

BAIRD

Private Wealth
Management

Retirement Plan Options

Presented by:
The Brookshire Garside Group

Baird Private Wealth Management

Robert W. Baird & Co.
Member SIPC

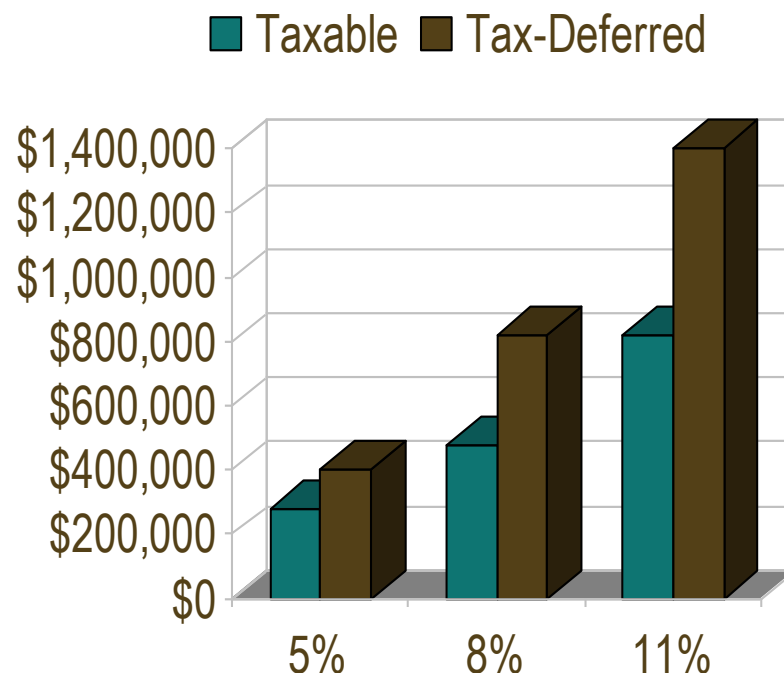
Overview

- Benefits of Retirement Plan Savings
- Types of Retirement Plans
- Next Steps

Benefits of Retirement Plan Savings for Employees

Tax deferred growth

- Investing \$250 a month at 25 years old and continuing until retirement at age 60
- Three hypothetical investments earning an average annual total return of 5%, 8% and 11%, net of any applicable fees and charges



This hypothetical example does not illustrate the actual results of a particular investment. The taxable projections assume a 25% effective annual tax rate and a 25% reduction in initial monthly contributions to convert to pre-tax equivalency. The analysis makes no assumptions regarding portfolio composition, asset turn-over, or capital gain versus ordinary income tax treatment. The tax-deferred projections assume no withdrawals and no ordinary income tax on distributions, even though ordinary income taxes would be applied at distribution.

Benefits of Retirement Plan Savings for Employees

- Contributions can be tax-deductible
- Plan Design can help all employees, and benefit owners and key employees within limits

Types of Retirement Plans

- IRA-Based Plans
- Defined Contribution Plans
- Defined Benefit Plans

Simplified Employee Pension (SEP-IRA)

Contribution Type/Limits

- Employer contributions only
- Lesser of 25% of eligible compensation (discretionary) or \$72,000 indexed

Considerations

- Very inexpensive to establish and administer
- Age 21 and performed service for the employer in at least 3 years w/max compensation of \$800 for eligibility
- No compliance testing or annual IRS reporting
- Simplistic plan document
- No vesting allowed

Company Type

- Small firm wanting a plan that is easy to establish and administer

¹ Compensation capped at \$360,000 (indexed) Contribution limit of \$72,000 (indexed) for 2026. Use IRS Form 5305 to establish.

