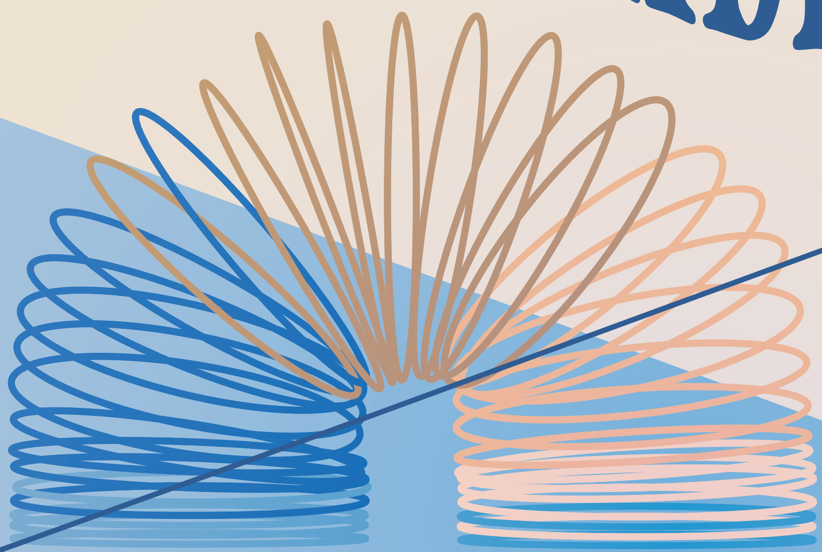
Digest

NEWS AND PERSPECTIVE FOR GROWING
AND PRESERVING YOUR WEALTH

BAIRD

Summer 2025

The Importance of Staying FLEXIBLE



In this issue...

Staying Aligned With What Matters Most

AT BAIRD, we never waver from one principle: Clients come first. One way we honor this commitment is by understanding what our clients look for in a financial partner and continuously aligning our advice and service to support them.

In our last Letter From Leadership, we emphasized how our client survey plays a key role in staying connected to your needs. It's this notion – of being a firm you can trust – that continues to fuel our commitment. And we're proud to share that respondents showed overwhelming support with 97% being either satisfied or very satisfied with Baird, and 96% believing we have their best interests at heart.

Your feedback – whether through our survey, conversations with your advisor team or other channels – helps us stay focused in areas we know you value. For example: Our investments and emphasis on year-round financial and tax planning align with what we've heard are your top priorities. We're also constantly evolving our technology to support the way you engage with your Baird Financial Advisor. And, alongside the ongoing conversations you have with your advisor team, we view each issue of *Digest* as chance to explore the topics you've told us are most important.

But these are just a few examples, and it doesn't mean our work is done. In a world that is constantly evolving, our commitment is simple: to keep listening, evolving and putting you first.

97%
Individuals who rated their satisfaction with Baird as satisfied or very satisfied

96%
Survey respondents who believe Baird has their best interests at heart

Additional survey information on last page

Mike Schroeder
Chairman
Private Wealth Management

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President
Private Wealth Management

Power Surge

The experts at Strategas weigh in on why power is a driving force in 2025.

In our Winter issue, Strategas listed a resurgence in industrial power as an economic theme to watch for in 2025. Here they discuss how artificial intelligence and industrial innovation are fueling this rapid rise in the demand for electricity.

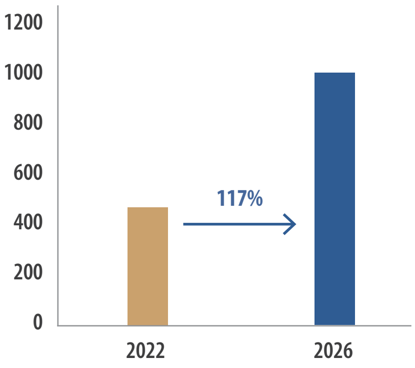
WHY 2025 IS POISED FOR AN INDUSTRIAL POWER RENAISSANCE

Whether it is an increased mandate for electric vehicles, the development of artificial intelligence, the production of cryptocurrencies or just the continued improvement in global standards of living, the demand for electricity and other sources of industrial power seems poised to grow rapidly in the next several years.

