

Digest

NEWS AND PERSPECTIVE FOR GROWING
AND PRESERVING YOUR WEALTH

BAIRD

Winter 2026

Signals of What's Next

Innovation and Opportunities
on the Horizon



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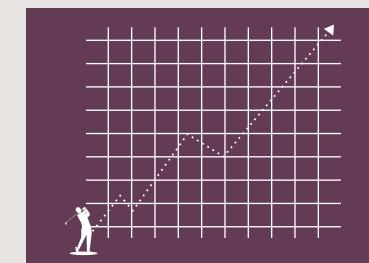
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Smarter Tools, Stronger Relationships

AT BAIRD, our commitment to you has always been about more than numbers – it's about understanding what matters to you and helping you realize your goals. As wealth management continues to evolve from trading to planning to truly relationship-focused guidance, we continue to invest in the technology that helps our people serve you better.

New tools like AI help our advisors and their teams work more efficiently, giving them more time to listen to you, strategize and personalize your advice. But technology is only part of the story. The heart of our business remains the trusted relationships we build with you, supported by your advisor team who knows your story and cares about your future.

And, as we look ahead, I want to recognize Mike Schroeder's outstanding leadership of our business and congratulate him on his recent transition to Vice Chair of Baird. Mike's vision has shaped our client-first approach and commitment to thoughtful innovation. Building on this foundation, our team will continue investing in what matters most – empowering our people and leveraging technology to help you thrive.

Thank you for your trust in Baird. We're honored to be your partner on this journey.

Mike Schroeder
Vice Chair



“The next step in wealth management isn’t about replacing people with technology – it’s about empowering people through technology. That’s how we’ll continue to deliver the exceptional service our clients deserve.”



Erik Dahlberg
President
Private Wealth Management

INVESTMENT STRATEGY AND ASSET ALLOCATION

2025 ended with a great deal of economic uncertainty, due in part to the government shutdown, tariff ambiguity and the lag between passage of last year's tax legislation (mid-2025) and when its tax refunds and incentives will take effect (2026 and on). These factors have created concerns around hiring and business investment, but we expect conditions to improve as the bill's tax incentives gain traction. Our view is that fiscal stimulus paired with easier monetary policy should help keep the economy out of recession in the near term.

While stocks remain expensive, strong profits help justify those high valuations. We anticipate +9% S&P 500 earnings growth in 2026 – it is tough to see the economy getting into too much trouble with earnings growing at roughly twice the pace of GDP. We also expect our investment themes from last year – artificial intelligence, an industrial power renaissance, companies with steady cash flows, and deglobalization – to remain relevant. And for 2026, we're adding a fifth: beneficiaries of a stimulus-driven consumer spending wave.

In terms of asset allocation, we see opportunity shifting away from U.S. Large-Cap Growth and toward the industrial power players in U.S. Large- and Mid-Cap Value. Among U.S. equity sectors, we favor Financials, Industrials, Utilities and Consumer Discretionary. In a period of heightened uncertainty, deglobalization and a weaker dollar, gold and other alternative assets will likely serve as both core holdings and transition assets.

WASHINGTON POLICY

We anticipate nearly \$300 billion in tax cuts for consumers and businesses in 2026 – at a time when the Federal Reserve is

already cutting rates. This one-two punch of fiscal and monetary policy should offset the negative impact of tariffs, though there is potential for higher volatility until consumer stimulus hits the economy around tax season. When this tailwind does arrive, we believe U.S. growth will accelerate into the back half of the year.

The timing of that tailwind could even be positive: Midterm election years tend to be more challenging for the S&P 500, with an average intra-year decline of 19%. These selloffs, however, have proven to be great buying opportunities – the index has not declined in the 12 months following a midterm election since 1942.

THE U.S. ECONOMY

Inflation and higher interest rates have weighed on housing and

manufacturing in recent years, and 2025's tariff shock and government shutdown put additional pressure on economic activity. However, supply chain issues have remained manageable, and U.S. rents remain in a slowing trend. While the bout of inflation that started in 2022 appears to be over, history tells us that a second wave is possible. Productivity gains, especially from technology like AI (a topic addressed later in this issue), could help keep prices in check.