Savings Incentive Match Plan for Employees (SIMPLE-IRA)

Contribution Type/Limits

- Employee salary deferral up to \$17,000 (indexed)
- Employer contribution is required:
 - a 3% match, or
 - a 2% “non-elective” contributionMatching can be reduced to 1%, two out of five years
- Both Pre-tax and Roth contribution types are allowed

Considerations

- Inexpensive to establish and administer
- No government reporting or testing required
- Simplistic eligibility
- No vesting allowed

Catch-up contribution of \$4,000 (indexed) available for participants age 50 and over.
Individuals age 60-63 have an enhanced catch-up contribution limit of \$5,250.
Use IRS 5304 for plan document

Savings Incentive Match Plan for Employees (SIMPLE-IRA)

Optional SIMPLE-IRA Secure Act 2.0 Provisions:

- For employers with no more than 25 employees, the annual deferral limit may be increased up to \$18,100 and the age 50+ catch-up contribution as of now has remained at \$3,850.
- Employers with 26–100 employees are allowed to provide these higher deferral limits, provided that the employer either makes a 4% matching contribution or a 3% employer non-elective contribution.
- Employer can make additional contributions to each participant in the plan in a uniform manner, provided that the contribution does not exceed the lesser of 10% of compensation or \$5,300.

Defined Contribution Plans

- Benefit is based on dollars contributed and performance of investment options
- Employer can fund 100%, a portion, or choose to allow just employee deferrals
- Employer or participant directed investments
- Administrator required for recordkeeping, compliance and government reporting
- Costs are usually manageable for small businesses

Defined Contribution Plans – Profit Sharing

Contribution Type/Limits

- Employer contributions are discretionary
- Employer deduction limit is up to 25% of covered compensation¹
- Maximum contribution per individual lesser of 100% or \$72,000 (indexed)

Considerations

- Age weighted or cross tested designs can provide significant contributions to key employees and owners
- Government reporting and compliance testing are required
- Assets can be pooled or in participant accounts; pooled creates greater fiduciary responsibility for investment of assets
- May have a vesting schedule

Company Type

- Employer interested in flexibility of contribution levels

¹ Compensation is capped at \$360,000 for purposes of contribution calculations for 2026 (indexed)
Outside administrator required

401(k) Plans

Contribution Type/Limits

- Employees can contribute pre-tax up to \$24,500 (indexed)
- Catch up contributions available for those over age 50
- Employer match provision available
- Employer profit sharing provision available
- Individual contribution limit between all sources is lesser of 100% of compensation or \$72,000 (indexed)
- Employer contributions capped at 25% of eligible payroll

25% limit differs for the self employed. Contact the CPA or TPA for calculations and limits.
Catch-up contribution of \$8,000 (indexed) available for participants age 50 and over.
Catch-up contribution for those age 60-63 is \$11,250 (indexed).

401(k) Plans, cont.

Considerations

- Most flexible plan design, cost low to high based on plan design
- Most well-known type of plan by potential employees
- Government reporting and compliance testing required
- Participants can direct their own accounts amongst investment options; can alleviate some fiduciary responsibility
- Eligibility criterion and vesting schedule available

Company Type

- Looking for an employee deferral and employer contribution option

Defined Benefit Plans

- Benefit is determined by a formula in the document
- 100% employer funded
- Employer determines investment allocation of the plan assets
- Actuarial and pension expertise required
- Employers who are older than their participants can often contribute/accumulate significant dollars based on calculations
- May be added to a defined contribution plan to further increase contributions/accumulate retirement assets
- Cash Balance plans

Next Steps

- Evaluate your organization's objectives and needs
- Discuss possible options which could address the needs of your business and employees
- If looking at a 401(k)/Profit Sharing plan, complete a census form to allow a Third-Party Administrator (TPA) run plan design scenarios
- Begin evaluating potential service providers

WEALTH SOLUTIONS GROUP

BAIRD

Private Wealth
Management

Social Security/ Medicare

Why Social Security benefits matter in retirement planning

Social Security benefits are more than just a monthly check—they represent a guaranteed, inflation-adjusted income stream that lasts for life. For many retirees, especially those without defined benefits like pensions, Social Security is the most stable and predictable source of income. Even for high-net-worth clients, these benefits can serve as a hedge against market volatility and longevity risk.