Artificial intelligence (another of our key themes for 2025) stands out specifically. All eyes have been on this area since OpenAI unveiled ChatGPT in 2022, with AI becoming a focal point of almost every company regardless of the industry they're in. (At this point, CEOs seem to be at greater risk of getting fired by spending too little on artificial intelligence than too much.)

While forecasts for AI's energy consumption vary widely, what appears to be accepted is that even "simplistic" AI-powered searches require exponentially more energy than standard searches. To put this in perspective, executive research and advisory firm Gartner estimates that AI will make up as much as 3.5% of global electricity demand by 2030 – which would be roughly double the energy consumption of all of France. What's more, AI usage has driven the increased demand for data and, thus, data centers – which themselves require a tremendous amount of power, be it for computational usage or temperature control. With AI seemingly just scratching the surface on its utilization, these numbers could end up being significantly higher than currently estimated. ▶

Energy consumption from data centers is expected to continue to climb.



International Energy Agency projections of the global consumption of electricity from data centers, in terawatt-hours.

Source: IEA 2024 Annual Electricity Analysis and Forecast.

WHERE THE POWER WILL COME FROM

Despite subsidies for "green" alternatives, nearly 80% of electricity production in the United States is derived from fossil fuels (60%) and nuclear power (20%). Natural gas alone accounts for roughly 43% of U.S. electricity generation, and new plants are being built around the country to power data centers domestically and meet the growing liquefied natural gas (LNG) demand from abroad. Even coal, whose share of net power generation has fallen dramatically (from 50% in 2001 to 16% today), could play a role – Interior Secretary Doug Burgum recently suggested the U.S. should restart shuttered coal-fired power plants to help meet rising electricity demand.

Still, alternative power solutions are likely to fill a large and potentially growing role in the coming years. The administration's interest in deregulating the energy sector should prove to be a catalyst for the nuclear power industry. President Trump's recent executive order aimed at boosting U.S. nuclear power is yet another acknowledgment of the massive power needs ahead.

AI is projected to make up as much as 3.5% of the world's electricity demand by 2030 – roughly double the energy consumption of all of France.

Although building and maintaining nuclear power facilities require vast amounts of capital and time, recent progress on small modular reactors could pave a more economical and flexible path forward for the industry. Finally, while President Trump has taken aim at green energy spending early in his second term, broad-based rollbacks to clean energy incentives will continue to face some resistance as many GOP lawmakers represent states that benefit meaningfully from nuclear, wind and hydroelectric power projects. Renewables – in some capacity – will play a role in the next phase of U.S. power generation.

About Strategas

Strategas, a Baird Company, is a top-ranked independent research firm that provides market and macroeconomic insights and commentary. This article is an example of the perspectives our advisors have access to and are accounting for as part of your plan.

STRATEGAS A BAIRD COMPANY

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OPPORTUNITIES ASSOCIATED WITH THE RESURGENCE OF INDUSTRIAL POWER

To play the likely rise in electricity costs, investors should consider their exposure to classic utilities – but also to companies involved in scalable alternatives to fossil fuels, the construction of new manufacturing facilities, and grid modernization efforts. And while no investment comes without risk – like pullbacks in AI-related capital spending and policy changes like green energy rollbacks – we believe the desire to reestablish America as a leader in manufacturing suggests growth in the industrial power space is only likely to accelerate from here.

When "Will Power" Isn't Enough: Adding Muscle to Your Estate Plan

Trusts, powers of attorney and beneficiary designations can do additional lifting your will can't.

