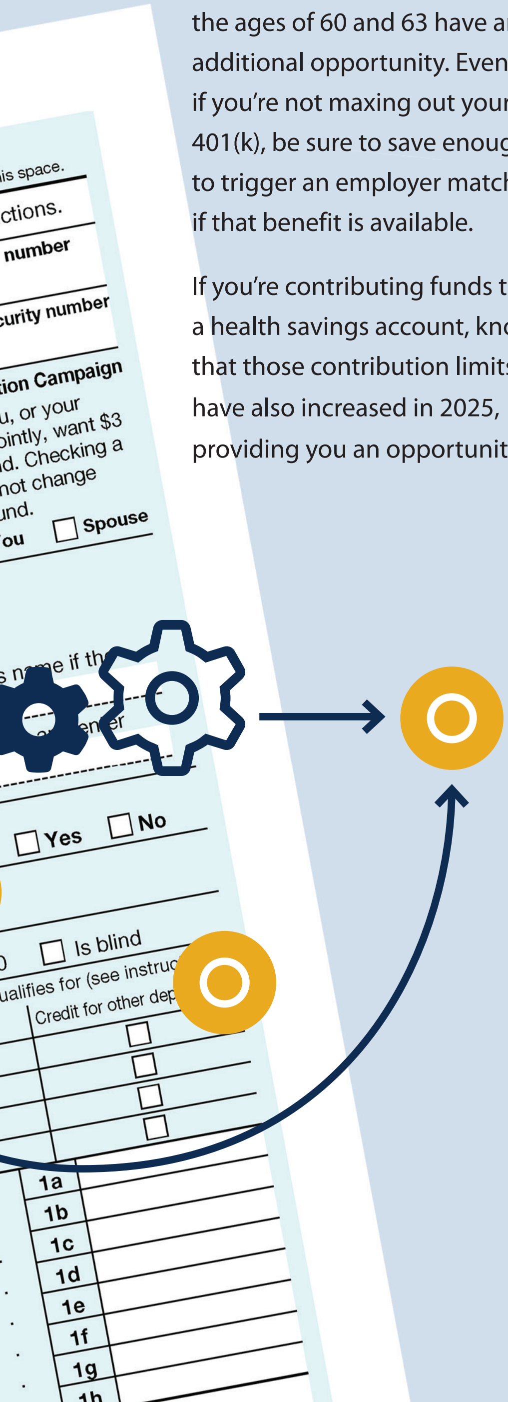
Contribution limits for retirement can change from year to year, so make sure you adjust your savings accordingly. For example, employees with a 401(k) can now save more in 2025, and those between the ages of 60 and 63 have an additional opportunity. Even if you're not maxing out your 401(k), be sure to save enough to trigger an employer match, if that benefit is available.

If you're contributing funds to a health savings account, know that those contribution limits have also increased in 2025, providing you an opportunity to pay for medical expenses in retirement without dipping into other retirement accounts.

In many instances, the amount you can save for retirement or deduct from your taxes has increased for 2025 – make sure you keep up with these changes in your own plans.

	2024	2025	Increase
401(k) Contribution Limit	$23,000	$23,500	**$500**
401(k) Catch-Up (Age 50+)	$7,500	$7,500	**$0**
401(k) Super Catch-Up (Age 60-63)	N/A	$3,750	**$3,750**
IRA Contribution Limit	$7,000	$7,000	**$0**
IRA Catch-Up (Age 50+)	$1,000	$1,000	**$0**
HSA Contribution Limit*	$4,150 / $8,300	$4,300 / $8,550	**$150 / $250**
HSA Catch-Up (Age 55+)	$1,000	$1,000	**$0**
QCD Contribution Limit	$105,000	$108,000	**$3,000**
Standard Deduction**	$14,600 / $29,200	$15,000 / $30,000	**$400 / $800**

*Individual / family coverage **Single / married filing jointly



PUT YOUR CHARITABLE CONTRIBUTIONS TO WORK

While most charitable contributions are made in cash, that's not your only option. For example, gifting appreciated stock that you've held for more than 12 months to a charity or donor-advised fund allows you to deduct the full value of the investment (and, potentially lowering your taxable income) without having to pay any capital gains tax on the appreciation. This strategy can be especially useful if you believe the underlying investment will continue to grow: By gifting shares that have appreciated but then buying additional shares, you could reduce your tax burden should you decide to sell in the future.

