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2.7

Number of workers for each Social Security beneficiary in 2025. This is projected to drop to 2.3 by 2040. It was 5.1 in 1960.

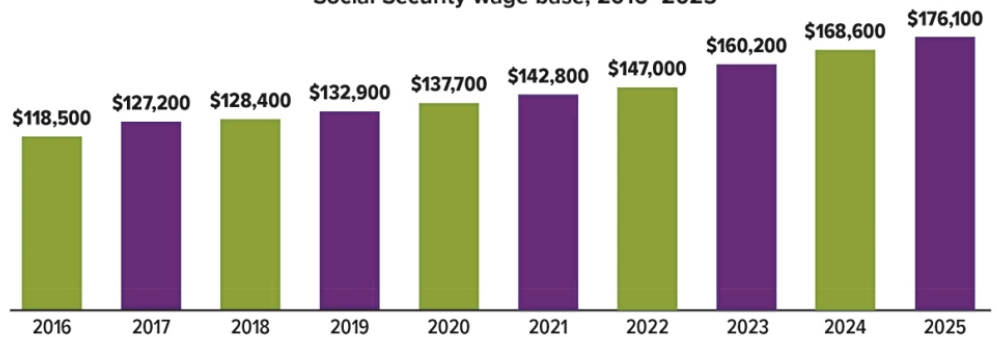
Source: Social Security Administration, 2025

Social Security Wage Base for 2025 Is Highest Yet

The Social Security wage base (also called the "contribution and benefit base" or the "taxable maximum") is the amount of earnings subject to Social Security tax in a given year. The Social Security Administration sets the wage base each year according to changes in the national average wage index. In 2025, the wage base is \$176,100, a 4.4% increase over 2024, and a 48.6% increase over the last decade.

The wage base limit is only for Social Security tax. There is no wage base limit for Medicare tax.

Social Security wage base, 2016–2025



Source: Social Security Administration, 2025

Convertible Bonds Straddle the Line Between Fixed Income and Potential Growth

A convertible bond is a regular corporate bond that comes with a special added feature: the investor has the right to convert it into shares of that company's common stock.

U.S. convertible bond issuance reached \$96.0 billion in 2024, far surpassing the \$61.5 billion issued in 2023.¹ The strong upward trend that began in 2023 picked up steam in 2024, driven by the resilience of the U.S. economy and interest rates that remained elevated longer than expected.²

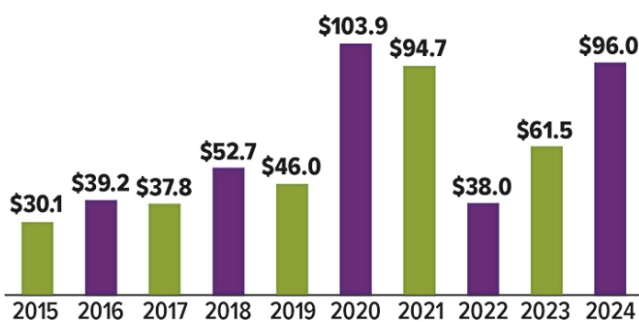
Why companies choose convertibles

Convertible bonds tend to offer lower interest rates than ordinary bonds issued by the same company. They also provide a way for companies to raise capital while avoiding the immediate dilution of share values that occurs when new stock is sold.

Convertible bonds have long been utilized by corporations with less than stellar credit ratings, including younger companies and those with weak balance sheets. But with interest rates sitting at high levels, more established, investment-grade companies have also been relying on convertible debt to help lower their borrowing costs.

In addition, a "maturity wall" of more than \$1.2 trillion in investment-grade corporate debt is coming due in the next couple of years. Many of these companies could try to save money by refinancing their debt with convertible bonds.³

U.S. convertible bond new issuance, proceeds in billions



Source: SIFMA, 2025

What's under the hood for investors

Bond holders will receive income and principal unless the bond issuer defaults. Convertible bonds combine the income and relative price stability of bonds with the opportunity to participate in stock market returns. Thus, their value on the open market is affected not only by interest rates, as all bonds are, but also by changes in the company's stock price.