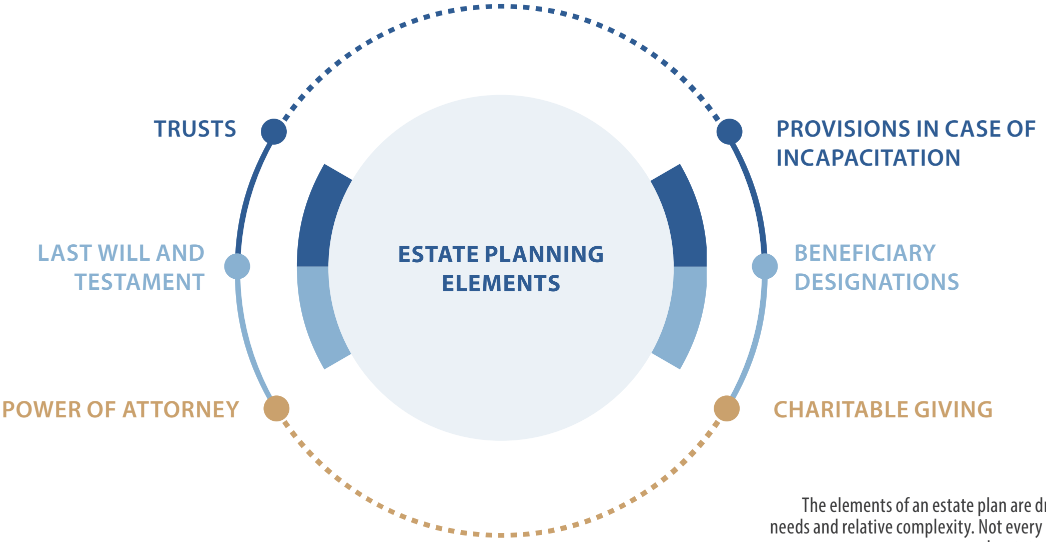
Mark Criner III, JD
Senior Trust Strategist
Baird Trust

FOR MANY, an estate plan begins and ends with a will: If you've spelled out how your estate is to be divided, so the thinking goes, then your estate plans are complete. The reality is, a robust estate plan does more than specify "who gets what" – it can lower your taxes, preserve your healthcare decisions and boost your charitable giving. Let's explore what elements of a complete estate plan could look like.

LAST WILL AND TESTAMENT A will is a legal directive of how, when and to whom you want your assets to be distributed upon your death. If you die without a will, your assets will likely be dispersed according to the laws of your state, rather than per your personal wishes. That process typically involves a probate court, which can be time-consuming, costly and very public.

POWER OF ATTORNEY A power of attorney document is a legally binding document that appoints someone to manage your affairs on your behalf. A financial power of attorney allows someone to complete financial transactions for you, such as managing investments, paying bills and filing taxes. You might also choose a power of attorney for health care, also known as a living will or healthcare directive, to make medical decisions on your behalf. In either case, you can specify what the representative can and cannot do and how long the power is effective.

Powers of attorney become especially crucial in cases of incapacitation – and while no one likes to think about the prospect of this happening to them, it's a real possibility, especially as we get older. A robust estate plan ▶



The elements of an estate plan are driven by individual needs and relative complexity. Not every estate will require each estate planning element.

can employ protections like springing powers of attorney (wherein decisions are made by your agent on your behalf only if you become incapacitated) and give decision-making abilities to the financial institutions you trust before the worst happens and you can't make those decisions yourself.

BENEFICIARY DESIGNATIONS Beneficiary designations are added to assets like life insurance policies and retirement accounts to specify who will inherit the assets upon the account owner's death. Importantly, a beneficiary designation overrides anything set forth in a will or trust. Reviewing these designations at least annually is essential to ensure your assets to go to the right people.

CHARITABLE GIVING CONSIDERATIONS Estate planning tools can support your legacy, whether it's passing to loved ones or loved causes. There are a variety of estate planning tools that can help with philanthropic giving, including charitable trusts, charitable endowments and family foundations. It's important to keep in mind, though, that any charitable contributions incorporated into estate planning are held to strict tax laws on how much can be donated, which assets are eligible and how much is tax-deductible. Because of these guidelines, working with your Baird Financial Advisor and estate planner can help you reach your philanthropic goals in a tax-efficient manner.

TRUSTS A trust is a legal arrangement in which your assets are held by a third party (known as a trustee) for the benefit of a beneficiary. There are several reasons you might choose to move assets into a trust as you find your financial situation becoming more complex. A few common ones include limiting your exposure to taxes, growing your estate for the benefit of your descendants or increasing the effectiveness of your charitable giving. Trusts can be revocable or irrevocable, depending on your needs and circumstances, and because they are not subject to probate, they can be useful for anyone seeking to shield their estate from creditors, lawsuits and fraudsters.