It's worth noting:

- Social Security benefits are backed by the U.S. government and adjusted annually for inflation.
- They provide income security not only for retirees, but also for disabled workers and surviving family members.
- Understanding how benefits are calculated and when to claim them is essential for maximizing their value.

Eligibility and timing: When clients can claim Social Security benefits

To receive Social Security retirement benefits, clients must earn at least 40 credits, which typically equates to 10 years of work. The age at which they choose to begin receiving benefits plays a critical role in determining the monthly amount.

There are several types of claiming options. These include:

- Early retirement (age 62): Clients can begin benefits early, but with a permanent reduction of up to 30%.
- Full retirement age (66–67): Clients receive 100% of their benefits based on their birth year.
- Delayed retirement (up to age 70): Benefits increase by approximately 8% for each year delayed.

Strategic claiming: How to maximize Social Security benefits

Claiming Social Security benefits is not a one-size-fits-all decision. There are several factors to consider, such as a client's health, family history, financial needs, and marital status when developing a claiming strategy.

Delaying benefits can be especially advantageous for clients who expect to live beyond the average life expectancy or who want to maximize survivor benefits for a spouse. It's important to explore what reasons they may have for delaying their benefits claim.

Ideal candidates for delaying benefits could include:

- Clients in good health with a family history of longevity.
- Clients with sufficient retirement savings to cover early retirement years.
- Clients with younger or lower-earning spouses who will rely on survivor benefits.

Working in Retirement: How earnings affect Social Security benefits

Many clients plan to continue working after they begin receiving Social Security benefits. However, if they claim benefits before reaching full retirement age, their benefits may be temporarily reduced due to the earnings test.

The earnings test is a provision that regulates the benefits of individuals who claim Social Security benefits before reaching their full retirement age (FRA) and continue to work. Your clients should become familiar with it before making any retirement decisions.

Here are the [2025 earnings limits](#):

- Before FRA: \$1 in benefits is withheld for every \$2 earned over \$23,400.
- Year of FRA: \$1 is withheld for every \$3 earned over \$62,160.
- After FRA: Clients can earn an unlimited amount without any reduction in benefits.

Taxation of Social Security benefits: What clients need to know

Your clients may not realize that Social Security benefits could be subject to federal income tax depending on their total income. This lack of awareness could result in an unwanted surprised at tax time.

To avoid that, make sure they know the IRS tax [thresholds](#):

- Single filers: Up to 85% of benefits may be taxable if income exceeds \$34,000.
- Married filing jointly: Up to 85% of benefits are taxable if income exceeds \$44,000.
- Engaging in tax-efficient investing and planning is vital as your clients near retirement and for those actively in retirement. Explore ways to reduce their taxable income and optimize tax-efficient planning strategies such as:

Using Roth IRAs or tax-free municipal bonds to reduce taxable income.

Sequencing withdrawals from taxable and tax-deferred accounts to stay below thresholds.

Considering partial Roth conversions before required minimum distributions (RMDs) begin.

Spousal and survivor Social Security benefits: Coordinating for couples

Spousal and survivor benefits offer unique planning opportunities for married and divorced clients. A spouse may be eligible for up to 50% of the higher earner's benefit, and a surviving spouse may receive the full benefit amount of the deceased partner.

Some key points to remember include:

- Spousal benefits are available once the primary earner begins receiving benefits.
- Survivor benefits can be claimed as early as age 60 (or 50 if disabled).
- Divorced spouses may qualify if the marriage lasted at least 10 years and they are currently unmarried.

WEALTH SOLUTIONS GROUP

BAIRD

Private Wealth
Management

Medicare

Medicare

Agenda

The logo for BAIRD, featuring the word "BAIRD" in white, uppercase, sans-serif font, set against a blue parallelogram background.