Last year saw a reduction in interest rates, justified first by lower inflation and reinforced by a cooling labor market. The Fed will likely want to get monetary policy back to a neutral setting through additional rate cuts, though they don't appear to be in a rush. Meanwhile, a growing U.S.

budget deficit has the potential to crowd out other economic activity, and fixing this requires walking a fine line: Cutting the deficit too abruptly could stall the economy, but letting it run too hot could spark inflation if consumers lose confidence in prices remaining stable.

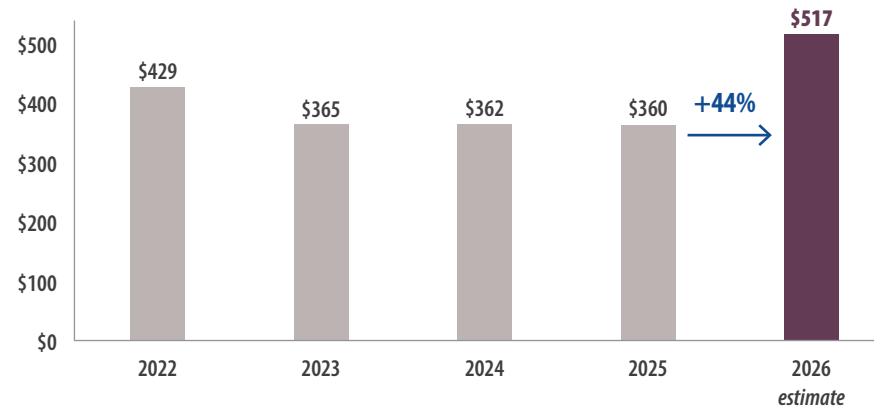
About Strategas

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

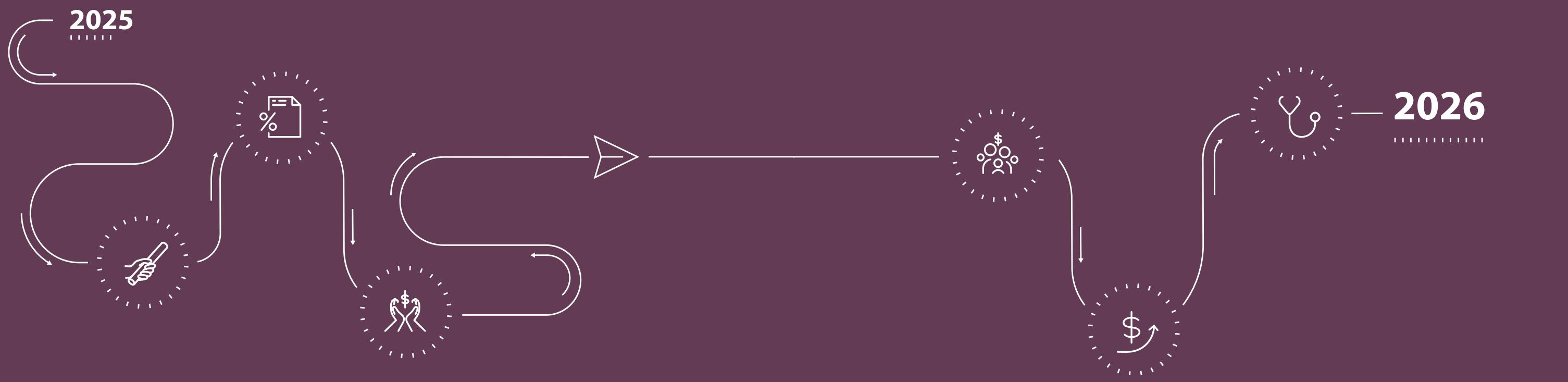
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Stimulus in the form of more than \$500 billion in tax refunds could spur economic growth in the second half of the year.



Source: Treasury, Strategas. Dollar amounts in billions.

Taking all this into consideration, we are optimistic about the likelihood for growth in 2026: We place our odds at a 20% chance of recession, 60% chance of soft landing or expansion and a 20% chance of surprise to the upside. With strong earnings, policy support and clear investment themes, we believe 2026 offers significant opportunities for disciplined investors.



2026 Planning Moves: What's New and What To Watch

WHILE EVERY YEAR brings new updates to tax rules and retirement savings plans, 2026 stands out with several fresh provisions and opportunities in the way of the One Big Beautiful Bill Act (OBBA). Here's how to make the most of what's new – and plan for what's coming – in each of the following core planning areas.