Of course, even the most robust estate plans are never set-it-and-forget-it: As your life and relationships evolve over time, so too should your estate plans. Make it a point to sit down with your Financial Advisor at least every three to five years, but also whenever you go through a major life event, to ensure your estate plan continues to reflect your current estate and wishes.

Planning Calendar

July 31

Last day employers with calendar-year retirement plans can file Form 5500 for 2024.

August's Wealth Strategies webinar: Cybersecurity and Identity Theft

September

Put any year-end tax plans in motion. Reach out to your Financial Advisor and tax professional to start talking about steps you may be able to take to lower your tax bill for 2026.

September 5

401(k) Day is the first Friday after Labor Day! Celebrate by reviewing your retirement savings plans.

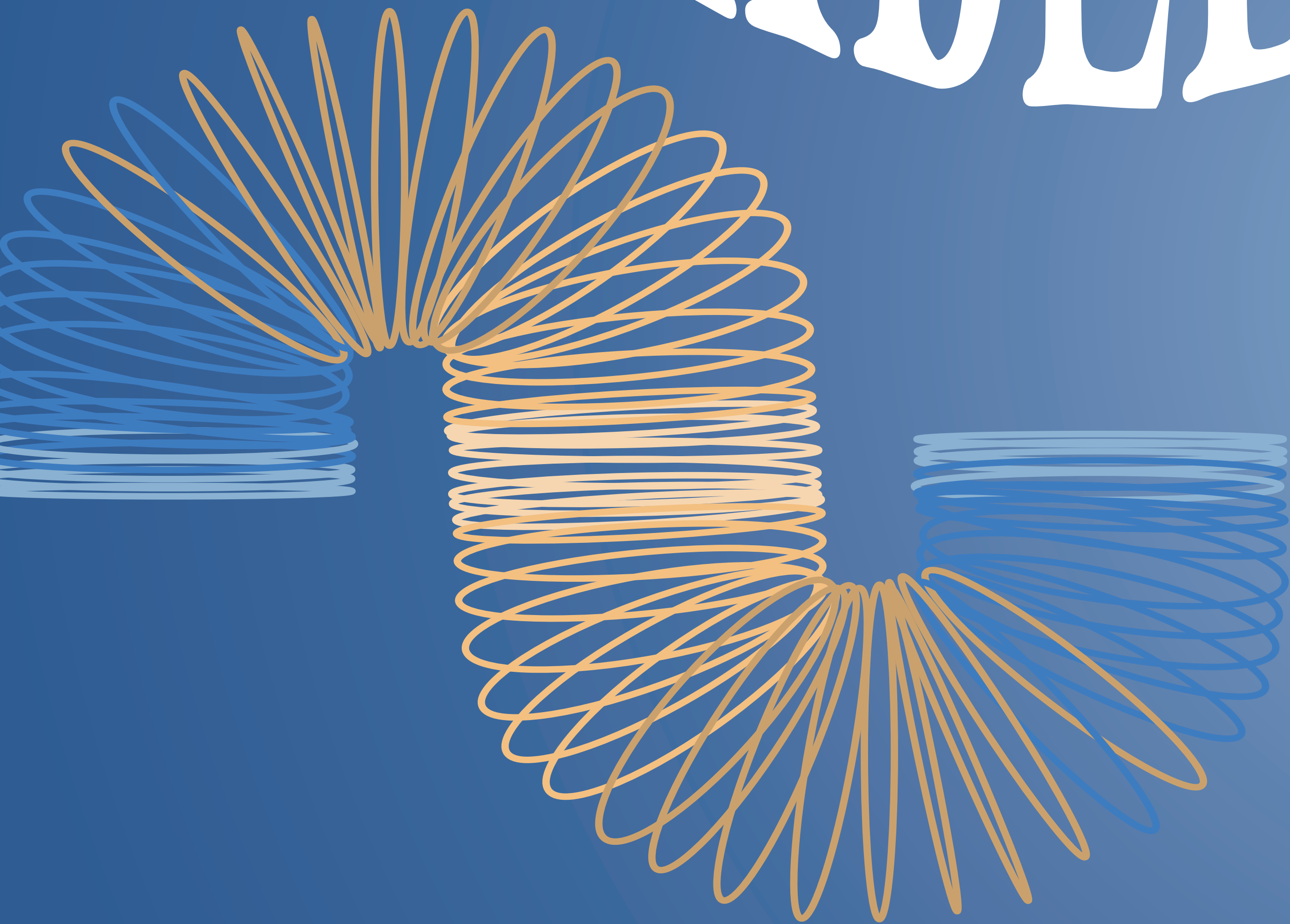
September 15

Third-quarter federal estimated income tax payments for 2025 are due.