The bond agreement spells out either how many

shares of stock the bond can be converted into (the conversion ratio), or the stock price at which the conversion can be made (the conversion price). For example, a bond that can be converted into 45 shares of stock would have a conversion ratio of 45:1. A \$1,000 bond that has a conversion price of \$50 a share would convert to 20 shares of stock.

If the stock's price rises, the convertible's price also rises, though convertibles usually are not as volatile as the stock itself. If the stock's price falls, the convertible's value on the open market could be less than its face value if sold before it matures, though the fixed interest it pays could help cushion the impact.

Challenges to consider

Most convertibles are callable, usually within five years after they're issued. If the stock price doesn't rise before the bond is called, the advantage of being able to convert the bond disappears.

Convertibles can also be relatively illiquid. As a result, individual investors may have difficulty finding buyers and sellers for small lots and end up paying higher prices than institutional investors.

In fact, liquidity is one of several reasons an investor might prefer to access convertibles through a mutual fund or exchange-traded fund (ETF) instead of purchasing individual bonds: the use of funds makes it easier to compare investment performance, and it can also help increase portfolio diversification.

Diversification is a method used to help manage investment risk; it does not guarantee a profit or protect against investment loss. The return and principal value of bonds, stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Bond funds are subject to the same inflation, interest-rate, and credit risks associated with their underlying bonds. Supply and demand may cause ETF shares to trade at a premium or discount relative to the value of the underlying shares. Investments seeking to achieve higher yields also involve a higher degree of risk.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1) SIFMA, 2025

2) London Stock Exchange Group, 2024

3) *The Financial Times*, January 2, 2024

Versatile 529 Plans Can Help with More than Just College

529 plans were originally created in 1996 as a tax-advantaged way to save for college. Over the past several years, Congress has expanded the ways 529 plan funds can be used, making them a more flexible and versatile savings vehicle.

College, plus other education expenses

A 529 savings plan can be instrumental in building a college fund — its original purpose. Funds contributed to a 529 savings plan accumulate tax-deferred and earnings are tax-free if the funds are used to pay qualified education expenses, which now include:

- College expenses: the full cost of tuition, fees, books, and equipment (including computers) and, for students attending at least half time, housing and food costs at any college in the U.S. or abroad accredited by the U.S. Department of Education
- Apprenticeships programs: the full cost of fees, books, and equipment for programs registered with the U.S. Department of Labor
- K-12 tuition expenses: up to \$10,000 per year

If 529 funds are used to pay a non-qualified education expense, the earnings portion of any withdrawal is subject to ordinary income tax and a 10% penalty.

Estate planning tool

529 plans offer grandparents an opportunity to save for a grandchild's education in a way that accomplishes estate planning goals, while still allowing grandparents access to those funds if needed.

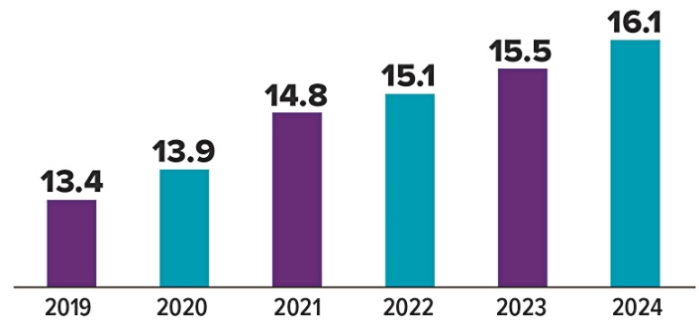
Specifically, due to an accelerated gifting feature unique to 529 plans, grandparents (or other relatives) can contribute a lump sum to a 529 plan of up to five times the annual gift tax exclusion and avoid gift tax by making an election on their tax return to spread the gift equally over five years. In 2025, the gift tax exclusion is \$19,000, so grandparents could gift up to \$190,000 to a 529 plan for their grandchild (\$19,000 x 5 years x 2 grandparents) and avoid gift tax. These funds are *not* considered part of the grandparents' estate for federal estate tax purposes (unless one or both grandparents die in the five-year period, in which case special allocation rules apply). And if a grandparent is also the account owner of the 529 plan (529 plan rules allow only one account owner), then the grandparent will retain control of the 529 plan funds (even though the funds are not considered part of the estate) and can access them for health-care needs, an emergency, or any other reason (but the earnings portion of any non-qualified withdrawal will be subject to ordinary income tax and a 10% penalty).