PRESERVING YOUR LEGACY
In the summer of 2025, the OBBBA permanently increased the lifetime gifting and estate tax exemption. Before the bill, it was set to drop to around \$7 million in 2026 – but now, the exemption has been increased to \$15 million. This expanded exemption creates new opportunities to support loved



Tim Steffen, CPA-PFS, CFP®, CPWA®
Director of Advanced Planning

“2026 stands apart from recent years, not just for the sheer number of legislative changes, but for the breadth of new planning opportunities. Whether you’re focused on your family, business or legacy, this is the time to revisit your strategy and take advantage of what’s newly possible.”

ones and leave a lasting impact while staying tax-efficient. Now is the time to connect with your advisor team and explore whether revisiting your estate plan and gifting strategy could help bring your long-term goals to life.



STAYING AHEAD OF NEW TAX HURDLES

Tax planning should stay in focus in 2026, as the OBBBA lowered the income threshold for the Alternative Minimum Tax (AMT). Starting this year, more taxpayers – especially those earning over \$1 million – may find themselves subject to the AMT. Additionally, itemizers will now see the tax benefit of deductions capped at 35%. Reviewing your most recent tax return with your advisor team

can help you avoid surprises come the 2027 tax season.



MAKING AN IMPACT THROUGH GIVING

Recent changes to charitable giving rules make it even more favorable to plan your donations strategically. For those claiming the standard deduction, an extra deduction is available for cash gifts made to public charities (excluding private foundations or donor-advised funds). Joint filers can claim up to \$2,000, and single filers up to \$1,000.

For itemizers, new restrictions on deductions apply. Only charitable contributions exceeding 0.5% of adjusted gross income will be deductible. Your advisor team can help coordinate your giving

to maximize your tax benefit and philanthropic impact.



CARING FOR YOUR FAMILY
Expanded benefits are now available for

working parents, including an increased child and dependent care tax credit of up to 50% of qualifying expenses. Revised phaseout rules maintain the 20% floor, meaning even families with higher incomes may still qualify for part of this credit.

Enhanced investment opportunities are also emerging for families. For one, 529 accounts continue to become more flexible – doubling the amount beneficiaries can use on K-12 tuition and other expenses to \$20,000. In addition, the OBBBA introduced Trump Accounts: ▶

2026 PLANNING MOVES: WHAT'S NEW AND WHAT TO WATCH

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a new type of savings account for children under age 18, launching this July. These accounts allow up to \$5,000 in annual contributions to help jumpstart children's saving journeys. Rules and restrictions apply, so check with your advisor team to see how these may fit your overall strategy.

OPTIMIZING YOUR BUSINESS INCOME

This year, owners of pass-through businesses (like LLCs or S corporations) can still exempt part of their income from tax under the Qualified Business Income rules – and the phaseout range has expanded slightly, allowing even more owners to qualify. Additionally, 2026 brings a new \$400 minimum deduction for business owners with at least \$1,000 of qualifying income.

Meanwhile, C corporations face a notable change for charitable contributions: Only contributions exceeding 1% of taxable income can be deducted. This makes it

especially valuable to align your business's giving with its broader tax strategy.



COORDINATING YOUR HEALTH AND WEALTH STRATEGIES

While the OBBBA drove many wealth planning changes in 2026, there's also another element on the horizon: Rising healthcare costs – like the ones anticipated in 2026 – can put real pressure on even the most well-built wealth plans. The good news? With a little planning, your health and wealth strategies can work together to protect your future. Below are key action items to take with your advisor team for different stages of life:

- ▶ **Working individuals:** Choosing a high-deductible health plan can help offset rising costs by qualifying you for a Health Savings Account – where you can save pre-tax dollars for future medical expenses.
- ▶ **Pre-retirees:** Proactively exploring long-term care insurance and other protective strategies can help

safeguard your retirement income from higher care costs.

▶ **Those approaching 65:** Developing a Medicare cost projection and choosing the best plan option for your needs can help you prepare for expected Medicare cost hikes.

▶ **Everyone:** Prioritizing preventative care will help you stay healthy longer, reduce future medical costs and stay focused on building and enjoying your wealth.

The evolving rules of 2026 serve as a reminder of the everchanging landscape. By staying informed and working closely with your advisor team, you can continue to adapt your wealth strategies to safeguard your financial future.