- ✓ What the Government Provides
- ✓ Options to Obtain Additional Coverage
- ✓ When and How to Sign Up
- ✓ Items to be Aware of

What the Federal Government Provides:

- Part A - Hospitalization
- Part B - Out Patient Care
- Part D - Prescription Drug Coverage

BAIRD



shutterstock.com · 67586320

Part A – Hospitalization

The logo for BAIRD, featuring the word "BAIRD" in white capital letters on a blue parallelogram background.

Coverage

- Inpatient Hospital Care
- Skilled Nursing Facility Care
- Behavioral & Mental Health
- Hospice

Premium

Good News! If you or your spouse has worked at least 40 quarters, you've already paid for...

1.45% of FICA tax funds Medicare Part A Premiums

Deductible

\$1,676 per Benefit Period (2025)

Part B – Out-Patient Care



Covers medical services such as:

- Doctor's services
- Outpatient care
- Preventive services

Part D – Prescription Drug Coverage

The logo for BAIRD, featuring the word "BAIRD" in white capital letters on a blue parallelogram background.

- A plan's list of covered drugs is called a "formulary," and each plan has its own formulary.
- Medicare drug coverage typically places drugs into different levels, called "tiers," on their formularies. Drugs in each tier have a different cost.

Tier 1—lowest copayment: most generic prescription drugs

Tier 2—medium copayment: preferred, brand-name prescription drugs

Tier 3—higher copayment: non-preferred, brand-name prescription drugs

Specialty tier—highest copayment: very high-cost prescription drugs

IRMAA



If Your Modified Adjusted Gross Income in 2023 was:			
File Individual Return	File Joint Tax Return	Income-Related Monthly Adjustment Amount (IRMAA)	You Pay (In 2025)
\$106,000 or less	\$212,000 or less	\$ -	\$ 185.00
Between \$106,001 and \$133,000	Between \$212,001 and \$266,000	\$ 74.00	\$ 259.00
Between \$133,001 and \$167,000	Between \$266,001 and \$334,000	\$ 185.00	\$ 370.00
Between \$167,001 and \$200,000	Between \$334,001 and \$400,000	\$ 295.90	\$ 480.90
Between \$200,001 and \$499,999	Between \$400,001 and \$749,999	\$ 406.90	\$ 591.90
\$500,000 or more	\$750,000 or more	\$ 443.90	\$ 628.90

*Modified Adjusted Gross Income (MAGI) = Adjusted gross income + tax-exempt interest

Life Changes

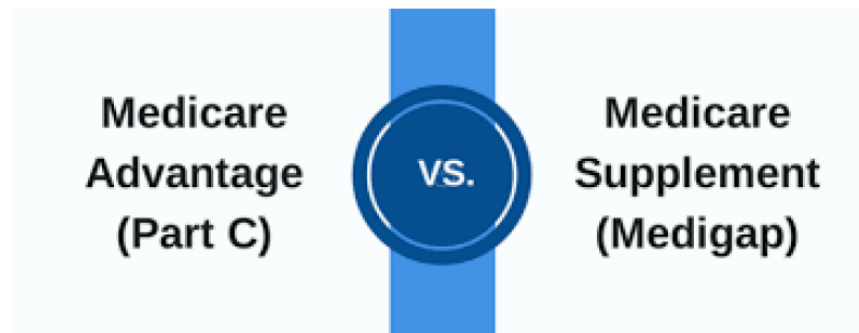
The logo for BAIRD, featuring the word "BAIRD" in white, uppercase, sans-serif font, set against a blue parallelogram background.