September's Wealth Strategies webinar: Charitable Giving

Scan the QR code to access our *Wealth Strategies* webinar series

The Importance of Staying FLEXIBLE



One of the biggest worries when making the leap into retirement is giving up the security that comes with a paycheck – especially during periods of elevated inflation and economic uncertainty, which make it difficult to make decisions about your future with confidence. The more you can build flexibility and options into your retirement plans, the better you'll be able to roll with the economic punches.

Here are four steps you can take to increase your financial flexibility in retirement.

BUILD UP YOUR CASH RESERVES

The longer you can stay invested in the market, the longer your retirement funds can last. By increasing your allotment to cash accounts – such as an emergency fund – you might be able to give yourself more flexibility in managing your expenses and delay having to sell off investments from your retirement accounts. If you're already in retirement, you might benefit from pulling out of cash accounts during volatile market periods and withdrawing from investments during more stable times.

RE-EXAMINE YOUR BUDGET

While it is always prudent to revisit your budget regularly, that's especially true when planning for retirement, a time when you likely won't have the consistent income you did when working. Taking an all-in look at ▸

The more you can build flexibility and options into your retirement plans, the better you'll be able to roll with the economic punches.

THE IMPORTANCE OF STAYING FLEXIBLE

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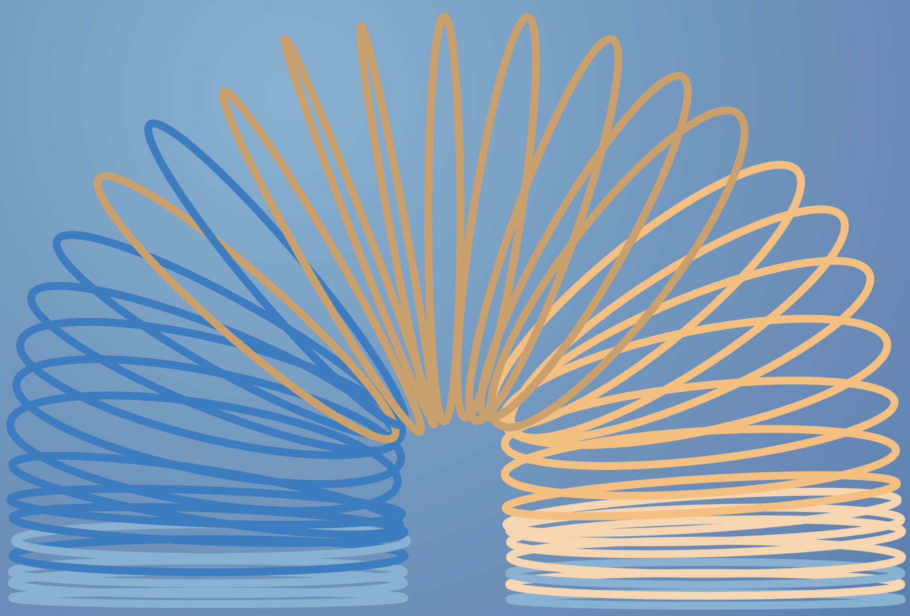
your spending also allows you to see where inflation has impacted your day-to-day expenses – and even shows you opportunities where you may be able to free up cash. Tools like Baird Online's 360 Wealth can help you manage your budget and monitor your cash flow, while giving your advisor insights into how your day-to-day spending may require adjustments to your portfolio.

REVIEW YOUR INVESTMENT MIX
As you're nearing or entering retirement, consider what kinds of assets you have and how easy they would be to liquidate if you needed to. For example, private equity investments are known to be highly illiquid – those investments are designed to be inaccessible for years (often 10 years or more), and investors looking to exit those investments early could face substantial fees. Real estate investments can also take time to liquidate, particularly if doing so requires selling the property, finding a buyer and working with a lending institution. Maintaining some portion of your retirement assets that are easier to access and (if need be) exit gives you more options if you need them.

