Monument Square Group
2700 Kelly Road, Suite 120
Warrington, PA 18976
215-491-7600
215-491-7630
monumentsquaregroup@opco.com
https://www.oppenheimer.com/msg/

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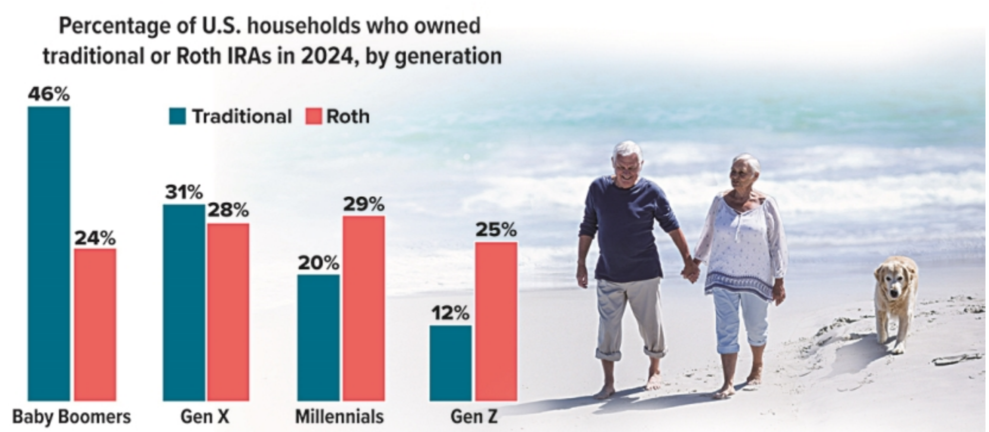
44%

Percentage of U.S. households who owned individual retirement accounts, or IRAs, in 2024. This was up from 34% a decade earlier.

Source: Investment Company Institute, 2025

Traditional vs. Roth: IRA Preference Differs by Generation

With traditional IRAs, contributions are tax deductible for those with incomes below certain levels, but withdrawals in retirement will be taxed as ordinary income. Roth contributions are made with after-tax money, but qualified distributions are tax-free.* For investors who expect to be in a higher tax bracket in retirement, a Roth may be more beneficial in the long run — which is why they tend to appeal to younger generations. Overall, about 33% of U.S. households own traditional IRAs, compared with 26% who own Roth IRAs.



*A Roth distribution is considered qualified if the account is held for five years and the account owner reaches age 59½, dies, or becomes disabled. (Other exceptions may apply.)

Source: Investment Company Institute, 2025

November 2025

Finish the Year Strong by Considering These Tax Moves

As 2025 comes to a close, now may be the ideal time to review your tax strategy and find potential opportunities. The steps you take before the end of the year might help you reduce your tax bill. Here are some ideas to consider.

Save now, have more later: If you're participating in an employer-sponsored 401(k) or 403(b) plan, think about contributing the full pre-tax amount allowed to your retirement accounts by the end of the year. For 2025, the annual limit is $23,500 ($31,000 if you're age 50 to 59 or 64 and older; $34,750 if you turn age 60, 61, 62, or 63 during the year). If you have a traditional or Roth IRA, you can contribute up to $7,000 for 2025, $8,000 if you're age 50 or older.[1] Traditional IRA contributions may be deductible, but Roth contributions are not.

New Deductions

This chart compares some major deductions from the 2017 Tax Cuts and Jobs Act (TCJA) with updates in the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, and effective for the 2025 tax year.