If you are age 70½ or older and own an IRA, you might consider giving to charities through a qualified charitable contribution. While IRA distributions are generally taxable, QCDs allow you to make tax-free distributions directly from your IRA trustee to qualified charities – and if you're age 73 or older, these gifts count toward your IRA's required minimum distribution for the year. Better yet, in 2025, the amount you can contribute as a QCD has been increased, allowing an ▶

Continued from page 7

opportunity to further maximize your charitable giving strategy.

Bunching deductions is a planning strategy that increased in popularity following 2017's Tax Cuts and Jobs Act, which limited or eliminated many existing itemized deductions while also doubling the standard deduction. Those who can control the timing of their charitable contributions might benefit from deferring a year's worth of giving to the following year, taking the standard deduction one year and doubling the amount to charity the following year (when they would then itemize). This strategy may be especially pertinent this year, as the Tax Cuts and Jobs Act is scheduled to sunset certain provisions – including the higher standard deduction – at the end of 2025. With the standard deduction amount slated to fall precipitously in 2026, you might consider deferring charitable contributions from 2025 to 2026, when they may provide greater tax savings.

CONSIDER STRATEGIES TO MINIMIZE CAPITAL GAINS

While we all want to see our portfolios continue to grow, that growth is usually accompanied by a bigger tax bill when it's time to sell. Tax loss harvesting lets you "harvest" your underperforming investments to mitigate the capital gains impact of your winners. If you find yourself with significant unrealized capital gains, your Baird Financial Advisor has access to tax-smart investment solutions that can capture losses and manage risk as you grow and preserve your wealth.

Also, while converting a traditional IRA to a Roth IRA can bring about significant tax savings, converting it all at once might push some of that income into a higher tax bracket. One strategy to keep your tax cost lower is to convert enough to maximize your current tax bracket without crossing into the next one. A downturn in the market can also be an opportune time to make the conversion: You'll essentially be able to convert a larger portion of your portfolio at a lower tax cost; if and when the market rebounds, you'll get tax-free growth on the money you converted. Your Baird Financial Advisor can help map out various scenarios when a Roth conversion might create the biggest tax benefit for your overall plan.

Scenarios such as these are why we feel tax planning is a year-round affair. Consider sharing your newly completed tax return with your Baird Financial Advisor, and together you can uncover tax-smart planning and investment opportunities that make the most of your wealth over the years to come. ▶

Planning Calendar

May	May 29	June 16
Did you make a 2024 contribution to your traditional or Roth IRA in 2025? If so, you will receive Form 5498 reflecting this contribution.	Celebrate 529 College Savings Day by reviewing your education savings plans. Be sure to check out our article on page 4 for tips on how to put your 529 funds to best use.	Second-quarter federal estimated income tax payments for 2025 are due.

SHARPEN YOUR WEALTH PLANNING WITH TAX EXPERTISE

Most major financial decisions you make will have a tax impact, from buying a stock to selling a house. But life events outside your financial decision-making can also influence your larger tax strategy. Ask yourself:

- **Has there been a change in your family?** Marriage, divorce, children and widowhood can affect both your filing status and your estate planning decisions.
- **Have you changed jobs?** Switching employers, retiring or starting or selling a business can potentially influence your capital gains and tax deductions.
- **Have you moved?** Different states have different sets of laws, and the timing of your move can impact your planning.
- **Have tax laws changed, or has the market dipped unexpectedly?** Even if your life has remained relatively stable, small changes in the markets or in state or federal tax law can have a big impact on your tax liability.

That is why we recommend sharing a copy of your newly completed tax return with your Baird Financial Advisor team. Your tax return offers your advisory team a window into your finances, letting them identify strategies to manage your future tax cost as well as model different scenarios to meet your financial goals while boosting your after-tax return.

71%

In a recent Baird client survey, 71% expressed an interest in learning how the changing tax landscape could impact their own plans.