- IRMAA looks back 2 years and life changes can cause reductions in income
- If this happens you can appeal through Social Security using Form SSA-44

- | | |
|---|--|
| <input type="checkbox"/> Marriage | <input type="checkbox"/> Work Reduction |
| <input type="checkbox"/> Divorce/Annulment | <input type="checkbox"/> Loss of Income-Producing Property |
| <input type="checkbox"/> Death of Your Spouse | <input type="checkbox"/> Loss of Pension Income |
| <input type="checkbox"/> Work Stoppage | <input type="checkbox"/> Employer Settlement Payment |

Medicare: Additional Coverage

BAIRD



Initial Enrollment



- **Generally, when you turn 65.** This is called your Initial Enrollment Period. It lasts for 7 months, starting 3 months before you turn 65, and ending 3 months after the month you turn 65.

Penalties

- You'll pay an **extra 10% for each year** you could have signed up for Part B, but didn't.
- You'll pay an extra 1% for each month (that's **12% a year**) for Part D coverage



Special Enrollment

The logo for BAIRD, featuring the word "BAIRD" in white, uppercase letters on a blue, parallelogram-shaped background.

- This SEP is an opportunity for people who didn't sign up for Medicare when first eligible because they had group health plan coverage based on current employment (their own, a spouse's, or a disabled family member's).
- A person may sign up for Medicare while they're still covered under the group health plan based on current employment, or the first month when their coverage isn't based on current employment. They may choose to have coverage begin on the month they sign up or at the beginning of any of the three months after they sign up.
- If they sign up for Medicare during any of the remaining seven months of this SEP, coverage will begin the month after they sign up.

1031 Exchanges

1031 Exchange Process Overview:

1. Client Sells property, money goes to QI (Set up Prior to Sale)
 - *i. Ares does not buy the asset, the money from the sale of their RE goes to the QI. Proceeds from the sale cannot go to the client or else it would be a taxable event.*

2. From the date of close, 180 day timeline starts- split into 2 periods:

- *i. **45 Days:** Client has 45 days to identify (Ares gives address of properties to identify upon receipt of application)*
- *ii. **135 Days:** Client has an additional 135 days to close on one or all properties*

3. Money goes to Ares and into the Delaware Statutory Trust (DST)

- *i. Client becomes partial owner and is in this phase for 2 years (from when the last investor gets in)*
- *ii. **Quarterly guaranteed distributions**, backed by the 20 year master lease*
- *iii. No redemptions*
- *iv. If client dies during this time, the beneficiaries take over and receive a step up in basis*

4. **721**- Client gets up-reited into Ares Real Estate Income Trust

- *i. In exchange for equity ownership of the DST, clients are given divisible Operating Partnership (OP) Units in the REIT*
- *ii. Monthly distributions*
- *iii. Monthly liquidity after first year (twice a year)*
- *iv. If owner passes away, beneficiaries get a step up in cost basis*

Ares Real Estate Exchange “AREX” (1031 Exchange Program):

1031 exchange solution incorporating both 1031 and 721 tax codes for individual investors who plan to sell appreciated real estate and are looking for tax-deferral and estate planning options

Ares is a leading sponsor in the 1031 DST space, having completed more than \$4billion of exchanges across 70+ private placement offerings