Student loan repayment

Nearly 43 million borrowers have student loans, and the average loan balance is approximately \$38,000.¹ To help families who might have leftover 529 funds

after college, Congress expanded the approved use of 529 plan funds in 2019 to include the repayment of qualified education loans up to \$10,000 for the 529 beneficiary or a sibling of the beneficiary. This includes federal and private loans.

Number of 529 savings plan accounts, 2019–2024, in millions



Source: ISS Market Intelligence, 529 Market Highlights, 2019–2024

Retirement builder: Roth IRA rollover

As of 2024, 529 account owners can roll over up to \$35,000 from a 529 plan to a Roth IRA for the same beneficiary. Any rollover is subject to annual Roth IRA contribution limits, so \$35,000 can't be rolled over all at once. For example, in 2025, the Roth IRA contribution limit is \$7,000 (for people under age 50) or 100% of annual earned income, whichever is less, so that is the maximum amount that can be rolled over in 2025.

There are a couple of other caveats. For the rollover to be tax- and penalty-free, the 529 plan must have been open for at least 15 years. And contributions to a 529 account made within five years of the rollover date can't be rolled over — only contributions outside the five-year window can be rolled over.

Participation in a 529 plan generally involves fees and expenses, and there is the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses contain this and other information about the investment options, underlying investments, and investment company and can be obtained from your financial professional.

1) educationdata.org, 2024

Golf Is Back, but Good Luck Getting a Tee Time

Interest in the game was waning before the pandemic, until the focus on safer outdoor activities led 3.0 million new golfers to take up the sport in 2020, followed by 3.2 million in 2021. In 2023, a record 3.4 million people played on a golf course for the first time.¹ Overall, 26.6 million Americans played golf in 2023, up from 25.6 million in 2022. Easier access to instruction (via social media and the internet), new golf entertainment venues (with refreshments and high-tech simulators), and even less-stodgy golf fashions have helped attract the next generation of golfers.²

The golf industry is flourishing even though gearing up to play can be costly. A newly purchased golf bag and a full set of clubs could set you back \$1,500 or more, though you might be able to find some decent used clubs online or at a garage sale for a fraction of that cost. You may also need to buy a pair of golf shoes, a box of balls, a glove, and possibly some introductory lessons before you set out to play your first 18 holes.

Congestion pricing

Green fees are often higher on busier days and during peak times of the year, which vary by location and the weather. Since 2006, the number of golf courses has contracted by 12%, which has reduced the ranks of public, value-priced courses (less than \$40 per round).³ In some markets, an influx of eager golfers is colliding with a supply crunch, driving up green fees and making it harder to score coveted tee times at affordable municipal courses. While it often costs \$500

and up to play a round at many prestigious courses, green fees at public, non-resort courses averaged about \$37 in 2023, up from \$32 in 2020.⁴

Percentage of private club golfers, by age group



*This age group includes adult children of members.

Source: *The Wall Street Journal*, April 18, 2024

The number of golfers at private clubs has increased by about 25% since 2019 to 1.9 million members. The average initiation fee has increased 50% to 70% since 2021, and many clubs have lengthy waiting lists. The annual dues for private golf course memberships depend on the location and amenities, and the initiation fees vary widely — from \$10,000 (or less) to \$250,000 (and up) for the most exclusive clubs.⁵

1, 3, 4) National Golf Foundation, 2022-2024;

2, 5) *The Wall Street Journal*, April 10, 2024, and April 18, 2024

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