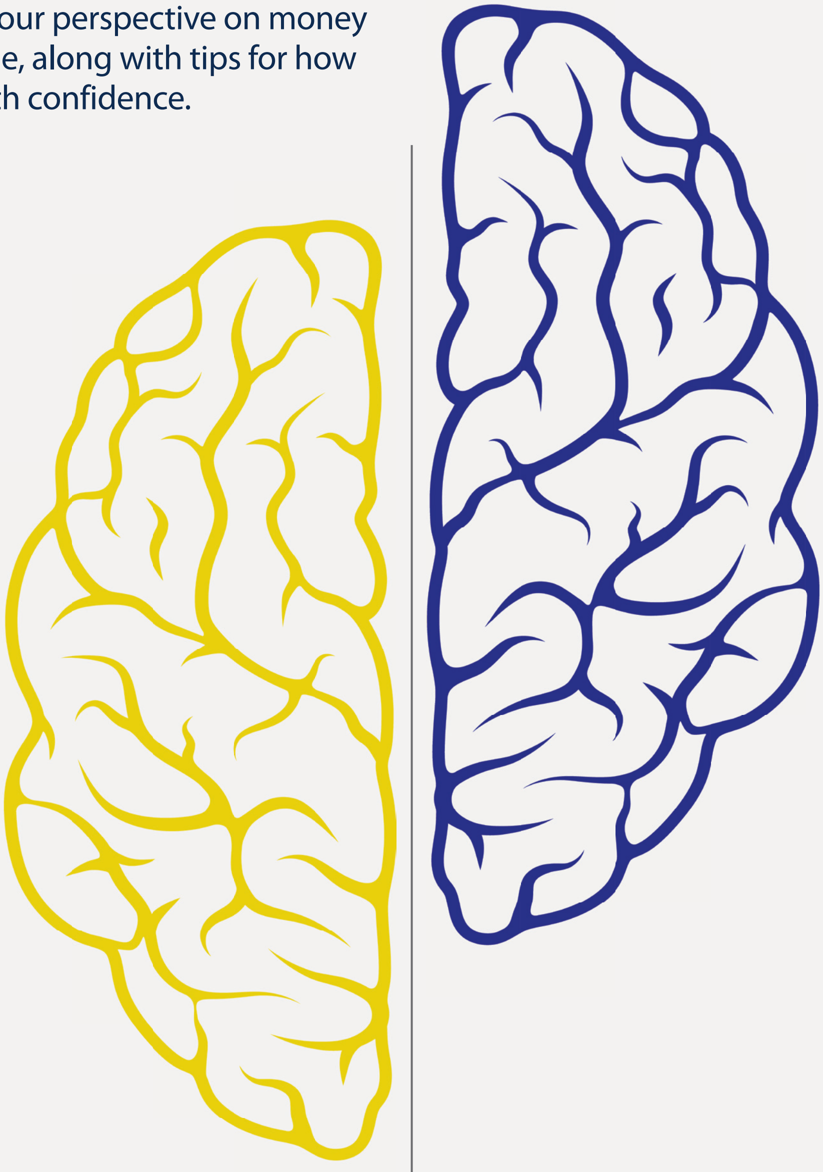
Watch "Perspectives on Tax Planning" with Tim and hear how Baird approaches tax planning as part of your total wealth plan.

June 30 The Free Application for Federal Student Aid (FAFSA) for the 2024–2025 academic year must be submitted by midnight CT. Individual state applications may be due before the federal deadline and do not replace filling out the FAFSA.	Scan the QR code to access our *Wealth Strategies* webinar series – expert insights on the financial issues that matter to you.
June's Wealth Strategies webinar: Social Security Claiming Strategies	

Your Money Mindset: How Should It Shift in Retirement?

….And How Can You Prepare for the Shift Now?

You've spent your entire career following the same financial principles – but once you reach retirement, the script suddenly flips. Here are four ways your perspective on money may need to change in this life stage, along with tips for how you can manage those changes with confidence.



SAVING AND SPENDING

THE MINDSET SHIFT: For decades, accumulating and saving wealth may have been your priority – focusing on putting every additional dollar you could to your savings. Once you reach your retirement years, though, that accumulation mentality switches to a distribution mentality – and watching the funds in your retirement accounts dwindle can be jarring. While some respond to this by becoming extra conservative about their spending and end up missing out on fulfilling activities they'd enjoy, others begin spending too much – and struggle to maintain their lifestyle.