Planning Calendar

January 1 – March 31	January 15	February 15	Scan the QR code to access our <i>Wealth Strategies</i> webinar series
General enrollment period for Medicare for those who missed their initial enrollment period.	Fourth-quarter federal estimated income tax payments for 2025 are due.	The first wave of 1099s will be issued by Baird for accounts holding individual equities, bonds or mutual funds whose final tax information has been provided.	

THROUGH THE BAIRD LENS

When Artificial Intelligence Meets Human Authenticity



In a world where artificial intelligence is transforming industries at warp speed, we move forward with intention – adopting technology with thoughtfulness and care. Because as AI transforms the way we experience life, it also gives us a chance to strengthen what endures: authentic human connection.

AT BAIRD, we're continuously exploring new investments in technology because we know they make a meaningful difference in how we support you. When it comes to enabling them – like AI – we do so with care, ensuring they strengthen the trust and relationships that have defined our firm for over a century. In the following pages, we explore both sides of Baird's approach to AI: how we're thoughtfully integrating AI into advisor teams' practices, and how we're ensuring human connection endures. ▶

► So, how is Baird weaving AI into the way advisor teams work?

WHAT IT TAKES FOR AI TO EARN ITS PLACE AT BAIRD

Behind every new technology at Baird are processes and protocols designed to protect clients and preserve trust. The balance between cutting-edge innovation and authentic relationships is evaluated long before any tool reaches an advisor's desk. Our experts must ensure every tool honors the integrity and human connection that define our wealth management services.



“Our AI journey isn’t just about innovation – it’s about integration: integrating technology into the advisor experience in a way that’s natural, human and enhances advisor teams’ personal touch.”

– Jordan Bathey, Manager of PWM Analytics & Insights

That's why we take a "safety-first" approach to adoption – using AI in secure, compliant environments where privacy and data protection are top priorities. While countless AI tools exist, we invest only in those that work for our firm and keep your information safe – and give teams the foundational training they need to use them effectively.

HOW ADVISOR TEAMS CAN USE AI TODAY

With responsible practices guiding us, advisor teams can use AI to empower daily work. Financial Advisors and Client Specialists often use it as a tool to streamline tasks like preparing for meetings, managing routine responsibilities and capturing meeting notes. Simplifying these to-dos is game-changing for efficiency, allowing teams more time for what matters most: listening and strategizing with clients.

AI can also act as an initial reviewer for documents and processes. With human oversight, Baird's tools can check forms for accuracy and summarize complex reports – helping your advisor analyze a broad range of information about your situation and uncover deeper insights and strategies. AI tools at Baird can also help flag unusual transactions that may indicate identity theft, adding another layer of protection.



“Technology continues to be incorporated in more engagements, supporting our advisors in offering the best experience. In 2025, we reviewed tens of thousands of tax returns to bolster financial planning – something unimaginable without technology.”

– Ryan Burwell, Director of PWM Technology Strategy

By thoughtfully integrating AI, advisor teams are showing that technology can streamline processes, enhance service and expand what's possible in wealth management. But as AI becomes more common, the true value of human advisors becomes even clearer.

► In an increasingly digital world, where do Financial Advisors' insights matter most?

AI PROVIDES INFORMATION – ADVISORS PROVIDE CONTEXT

AI has, in some ways, become the new search engine. What we once typed into Google, we now type into an AI digital assistant. Why? Because it synthesizes complex information into concise answers.

But convenience doesn't always mean completeness. Ask AI how much to save for retirement, and it may suggest 15% of your income – unaware whether you're caring for aging parents, planning to downsize or travel internationally every year.

Without the right context and input, even the best tools can miss the mark. Advisors bridge that gap by asking the right follow-up questions and applying what they've learned about you over time – offering guidance shaped not just by the information you include in an AI prompt, but by the insight they've gained after years

of knowing you. Through building a relationship with you, your advisor knows your story. Quick AI responses are useful reminders that what Baird Financial Advisors do is far beyond technical – it's helping you find the intersection of purpose and money.

AI IS REACTIVE – ADVISORS ARE PROACTIVE

AI can analyze history and identify trends, but only advisors bring the human perspective that turns those insights into strategies that fit your life. After all, AI certainly won't call you to talk about Medicare because you're turning 65 or adjust your portfolio based on your changing tolerance for risk.

Financial Advisors plan forward. They anticipate evolving goals, shifting conditions and moments of uncertainty that may call for new strategies. Their foresight helps you prepare before change happens – not just respond after ►



“While AI is interpreting the data, your advisor is interpreting you – helping you plan for more than just a moment in time, but your long-term vision.”

