Monument Square Group
14 East Court St.
Doylestown, PA 18901
215-348-8104
215-348-3775
monumentsquaregroup@opco.com
https://www.oppenheimer.com/msg/

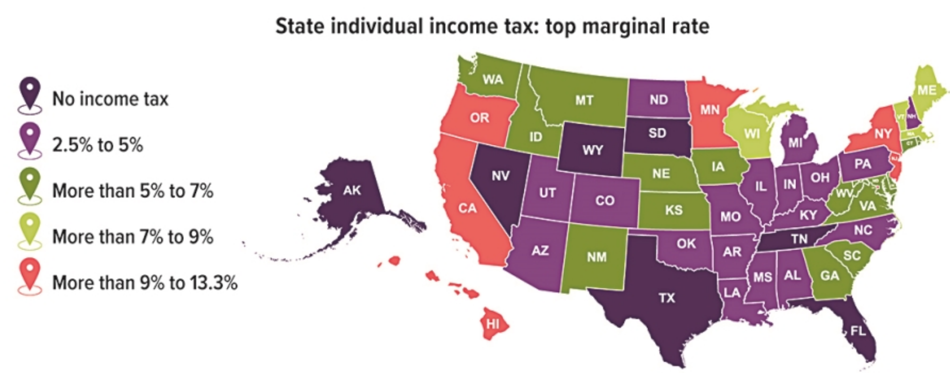
4

Number of states that don't have a state or local sales tax: Delaware, Montana, New Hampshire, and Oregon

Source: Tax Foundation, February 2024

State Income Tax Across the Map

Seven states have no state income tax. Of the 43 states with a state income tax (and the District of Columbia), the top marginal income tax rate ranges from 2.5% to 13.3%. Most states (and D.C.) with an income tax have multiple tax brackets with graduated rates; 14 states have only a single tax rate. New Hampshire only taxes interest and dividends, and Washington only taxes capital gains.



Source: Tax Foundation, February 2024

October 2024

Treasury Yields Hit 17-Year High

As the Federal Reserve raised interest rates to combat inflation, yields on U.S. Treasury securities climbed to levels not seen since before the Great Recession (see chart). Considering how stubborn inflation has been, the Fed may move slowly in decreasing interest rates. So Treasury yields might remain relatively elevated for some time, even though they have backed off recent highs. In the longer term, Treasuries purchased in the current high-rate environment could offer higher yields than new issues, potentially increasing their value on the secondary market.

You might consider holding Treasuries to maturity to add stability and predictable income to your portfolio, or you could purchase them with an eye toward selling if prices rise — or both. Whatever your goals, there are a variety of Treasury securities available, with maturity dates ranging from four weeks to 30 years. Although longer-term securities typically offer higher yields, the opposite has been true during the last two years, in part because short-term Treasuries respond more directly to changes in the federal funds rate, the Fed's primary tool for influencing interest rates. As the funds rate declines, Treasury yields by maturity — called the yield curve — might return to a more typical pattern.

Purchasing Treasuries

Treasuries are sold in $100 denominations and can be purchased as new-issue securities through a Treasury auction, either directly from the U.S. Treasury (treasurydirect.gov) or from a bank, broker, or dealer, or on the secondary market through a brokerage firm.

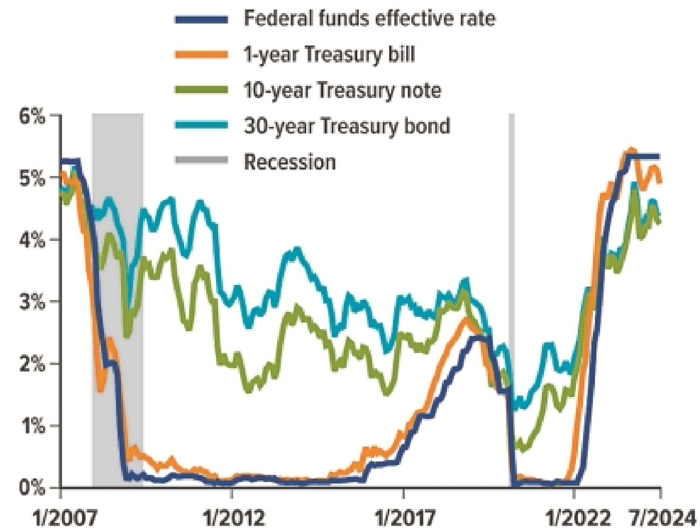
When buying Treasuries (or any bonds), keep in mind that yield is the annual return based on the purchase price and the interest rate paid on the face (par) value, called the coupon rate. When a bond is purchased at face value, the yield is the same as the coupon rate. Treasuries, whether at auction or on the secondary market, are typically sold above or below face value — at a premium or a discount, respectively — to offer a yield in line with the current market. Interest paid on Treasuries is subject to federal income tax but exempt from state and local income taxes.