Laura Ames, JD

Wealth Strategist

LAURA RECOMMENDS: During your working years, consider investing in both retirement plans that require distributions (like traditional IRA and 401(k) plans) and those that don't (like Roth IRAs). Also, remember you can feed required distributions that exceed your spending needs into other savings accounts to continue a bit of that saving mentality. Once you reach retirement, though, remember that you've worked hard to build up your savings – so by having a thoughtful budget paired with an up-to-date cash flow analysis, you can feel confident about reaping the benefits.

TAKING PORTFOLIO RISKS

THE MINDSET SHIFT: For younger investors, any market downturns are accompanied by the comfort that there's plenty of time to make up for lost value. In retirement, though, that's not the case – and a drop in the market can have long-term effects on your finances.

Erin Kolo

Manager – PWM Equity and Fixed Income Research

ERIN RECOMMENDS: As you near retirement, partner with your Financial Advisor team to take a fresh look at your portfolio – they can help you alter your investment strategy to match your new risk tolerance or tax considerations. While you likely will want to manage your investments more conservatively, you don't want to take that idea too far and lose your chance at any kind of growth. Remember, you won't need all your savings the day you retire – so you can put the funds you need now in more conservative investments, while keeping a portion of money you won't need until later invested in the market. ▶

½

Nearly half of retirees do not have the ability to maintain their spending five years after retiring.[1]

[1]cfpb_retirement-security-financial-decision-making_research-brief.pdf

YOUR MONEY MINDSET: HOW SHOULD IT SHIFT IN RETIREMENT?

Continued from page 11

CREATING LIQUIDITY

THE MINDSET SHIFT: Liquidity in your working years comes more naturally with reliable income streams than during retirement. Once you're retired and not generating income anymore, banks may be less receptive to any mortgage or auto loan applications – so you'll likely need to find new ways to create that liquidity.

Chad Afdahl

Manager – Lending and Liquidity Solutions

CHAD RECOMMENDS: Consider liquidity strategies even before you enter retirement, as it may be easier to be granted a traditional line of credit (like a HELOC) while you still have an income stream. However, Baird also offers options like securities-based lending, which is based on your current non-retirement assets and does not typically require income verification. Separately, another way to build liquidity is by devoting a portion of your investments to more liquid options like cash and fixed income.

ADJUSTING TO UNPREDICTABILITY

THE MINDSET SHIFT: In the prime of your career, your most significant expenses may have been predictable. Between a fixed monthly mortgage and a recurring car payment, you likely knew what you had to pay when, and could therefore budget effectively. In retirement, though, your largest expenses become much more unpredictable – like what your long-term healthcare needs will be or how long you'll need your retirement savings to last.

Ross Mayfield, CFA

Investment Strategist

ROSS RECOMMENDS: It may not be possible to solve for the natural unknowns that come with retirement, but remember that the plan you develop with your Financial Advisor takes all of those "what if" scenarios into account. What if your health expenses are much higher than anticipated? What if inflation is higher than normal? Bottom line, your advisor will be thinking about it – and waiting in the wings to adjust your plan, come what may.

Your golden years present a new opportunity to dance to your own rhythm, and fill your days with what truly brings you joy. By staying attuned to your financial mindset, you can feel confident that your money is working efficiently for you, and providing freedom and security without the burden of constant financial worry.

Altering your wealth management habits in retirement can present unique challenges – but you don't have to work through them alone. For a helping hand as you make this transition, lean on your Baird Financial Advisor.

Invested – Discussing Your Family, Your Life, Your Legacy

IN OUR NEW PODCAST *Invested*, we're addressing the hurdles powerful women face. Using compassion and expert-backed advice, we're helping women break barriers, enrich their lives and gain wisdom along the way.

In our first season, we're unpacking the many facets of the sandwich generation: those caring for aging parents and children simultaneously. Baird's Jaleigh White and Angela Pittman Taylor are joined by special guests as they cover:

- The (Money) Talk: Preparing Kids for Their Financial Future
- Preparing for College: Financially and Emotionally
- Protecting and Caring for Elderly Parents
- The Menopause Playbook
- When Life Goes Sideways

To listen to or watch any of the episodes in season one of *Invested*, scan the QR code below

Discover the *Baird Difference*

INVESTED

Want More?

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

BAIRD