CONSIDER A LINE OF CREDIT The most common tool for increasing financial flexibility is something retirees need to be especially careful with. Credit cards let you make purchases (and build rewards points) without immediately tapping into your cash reserves, but with credit card interest rates currently topping 20%, they can quickly eat into your savings if you don't pay them off in full every month. But there are other avenues to build flexibility that don't come with as high of an interest rate, including a home equity line of credit and a securities-based line of credit.

- **A home equity line of credit** lets you borrow money against the equity you already have in your home. It's convenient (and can even help protect against title fraud), but it lessens how much you'd receive were you to sell the home and can be harder to secure if you're already retired with a reduced income.
- **A securities-based line of credit** uses securities in your Baird taxable accounts as collateral, providing you with quick access to credit without any income requirements or the need to immediately sell investments. Your Baird Financial Advisor can offer perspective as to whether this strategy is right for you.[1]



A little financial flexibility can help extend the life of your retirement portfolio. Your Baird Financial Advisor can sit with you to evaluate your retirement plans and uncover ways to build in additional resiliency.

[1]For more information, see last page.

Is the Dollar Losing Its Place as the Reserve Currency?

With the U.S. dollar's value down significantly in 2025, concerns about its status as the global reserve currency have again begun to bubble up.

Ross Mayfield, CFA®
Investment Strategist

Ross Mayfield, CFA®, is a Baird Investment Strategist who provides financial education and investment strategy through regular national media appearances, equity research content and more.

But while a slow move away from dollar dominance might continue – exacerbated in part by current trade rhetoric and a trend toward deglobalization – a lack of good alternatives and America's still-dominant position within the global economy will likely keep the dollar established as the world's reserve currency for the foreseeable future.

WHAT IS MEANT BY A "RESERVE CURRENCY?" At its core, a reserve currency is one held in large amounts by central banks and financial institutions around the world to use for transactions, investments and settlements. But the dollar's status as the international currency of choice was not established by any formal declaration – rather, the dollar assumed this role in the post-WWII world alongside America's emergence as the world's major economic and military power.

HOW DOES A CURRENCY BECOME A RESERVE CURRENCY?
The U.S. Treasury identified several key factors (See blue box): ▶

IS THE DOLLAR LOSING ITS PLACE AS THE RESERVE CURRENCY?

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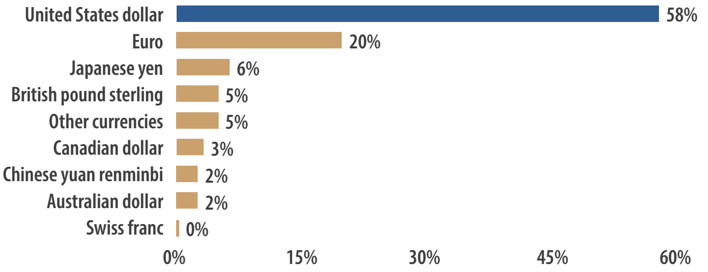
- **The size of the domestic economy.** **The U.S. is the largest economy in the world by a sizeable margin, and growing at a faster pace than most other developed nations.**
- **The importance of the economy in international trade.** **The U.S. dollar represents 58% of official foreign exchange reserves and is used in 88% of foreign exchange transactions. This widespread usage reduces uncertainty and costs across all layers of global finance, resulting in robust network effects.**
- **The size, depth and openness of financial markets, and the convertibility of the currency.** **The U.S. has the world's largest bond and stock market by a significant margin and is considered one of the most financially open countries on Earth.**
- **The use of the currency as a key point of reference in the global financial system.** **Recent estimates suggest that nearly 50% of global GDP is anchored to the U.S. dollar by way of currency peg. That figure far surpasses the U.S.'s competitors.**
- **Domestic economic policies.** **With the ongoing trade rhetoric and America's large budget deficit, the country's domestic economic policies are the big question. This concern is not without merit, but we shouldn't overlook the extent to which other nations deal with similar issues or minimize the ways in which U.S. policy is business-friendly: The U.S. has a competitive corporate tax framework, independent central bank, large and liquid capital markets and massive consumer base.**

With nearly 60% of the global reserve currency market, the U.S. dollar is 3× larger than its closest competitor and 10× all others.