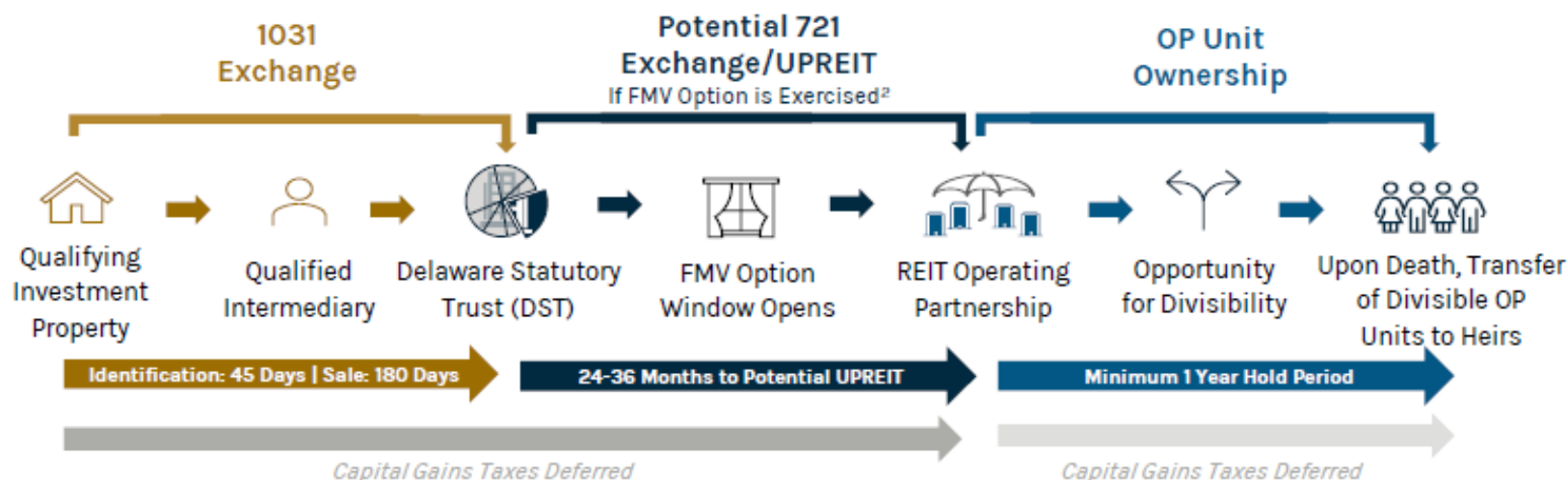
Client benefits may include:

- Deferral of capital gains taxes upon the sale of their investment real estate
- Access to a multi-billion dollar institutional investment fund offering high-quality, income-generating commercial real estate
- Relief from active management of real estate
- Powerful estate planning tool

How Does AREX Work?

With AREX, investors can complete a **tax-deferred 1031 exchange** out of their appreciated investment or business-use real estate into a passive investment in a Delaware Statutory Trust (DST) that owns a portfolio of institutional-quality real estate sourced by an Ares REIT.

An ARES REIT holds a purchase open (FMV Option) to acquire the properties owned by the DST in 2-3 years after the DST offering is closed. If the FMV Option is exercised, DST investors contribute their DST interests to an Ares REIT operating partnership (OP) in exchange for partnership units (OP Units). This transfer of a DST interest in exchange for OP Units is intended to be tax deferred under IRC Section 721 and is referred to as a **721 exchange or UPREIT transaction**.²



Potential Benefits of AREX³



Defer Capital
Gains Taxes



Transition from
Active Management



Diversify
Portfolios⁴



Tax-Efficient
Wealth Transfer

AREX Is Designed to Help Advisors

- Capture assets normally outside of AUM
- Retain assets as they transfer to future generations
- Build network of referral sources by connecting with clients' friends, family members, business partners, and tax/legal advisors

CLIENT PROFILE: Active Real Estate Investors

Situation

A couple gets married and buys a new primary residence together. They convert one of the spouse's former residences to a rental home for investment purposes. Many years later, the house starts requiring more repairs and maintenance. The couple now has children, busy careers and no longer has the time or desire to manage tenants or the rental home. They don't want to pay the capital gains taxes associated with a typical sale and would like to exchange into something that still provides income but is without the hassles of ongoing property upkeep.

Ares Real Estate Exchange Solution

Passive, Professionally Managed Investment with Diversification

The AREX program takes an institutional-quality property or properties from one of Ares' multi-billion-dollar real estate investment trusts (REITs) and puts these properties into a Delaware Statutory Trust (DST). The couple can complete a 1031 tax-deferred exchange of their rental for an interest in the DST, allowing them to defer their capital gains taxes. A subsidiary of the REIT's operating partnership enters into a master lease with the DST, guaranteeing the master lease and paying the couple quarterly fixed rents¹, without the work of managing a rental property. They have the potential to later exchange into Operating Partnership (OP) Units² of the same REIT, ultimately providing them with ownership in a diversified portfolio of institutional quality, professionally managed real estate.