Treasury bills (T-bills) are short-term securities issued with maturities of four, eight, 13, 17, 26, and 52 weeks. T-bills are sold at a discount from their face value, and the difference between the discount price and the face value at maturity, called the discount rate, is interest paid on the bill.

Treasury notes (T-notes) earn a fixed rate of interest every six months and are issued in maturities of two, three, five, seven, and 10 years. The 10-year Treasury note is often referenced regarding the performance of the bond market and is also used as a benchmark by the mortgage market.

Following the Fed

Yields on short-term Treasuries, up to the one-year bill, generally follow the federal funds rate. Until the rapid increase in the funds rate that began in 2022, longer-term Treasuries offered higher yields, because investors typically demand a higher premium for tying up their cash for a longer period.



Source: Federal Reserve, 2024

Treasury bonds (T-bonds) are similar to T-notes but have a maturity of 20 or 30 years. Like the T-note, they provide an interest payment every six months.

Treasury inflation-protected securities (TIPS) are inflation-indexed bonds with the principal adjusted by changes in the Consumer Price Index (CPI). If the CPI rises, the principal value of TIPS increases, which can be a helpful hedge against inflation. TIPS are issued in maturities of five, 10, and 30 years. (Unless you own TIPS in a tax-deferred account, you must pay federal income tax on the income plus any increase in principal, even though you won't receive any accrued principal until the bond matures.)

Treasury floating-rate notes (FRNs) are issued with a two-year maturity and an interest rate that is adjusted weekly, based on the most recent discount rate for 13-week T-bills. However, interest payments are made quarterly.

U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.

If You Don't Have a Will Yet, Why Not?

A will is a fundamental estate planning document. It outlines how you wish your property to be distributed, who should handle matters related to settling your estate, and who you want to care for your children after you pass, among other things.

If you don't yet have a will, you're not alone. According to a recent survey by Caring.com, 64% of Americans think having a will is important, but only 32% have one.[1] There are many reasons people put off drafting a will — here are four that you might relate to.

1. Just haven't gotten around to it

It's easy to procrastinate when it comes to drafting a will. Even if it's something you think you should do, it's probably not high on the list of things you want to do. Perhaps you're uncomfortable thinking about your own mortality, or maybe you're worried about how complicated or costly the process will be.

Focusing on some of the benefits of having a will might give you the motivation you need to get started. A will is a way to make sure your loved ones are cared for and that your last wishes are honored. A legally binding will gives you more control over what happens to your property and helps ensure that your treasured possessions end up in the right hands. You can name an executor or personal representative who you believe will responsibly handle the details of settling your estate. And having a will is especially important if you have minor children and want to protect them by naming a guardian who will best be able to handle the responsibility of raising them.

If making these decisions sounds daunting, there's help available. An estate planning attorney can help address your concerns and guide you through the process.

2. It's not the right time

Too young? Not married? Childless? In good health? Not wealthy enough? People often think it's not the right time to draft a will, but there's no better time than now. Most adults have money or possessions that they would like to leave to someone, and waiting until the circumstances seem perfect is risky. Health problems may come on suddenly, and trying to draft a will at that time can be stressful. Even worse, if you suddenly become incapacitated, it may be too late.