Official Foreign Exchange Reserves by Currency



Source: International Monetary Fund, COFER. Data as of Q4 2024.

HOW COULD THE DOLLAR LOSING RESERVE STATUS IMPACT MY INVESTMENTS? It's important to note that reserve status is not a prerequisite for equity strength. Plenty of international companies have outperformed without the benefit of their home country having reserve currency status – and plenty of U.S. companies have failed despite it. A change in the dollar's reserve currency status would alter many things, but it would not change the profit motive inherent to companies operating in a free market system – nor would it change the process by which those profits translate into price gains for stockholders.

And remember: A weaker dollar does not mean a loss of reserve currency status. Currencies appreciate and depreciate based on economic factors like interest rates and inflation, but a weakening dollar should not be equated with the loss of reserve currency status. For instance, the U.S. dollar fell over 40% between 2001 and 2008 and remained solidly in place as the global reserve currency.

As far back as the 1970s, nations have been threatening to cut links with the dollar – to little avail – as the widespread use and influence of the U.S. dollar leave many countries vulnerable to unfriendly American policy choices, such as tariffs or sanctions. While there are certainly incentives for other nations to diversify their reserve base, the death of the dollar has been predicted more times than one could count. So while a weaker dollar might persist as the new trade regime evolves, the dollar's reserve status looks to be on solid ground – and as long as that remains the case, narratives about its imminent demise will persist. Buckle up.

The Paycheck Playbook

Making Your First Job Work for Your Future

When your first full-time paycheck arrives, it can be tempting to splurge – especially after years of living on a smaller budget. But exercising smart financial habits now can set you up for building long-term, sustainable wealth.

What better time to start building these habits than today?

DESIGNING A BUDGET BLUEPRINT

Once you have an idea of your take home pay, you can start building your budget to balance your income against key spending decisions like housing. A good rule of thumb is to spend less than 30% of your income on rent or a mortgage: For example, if you earn $5,000 per month, you could look for housing options that are around $1,500 per month. Once your housing is accounted for, factor in recurring expenses like utilities, internet, and car and student loan payments, followed by flexible expenses like clothing, entertainment, dining and more.

Along with budgeting, you'll want to start planning for future goals and expenses such as a big trip or a down payment. And as time goes on, your goals will change – so by partnering with a Financial Advisor, you can help ensure your plan is adaptable to whatever stage of life you're in.

DITCHING THE DEBT

Americans aged 25 to 34 carry around $500 billion in total student loan debt, with many individuals carrying between $10,000 and $40,000.[1] For recent grads, balancing debt repayment with new living expenses can be a real challenge – so making a solid debt repayment plan is essential.

As you create your budget, remember to include your student loan and credit card debt payments within it. And when it comes to credit cards, avoid only making the minimum payment – doing so can spread costly interest payments over a much longer time period.

FUELING YOUR FUTURE

As a 20-something year-old who is just starting out in their career, saving for a far-off goal like retirement or a home purchase may seem overwhelming. However, starting early gives you a major advantage: the power of compounding, which can make a substantial difference in your long-term savings outcomes.

When it comes to retirement, employee benefit packages often include retirement plans like 401(k)s. If this is the case for you, contributing a portion of your paycheck to it is a smart move – especially if your employer will match a portion of what you put in (and effectively boost your retirement fund with free money). And if your employer doesn't offer an employer-sponsored plan, ▶

[1] studentaid.gov/data-center/student/portfolio

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consider opening an IRA: a tax-advantaged retirement savings account that those with earned income can put money into.

For emergency funds or other long-term savings goals, set aside a specific dollar amount monthly and consider putting it in a high-yield savings account or money market fund – as this can earn more interest than you otherwise would in a traditional savings account. If you still have some leftover cash and are interested in upping your investment game, remember that time is on your side – so more aggressive investments may be a great place to start. Your Financial Advisor can tailor the right approach for your goals and tolerance for risk.