Deduction	TCJA (2017)	OBBBA (2025)
Standard deduction	$12,000 single, $24,000 joint, $18,000 head of household (HoH), no personal exemptions	Makes higher deductions and no personal exemptions permanent; deductions for 2025: $15,750 single, $31,500 joint, $23,625 HoH
Additional standard deduction for seniors	Additional standard deduction of $2,000 for single filer age 65+ or $1,600 each for joint filers	Additional "bonus" deduction of $6,000 for each individual age 65+ on top of standard deduction
State and local taxes (SALT) deduction	Capped at $10,000	Raised to $40,000 subject to AGI phaseouts; reverts to $10,000 in 2030*
Tips/overtime deductions	Not available	Deduction for tips up to $25,000/overtime pay up to $12,500, through 2028**
Car loan interest deduction	Not available	Deduction of up to $10,000 in qualified passenger vehicle loan interest**

*Requires itemization
**Above-the-line deduction (i.e., does not require itemization); subject to AGI thresholds and phaseouts

Time it right, defer or accelerate income: If you expect a significant change in your income from one year to the next — for example, due to a bonus or investment gains — consider deferring or accelerating income. If you expect to be in a lower tax bracket next year, you may benefit from deferring some income into 2026 when it may be taxed at a lower rate. But, if you expect to be in a higher tax bracket next year, accelerating income in 2025 may help reduce your tax liability by taking advantage of your current rate. Timing matters when you're close to a threshold that impacts tax rates, credits, or deductions.

Hold on for better rates: Holding your investments longer may help reduce your tax bill. If you have stocks or other assets that have appreciated in value, keeping the asset for more than a year means you are typically subject to long-term rates of 0%, 15%, or 20% on any capital gains from a sale (based on your income tax bracket). If you sell the asset earlier than this, your gains are generally taxed at ordinary income tax rates, which may be higher.

Harvest your losses: If you experience capital losses on securities and no longer want to hold the securities in your portfolio, consider selling these underperformers to offset gains from other investments. Losses above the amount of your gains can offset up to $3,000 of ordinary income ($1,500 if your filing status is married filing separately). Unused losses can be carried forward to future years. Watch out for the wash-sale rule, which precludes taking a capital loss deduction if you repurchase the same investment within 30 days before or after selling it.

Save today for your future health costs: Whether you have a health savings account (HSA) through your employer or one you've opened individually, contributing more now can help reduce your tax bill. You can boost your HSA savings by increasing payroll deductions or by making direct contributions to your account. For 2025, the contribution limits are $4,300 for individual coverage and $8,550 for family coverage (contributions made by you and your employer count toward this limit). Contributions made through payroll deductions help reduce your taxable income, and contributions made outside of payroll deductions are tax deductible.[2]

Give more, pay less: If you itemize deductions on your federal income tax return, you can generally deduct charitable contributions, but the deduction is limited to 50% (60% for cash contributions to public charities), 30%, or 20% of your adjusted gross income, depending on the type of property you give and the type of organization to which you contribute. (Excess amounts can be carried over for up to five years.)

1–2) 2025 IRA and HSA contributions can be made up to April 15, 2026.

Could Employee Ownership Be Part of Your Succession Plan?

An employee stock ownership plan (ESOP) is a type of qualified retirement plan that enables a business owner to gradually transfer ownership shares to employees. Moreover, establishing an ESOP sets up opportunities for the owner of a closely held business to cash out (in whole or in part) in the future, while keeping the company going for employees and the community.

An ESOP may be a good option for small-business owners who don't plan to pass the reins to family members when they retire, but instead have loyal and capable managers who would be interested in taking over the company. In the meantime, an ownership mentality may enhance efficiency and productivity, because employees have a stake in the company's long-term success.

How ESOPs work

ESOPs are designed to invest their assets primarily in company stock rather than investing in the public markets. Annual cash contributions are made to the ESOP and used to purchase stock from the company, or the company may contribute the stock directly. In either case, the company can take a tax deduction for the value of each year's contribution, while the cash stays with the company.

Unlike other retirement plans, ESOPs are permitted to borrow money to purchase company stock. The company then makes annual contributions to the ESOP in the amount equal to the ESOP's principal and interest payments on the loan and uses the contributions to pay back that debt. The company's contribution as a whole is deductible, so the interest and the principal on the loan are deductible as well.

With an ESOP, an employee never buys or holds the stock directly while still employed with the company. If an employee is terminated, retires, becomes disabled, or dies, the plan will distribute the vested shares of stock in the employee's account.

