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Cash or Credit? How Consumers Pay Today

A survey of consumer payment preferences found that credit cards are now used for 35% of all payments, a 17 percentage-point increase since 2016. Consumers are increasingly shopping, paying bills, and making person-to-person payments remotely, and 78% of respondents said they preferred using a credit or debit card even for in-person payments.

Although cash is no longer king, demand for it remains, especially for in-person purchases under \$25. The survey found that for small purchases it was equally likely that consumers would choose paying by credit card, debit card, or cash, and 83% of people surveyed said they had used cash in the previous 30 days.

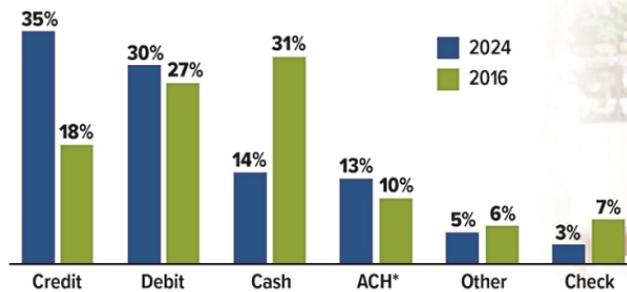


79%

Percentage of consumers who still carry cash in their wallet, purse, or pocket. The average amount of cash carried is \$67, with 18- to 24-year-olds carrying the least — \$28 — and individuals 65 and older carrying the most — \$109.

Source: Federal Reserve, 2025

Form of payment used (percentage of all transactions)



*A direct transfer from a financial account using the Automated Clearing House system

Source: Federal Reserve, 2025



Foreign Stocks Outperformed in 2025

Over the 20-year period ending in 2025, the stocks of large and mid-sized U.S. companies — represented by the Russell 1000 Index — produced an impressive average annual return of 10.94%. By contrast, the stocks of similar-sized companies in foreign countries returned just 6.22%.¹

A large part of this performance disparity was due to the stronger U.S. economic recoveries after the Great Recession and the pandemic, along with the rise of massive technology companies that provided a large percentage of U.S. market returns. Even so, foreign stocks outperformed U.S. stocks in seven out of the last 20 years, most notably in 2025, with a return of 32.55%, almost double the 17.37% return of U.S. stocks.²

One year or a trend?

The dominance of foreign stocks in 2025 was likely due to a combination of factors, including restrictive U.S. tariff policies, a weaker U.S. dollar, and because foreign central banks were more aggressive than the Federal Reserve in lowering interest rates. It's too early to know whether this marks a fundamental shift, but some analysts believe foreign stocks — which remain significantly less expensive than U.S. stocks based on their price/earnings (P/E) ratios — still have plenty of room to grow and could experience strong performance over the next decade.³⁻⁴

On the other hand, those who remain skeptical of foreign stocks point out that large multinational U.S. companies provide global exposure, U.S. companies typically have higher profit margins than foreign companies, and U.S. technology juggernauts are unparalleled in foreign markets (although there are some large foreign technology companies).⁵

Holding foreign stocks is a standard diversification strategy, but some investors have backed away from it in recent years due to poor performance. If you are interested in adding a global dimension to your portfolio or expanding your current international holdings, here are some considerations.

A world of choices

One way to participate in global markets is by investing in mutual funds or exchange-traded funds (ETFs). In late 2025, about 1,280 mutual funds and almost 900 ETFs focused on global equities.⁶

International funds range from broad global funds that attempt to capture worldwide economic activity to regional funds and those that focus on a single country. Some funds are limited to developed nations, whereas others focus on nations with emerging economies, which may have greater growth potential but could be substantially more volatile, risky, and less liquid than the stocks of companies located in more developed foreign markets.

Stock performance, annual total returns



Source: London Stock Exchange Group, 2026, for the period 12/31/2005 to 12/31/2025. U.S. stocks are represented by the Russell 1000 Index, and foreign stocks are represented by the MSCI World ex USA Index. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return vary over time, especially for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

The terms "ex US" or "ex USA" typically mean that the fund does not include domestic stocks. On the other hand, "global" or "world" funds may include a mix of U.S. and international stocks, with some offering a fairly equal balance between the two. For any international stock fund, it's important to understand the mix of countries and types of businesses represented by the securities in the fund.

Additional risks

All investments are subject to market volatility, risk, and loss of principal. However, investing internationally carries additional risks such as differences in financial reporting, currency exchange risk, and economic and political risk unique to a specific country.

Diversification is a method to help manage risk; it does not guarantee a profit or protect against loss. The return and principal value of all stocks, mutual funds, and ETFs fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

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.

1-2) London Stock Exchange Group, 2026, Russell 1000 Index and MSCI World ex USA Index for the period 12/31/2005 to 12/31/2025

3) Morningstar, August 20, 2025

4) CNN Business, January 4, 2026

5) *Forbes*, October 11, 2025

6) Investment Company Institute, December 30, 2025

Mega Backdoor Roth: A Tax-Friendly Retirement Strategy for Serious Savers

Contributing to a traditional 401(k) or IRA can help reduce your current tax bill, but you may run into some drawbacks in retirement. Withdrawals are taxed as ordinary income, and you must take required minimum distributions (RMDs) once you reach age 73 (age 75, for those born in 1960 or later). On the other hand, qualified Roth distributions are tax-free after age 59½, as long as you've held the account for at least five years.* Plus, Roth accounts are not subject to RMDs during your lifetime.