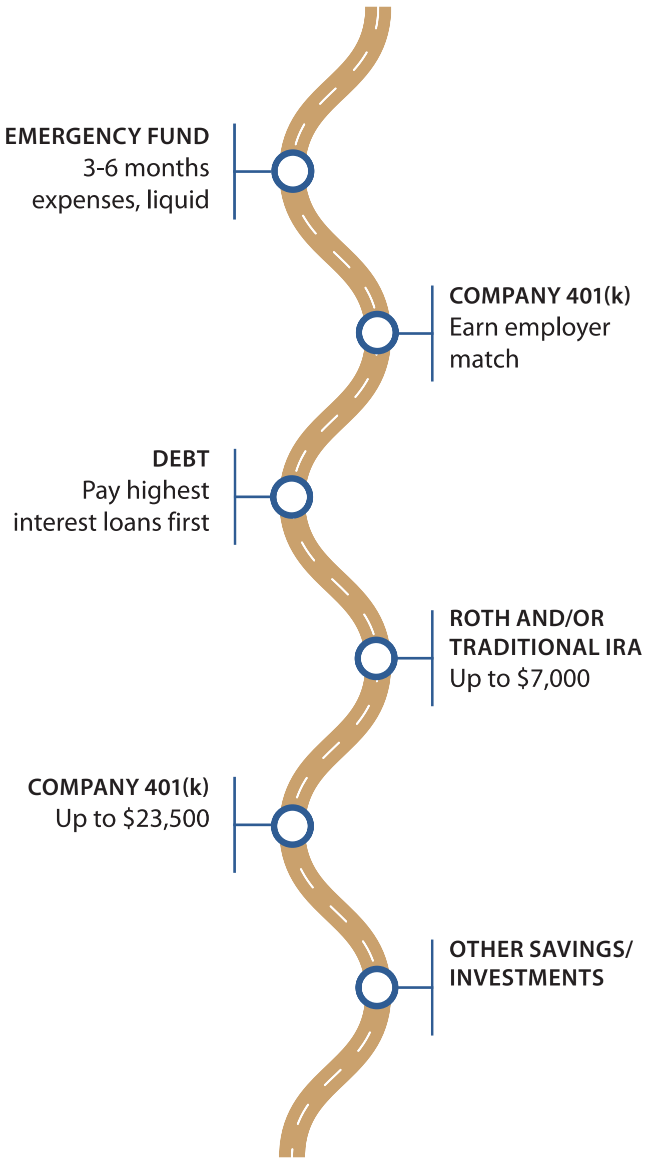
PREPARING FOR LIFE'S CURVEBALLS

Oh, the joys of adulthood – insurance options, like health insurance, are one of those must-have expenses. And while many young adults can stay on their parents' health insurance plan until age 26, it's critical to compare the monthly rates, deductible, maximum out-of-pocket cost and more to your employer's plan. Once you turn 26, though, you'll need your own plan regardless, either through work or the health insurance marketplace.

Other types of insurance, like car and renter's insurance, are important as well. If you live with your parents, you might stay on their car insurance – but once your primary address changes, you'll have to get on your own plan. And if your address does change and you're out on your own in your first apartment, don't skip renter's insurance. It's often inexpensive, required by landlords, and could protect you from theft or damage.

Especially during a time when the cost of living is inflated, entering adulthood and managing your finances within it can be intimidating – but you don't have to do it solo.

WONDERING HOW TO PRIORITIZE YOUR SAVINGS GOALS?
Use this as a guide. And remember, you don't have to finish saving for one goal before you start saving for another – just keep this general order in mind.



Scan the QR code for a detailed post-grad planning checklist that can help you pave the way to your long-term goals, and share it with your Baird Financial Advisor for expert advice along the way.

Investing in Our Communities, Together

Every May, Baird associates come together to live out one of our core values: giving back.

DURING BAIRD GIVES BACK WEEK, associates across the firm spend time volunteering with organizations in the communities where we live and work. It's a dedicated week of service, connection and making a meaningful difference – together.

At Baird, we believe giving back is much more than a responsibility – it's how we honor the places we call home. By caring deeply and living generously, we can all help our communities thrive.

OUR IMPACT IN 2025 IS REPRESENTED BY:

6,000+ hours of community service

1,900+ associate volunteers

200+ organizations supported

Learn more about associates' community-focused efforts during Baird Gives Back Week 2025.

Want More?

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

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