– Kelsey Clair, CPA, CPWA®, Senior Tax Strategist

How Does AI Enhance Our Services Without Compromising Your Security?

At Baird, protecting assets and personal information entrusted to us is a top priority. Before we invest in any AI technology, we put all platforms through a thorough review to ensure your personal information is protected. This includes checking that the tools follow privacy rules, meet industry standards and are handled by trusted partners responsibly. We also ensure these AI systems operate in secure environments that are designed to keep your private details safe.

Scan the QR code to learn more about Baird's Cybersecurity Program.



WHEN ARTIFICIAL INTELLIGENCE MEETS HUMAN AUTHENTICITY

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it does. In times of volatility, that preparation can make all the difference between reacting emotionally and staying on course.

AI SIMULATES EMPATHY – ADVISORS SHOW IT

Try as it might, AI cannot replicate human experiences or emotional intelligence. And when volatility strikes, reassurance from another person matters most. When you're worried about your portfolio, you don't want an algorithm – you want the familiar voice of your team's Client Specialist on the other side of the phone.

AI may streamline tasks and surface data, but Financial Advisor teams provide empathy and values-driven guidance – and perhaps above all, someone to lean on during times of uncertainty. After all, there's no better feeling than being around people where you don't have to explain yourself – people who already understand your goals, your worries and what truly matters to you.



“When you’re dealing with emotions, you don’t want there to be anything artificial about it.”

– Laurence Kluth, Manager of Equity Compensation Planning

At Baird, our relationships with clients are at the heart of everything we do – and that principle guides our approach to AI. We view technology as a tool that doesn't replace human connection, but strengthens it.

Reach out to your Baird Financial Advisor team to learn more about how they're incorporating AI into their practice.

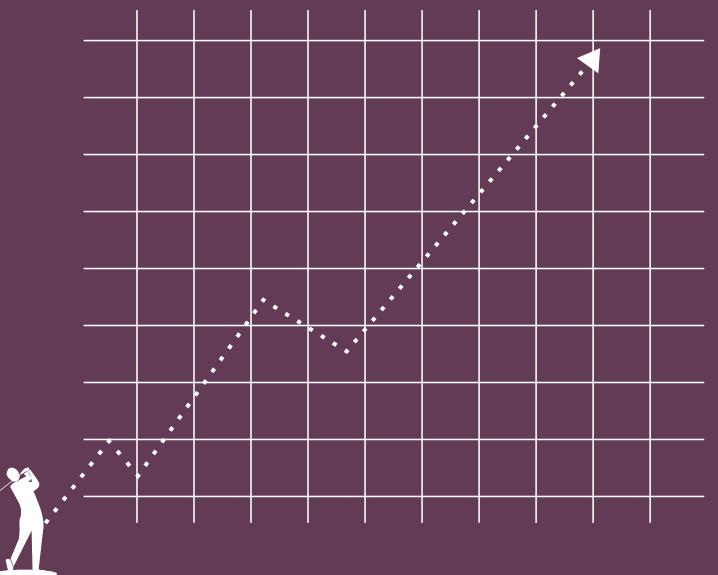
“People value human interaction particularly when complexity soars and emotions run high. AI can pump out data, but it can’t manage uncertainty – only humans can do that.”

– Michael Antonelli, Market Strategist



DRIVING INVESTMENT OPPORTUNITIES

The Green Frontier: Golf’s Growing Investment Appeal

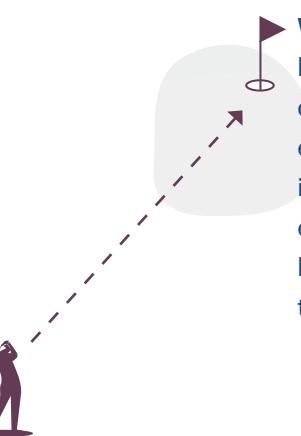


For decades, golf was seen as a weekend pastime. Today, it's evolving into something much larger: a lifestyle that blends sport, social connection and experiences. For athletes and consumers, this means an industry reshaping itself to meet modern needs. For investors, it means access to a rapidly growing market with potential for long-term value.

A recent report by Baird Global Investment Banking highlights what's driving growth in the industry and how you can take advantage as an investor.