CLIENT PROFILE: Land Owners

Situation

A husband and wife have been life-long farmers and are ready to retire. They have the option to sell their farmland either to another farmer or to a developer who will redevelop the land into a single-family home subdivision. The couple would like to move to a warm-weather state and receive income from a passive real estate investment.

Ares Real Estate Exchange Solution

Deferral of Taxes and Income Stream

The couple can exchange out of their land into the DST, deferring the couple's capital gains taxes and providing them with fixed income from the master lease. Although the couple's primary residence could not be transferred in a 1031 tax-deferred exchange, the couple may be able to receive the portion of the proceeds for their primary residence without paying taxes under the rules applicable to the sale of primary personal residences (IRC Section 121).

CLIENT PROFILE: Business Owners

Situation

A dentist owned her own dental practice, as well as the building in which her office was located. When she passed away, her spouse sold the practice to a new dentist who wanted to acquire an existing practice instead of starting from scratch, but retained ownership of the building. Many years later, the successor dentist wants to purchase the building. The spouse agrees to sell but is looking to defer the taxes and is focused on estate planning objectives.

Ares Real Estate Exchange Solution

Capital Appreciation and Estate Planning

By exchanging the commercial building for an interest in a DST through the AREX program, the spouse can defer the capital gains taxes associated with the sale of the property —while continuing to receive income in the form of guaranteed master lease payments. In addition, if the Purchase Option is exercised and the DST Interests are exchanged for OP Units, then upon the spouse's passing, some or all of the OP Units can be redeemed to provide the estate with cash to pay estate taxes. OP Units are divisible and easily transferred to heirs with a step-up in basis, eliminating all the capital gains taxes the couple deferred during their lifetimes.

CLIENT PROFILE: Partners Parting Ways

Situation

Three partners acquired an office building in a Limited Liability Company (LLC) and owned it for many years. Over time, they disagreed as to how the property should be managed and their relationship became strained. They would like to discontinue co-owning the office building. They decide to do a 1031 exchange since the building has appreciated over the years. They learn from their tax advisor that they can't simply each take their share of the sale proceeds and do separate 1031 exchanges. They would love the opportunity to defer the taxes with a 1031 exchange and later separate out their interests from one another.

Ares Real Estate Exchange Solution

Divisibility

After exchanging the office building for a beneficial interest in a DST, and assuming the purchase option is exercised, the partners will exchange the beneficial interest for OP Units on a tax-deferred basis (an Internal Revenue Code 721 exchange)—granting them full divisibility of the units so each can hold their share independently of the others.

CLIENT PROFILE: Multiple Siblings

Situation

A grandfather who owned an older apartment building near a college campus passed away and transferred the apartment building to his three adult grandchildren. The grandfather was very conservative, held no debt on the property, but also didn't invest in capital improvements. The grandchildren all lived out of state and owned the property together for many years. As the income from the property declined year after year, they learned that the onsite manager was stealing money from the operating account, mismanaging the property and the roof needed replacing. A developer made them an offer to buy the apartment building. The grandchildren were eager to sell, not pay taxes and desired higher income from their investment with less expenditures on capital improvements.

Ares Real Estate Exchange Solution

Liquidity

The grandchildren can sell the apartment building to the developer and defer the capital gains taxes by exchanging into a DST interest in the AREX program. If the Purchase Option is exercised and they each receive OP Units in a 721 exchange, they can each hold their share of OP Units and collect the quarterly distributions, or redeem them with the REIT for either cash or common stock.³

Disclosure Information

This information provided here is for general informational purposes only and is not intended to be a substitute for specific individualized tax, legal, or investment planning advice. Robert W. Baird & Co. Incorporated is not a legal or tax services provider and you are strongly encouraged to seek the advice of the appropriate professional advisors before taking any action.