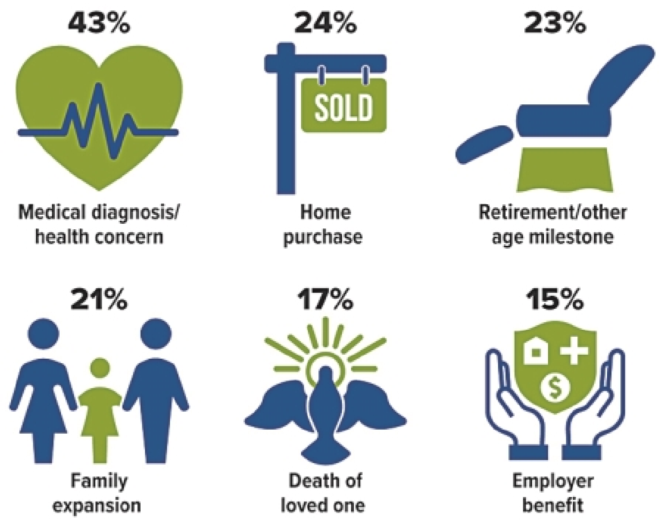
Your life will inevitably change as the years pass, and any will drafted now can (and should) be reviewed and revised occasionally to account for family and financial changes.

3. Don't think it's important

Unless you have personal experience with settling an estate, you may underestimate the consequences of dying without a will (called dying intestate). Decisions will be made by the court on your behalf, and your property will be distributed according to the laws of your state. Who is entitled to your assets will depend on those laws, and handling that when there is no will can be especially complicated, time-consuming, stressful, and expensive for your family.

Motivating Situations

Almost one out of four Americans without a will say that nothing would motivate them to get one. Here are the percentages of those without a will who say these situations would motivate them.



Source: 2024 Wills and Estate Planning Study, Caring.com (multiple responses allowed)

4. Family dynamics are complex

Putting off drafting a will might seem logical when you are facing deep-rooted family issues or complicated situations. Why not just leave it to others to sort out after you're gone? Unfortunately, not having a legal document that outlines your specific intentions can make an already difficult situation worse. Leaving the disposition of your assets up to the court to decide may have unintended consequences for family members and lead to irreparable rifts or even litigation.

A will is only part of an estate plan

Finally, as important as a will is, it's just one component of your estate plan. You may need other legal documents such as trusts, powers of attorney, and advance medical directives to fully address your needs. Ask an estate planning attorney to evaluate your individual situation and help you put a plan in place.

1) 2024 Wills and Estate Planning Study, Caring.com

Two Tax-Friendly Retirement Plans for the Self-Employed

As a business owner, you may devote most of your time, energy, and profits to running and growing your business. But working for yourself means that saving money for retirement is entirely up to you.

This is not the only reason it may be worthwhile to divert a sizable portion of your earnings to one of these tax-deferred retirement accounts. Doing so could significantly reduce your taxable income.

Solo 401(k)

A solo 401(k) is a one-participant plan for business owners who have no employees (other than a spouse). As the employee, you can contribute as much as 100% of your annual compensation on a pre-tax basis, up to the $23,000 annual maximum in 2024 ($30,500 if you are age 50 or older). As the employer, you can also contribute an additional 20% of your earnings (25% if the business is incorporated) and deduct it as a business expense. Total contributions are capped at $69,000 in 2024 ($76,500 if age 50 or older).

A solo 401(k) plan may also allow plan loans and/or hardship withdrawals.

The deadline to establish a solo 401(k) and formally elect salary deferrals is December 31 of the year in which you want to receive the tax deduction (or before fiscal year-end for corporations). For businesses taxed as sole proprietors and partnerships, salary deferrals and profit-sharing contributions for 2024 must be deposited into the account by the April 15, 2025, tax filing deadline* (October 15 if an extension is filed).

SEP IRA

If you are self-employed, you can contribute 20% of net earnings, up to $69,000 in 2024, to a Simplified Employee Pension (SEP) plan. A SEP IRA may also be an appropriate choice for business owners with a small number of employees for whom they would like to provide retirement benefits. All employees age 21 and older who have worked for the employer for at least three of the last five years must be included. The plan may exclude employees earning less than $750 in the current year.

The same percentage of salary (up to 25% of compensation or $69,000) must be contributed to each eligible employee's SEP IRA, including the owner's. However, the business is not required to contribute every year. You have until the due date of your business's federal income tax return (including extensions) to set up a SEP IRA and make contributions.

Distributions from 401(k) plans and SEP IRAs are taxed as ordinary income. Early withdrawals (prior to age 59½) may be subject to a 10% federal income tax penalty.

*In Maine and Massachusetts, the tax filing deadline is April 17, 2025, due to state holidays.