A GROWING PLAYER BASE

Not only is golf attracting younger players, with the 18-34 age group now the largest of on-course players, but the number of female golfers has risen by a notable 41% since 2019. In 2024, total U.S. participation reached a record 47.2 million, marking a 38% increase over the same period.¹ This surge is changing how companies think about the sport, with brands catering to new audiences' expectations.



What It Means for Investors: Brands and businesses that connect with these growing demographics, like lifestyle brands and equipment providers, are becoming attractive investments. As golfers search for top-quality experiences and gear, they're setting a new benchmark for the pricing and value of these companies. ▶

THE GREEN FRONTIER: GOLF'S GROWING INVESTMENT APPEAL

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INNOVATION ON THE COURSE

Driven by younger generations' increasing interest in golf, technology is transforming the golf experience. On-course performance tracking, online booking systems, golf simulators with customizable course terrains, and more, are catching the eye of consumers.

This spirit of innovation is alive across the industry. Take L.A.B. Golf, a leading manufacturer and marketer of high-performance putting equipment and golf accessories: Baird's Global Investment Banking team recently served as the exclusive Financial Advisor to L.A.B. Golf in its sale to the investment firm L Catterton – helping an innovative brand take its next big step towards growth.

NEW VENUES AND EXPERIENCES

Golf is no longer confined to 18 holes and a clubhouse. While golf-entertainment venues like Five Iron Golf and PinSeekers blend the sport with dining and socialization, other venues offer shorter course layouts to give busy families and professionals a chance to work golf into their packed schedules. These innovative formats attract new players and investors alike.

UPGRADES TO THE CLUBHOUSE

To attract premium golfers and high-spending members, course owners are swapping daily-fee golf courses into amenity-rich venues featuring fitness centers, spas and fine dining. These renovations lean into the growing demand for lifestyle-focused memberships that go beyond the game of golf itself.

As the golf experience evolves, investors who take advantage early could find themselves ahead of the curve. Scan the QR code to read the Global Investment Banking team's full report on golf's investment opportunities, along with details of L.A.B. Golf's sale to L Catterton.



What It Means for Investors: Investment opportunities in companies that are redefining the golf experience through innovation are taking center stage. Whether it's startups developing advanced simulators, platforms that streamline course operations or innovative tools helping players improve their game, these businesses are tapping into a growing market. And they're just getting started.

What It Means for Investors: Golf-entertainment venues offer diversified and scalable revenue streams through food, beverage and event hosting. This makes them attractive for both private equity and real estate investors. Short-course venues offer similar advantages and have higher per-visit spending, making them a compelling investment option.

What It Means for Investors: As clubhouses upgrade, investors have the opportunity to capitalize on value-add real estate strategies, leveraging underutilized properties in affluent or underserved markets. Improving clubhouses in well-off areas can also lead to new ways for clubs to grow and welcome more members, ultimately creating more sustainable revenue models.

DOING WELL BY DOING GOOD

Baird and United Way: A Legacy of Giving Back

FOR MORE THAN 65 YEARS, Baird has proudly supported United Way – a global nonprofit organization that funds local agencies to help build stronger communities. In 2025, that legacy reached new heights as over 3,000 associates nationwide raised a record \$6.7 million for United Way chapters across the country. This year, Baird's Chairman & CEO Steve Booth co-chaired the Greater Milwaukee and Waukesha County campaign – and in Southeastern Wisconsin alone, an incredible 98% of associates donated.

Firmwide, this effort embodied Baird's core value of giving back to the communities where we live and work. When we give together, we grow together.

In 2025, Baird associates strengthened United Way's impact through:

Participation from over

3,000 associates

\$6.7 million
in donations

Engagement across

57 Baird offices

Support for
59 United Way
Chapters
and hundreds of nonprofits

United Way focuses on four areas of impact around the world: healthy communities, financial security, community resiliency and youth opportunities.



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Strategas has been recognized in Extel's (formerly Institutional Investor) 2025 All-America Research Team survey and remains, for the 9th consecutive year, Extel's highest ranked provider of exclusively macro research, preceded only by providers of both macro and bottom-up research. Extel rankings issued October 2025 based on data through June 2025. Strategas was ranked the #1 Macro-Only Sell-Side firm in Extel's All-America Research survey. Rankings, ratings or awards may not be representative of any specific client's experience. Extel official rankings and methodology at www.extelinsights.com/results

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