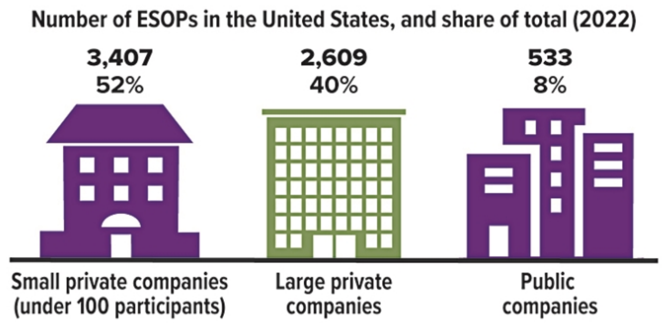
ESOP participants are investing heavily in a single stock, and their investment is tied to the financial health of the business. If the company declines in value, the ESOP may also. Thus, an ESOP should generally be offered alongside a standard retirement plan [such as a (401k)] with more diversified investment options.

A tax-deferred exit

There may also be tax benefits for a retiring owner who sells a business to an ESOP. If the ESOP owns at least 30% of the company after the sale, the capital gains tax on the sale may be deferred by reinvesting the proceeds in domestic U.S. securities ("qualified replacement property"). No tax would be due until the replacement securities are sold. If they are held until death, a stepped-up basis may apply, and the original gain may never be taxed.

In It Together

At last count, 6,548 businesses had ESOPs holding more than $1.8 trillion in assets, covering more than 14.9 million employees.



Source: National Center for Employee Ownership, 2025 (percentages rounded to the nearest whole number)

Business owners can defer taxes on the sale of business interests to an ESOP only if the shares were held for at least three years, and if the ESOP was established by a C corp (not an S corp). Among other conditions, stock bought by the ESOP may not be allocated to the seller or certain members of the seller's family, or to any shareholder of the company establishing the ESOP who owns more than 25% of any class of company stock. If this rule is violated, the company would be subject to a 50% excise tax, and the person receiving the allocation would also be subject to tax consequences.

ESOPs can be complicated and costly to establish and maintain, but they offer significant tax advantages that make them worthwhile in certain situations. It would be wise to consult an attorney with experience in the formation and maintenance of qualified retirement plans to help evaluate whether an ESOP could be appropriate for your business.

All investing involves risk, including the possible loss of principal. There is no guarantee that any investing strategy will be successful. Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss.

Beneficiary Designations: Who Gets the Money?

The end of the year is a time when families often gather together. Although these gatherings may keep you busy, this could be a good time to think about the future and make sure that you have correctly designated family members and any others you wish as beneficiaries in your will, insurance policies, and financial accounts.

This is especially important if there have been changes in your life, such as the birth of a child or grandchild, a death in the family, a divorce, or a remarriage. But even if your family situation remains the same, it's a good idea to review your beneficiary designations to be sure they are complete and reflect your current wishes.

Beneficiary forms may override your will

A will is an essential legal document for designating your heirs and facilitating distribution of your assets if your estate goes through the probate process. However, the assets in most investment accounts, retirement accounts, and life insurance policies convey directly to the people named on the beneficiary forms — even if they are different from the people named in your will — and do not go through probate.

Fortunately, it's fairly easy to designate or change your account beneficiaries. A will may incur costs to update, but a new beneficiary designation form can typically be filed with the financial institution or insurance company at no cost.

Confirming and updating the beneficiaries on your accounts can help prevent unintended outcomes for your estate.

Here are some issues to consider:

- Your current spouse must be the beneficiary of an employer-sponsored retirement plan unless he or she waives that right in writing. Without a waiver, any children from a previous marriage might not receive account proceeds.
- Designate secondary (contingent) beneficiaries in the event that the primary beneficiaries predecease you. Otherwise, proceeds would be distributed according to the default method specified in the account documents and/or state law.
- Some insurance policies, pension plans, and retirement accounts may not pay death benefits to minors. If you want to leave money to young children, you should designate a guardian or a trust as beneficiary.

The use of trusts involves complex tax rules and regulations. You should consider the counsel of experienced estate planning, legal, and tax professionals before implementing trust strategies.