Roth IRA contribution limits are somewhat low (\$7,500 in 2026, or \$8,600 if you are age 50 or older), and you can't contribute at all if your income exceeds certain annual limits (\$168,000 for single filers and \$252,000 for joint filers in 2026). You can make larger contributions to a Roth 401(k) regardless of your income.

If you have a sizeable income and would like to shelter as much as possible in a Roth account for the future, find out if your employer's 401(k) plan allows both after-tax contributions and in-service withdrawals. If so, you could also make special after-tax contributions to your traditional 401(k) and then move (or convert) the funds to a Roth IRA or a Roth 401(k). This strategy — called the mega backdoor Roth — is only an option for some people under limited circumstances.

Saving to the max

The employee contribution limit for 401(k), 403(b), and government 457(b) plans is \$24,500 in 2026, with an additional \$8,000 catch-up contribution for those age 50 to 59, and 64 and older, for a total of \$32,500. Workers age 60 to 63 can make a larger "super catch-up" contribution of \$11,250 in 2026 for a total of \$35,750. Like all catch-up contributions, the age limit is based on age at the end of the year, so you are eligible to make the full \$11,250 contribution if you will turn 60 to 63 any time during 2026 (but not if you will turn 64). However, there is one important change that takes effect in 2026: high earners with incomes exceeding \$150,000 (based on the previous year's W-2 wages) must direct all of their catch-up contributions to a Roth account.

The combined total for salary deferrals in 2026 (not including catch-up contributions), employer contributions, and employee after-tax contributions is \$72,000 or 100% of compensation, whichever is less. You generally must max out salary deferrals before you can make additional after-tax contributions. For example, if you are age 60, and you contribute the maximum \$35,750 to your 401(k), and your employer contributes another \$18,000, you may be able to make an after-tax contribution of \$29,500 for a grand total of \$83,250.

Fast track your Roth conversion

Your after-tax contributions are not taxable upon withdrawal, but any converted earnings would be taxed as ordinary income. Thus, if in-service withdrawals are permitted, it may make sense to transfer your after-tax contributions to a Roth account as soon as possible to help reduce the amount of investment growth and the resulting tax burden.



If you have a sizeable income and would like to shelter as much as possible in a Roth account for the future, find out if your employer's 401(k) plan allows both after-tax contributions and in-service withdrawals.

Bear in mind that 401(k) distributions are subject to the pro-rata rule, which requires you to withdraw proportional amounts of pre-tax and after-tax amounts if your account balance contains both types of contributions. So if your 401(k) balance is \$100,000 (\$80,000 in pre-tax money and \$20,000 in after-tax money), any distribution, including a conversion, must also consist of 80% pre-tax dollars and 20% after-tax dollars. In this case, you might avoid triggering taxes on the distribution by moving your pre-tax dollars to a traditional IRA at the same time your after-tax dollars are transferred to a Roth account.

If your employer accounts for pre-tax and post-tax contribution amounts and associated earnings separately, you might be able to withdraw your entire after-tax balance (including the taxable earnings) and leave your pre-tax account balance in the 401(k). Again, the tax bill may be minimal if the conversion is completed soon after making the after-tax contribution (or you roll the earnings portion into a traditional IRA).

You might consider yourself lucky if your plan allows after-tax contributions; it's not very common, especially at smaller companies. If your workplace plan allows after-tax contributions but doesn't permit in-service withdrawals, this strategy might still be worthwhile if you expect to retire or leave your employer in the near future.

**Distributions from traditional or Roth accounts taken prior to age 59½ may be subject to a 10% federal tax penalty, with certain exceptions, as well as ordinary income tax.*

New Auto Loan Interest Deduction Explained

With the enactment of the One Big Beautiful Bill Act (OBBBA) in 2025, taxpayers may now benefit from a new annual deduction of up to \$10,000 for interest paid on qualifying new auto loans, effective for tax years 2025 through 2028.

Vehicle requirements

- "Qualified vehicles" include cars, SUVs, vans, pickup trucks, minivans, and motorcycles with a gross vehicle weight of 14,000 pounds or less, provided final assembly occurred in the United States.
- The vehicle must be new; used vehicles are not eligible.

To verify domestic assembly, taxpayers may consult the Vehicle Identification Number (VIN) Decoder at nhtsa.gov/vin-decoder to identify the vehicle's manufacturing plant.

To claim the deduction, taxpayers must report the VIN of the qualifying vehicle on their federal tax return.

Loan requirements

Interest paid qualifies for the deduction only if the loan meets all the following requirements:

- The loan originates after December 31, 2024.
- It is secured by a lien on the purchased vehicle.
- It finances a vehicle intended for personal use, not business or commercial activity.
- It is used to purchase a new vehicle, and the buyer is

the original owner; leased vehicles are not eligible. Lenders must issue annual statements summarizing the total interest paid by the taxpayer.

For a refinanced qualifying loan, the interest is deductible only up to the original loan's amount and term.

Eligibility and income phaseouts

The deduction is available to taxpayers who itemize or claim the standard deduction and begins to phase out for individuals with modified adjusted gross income above \$100,000, or \$200,000 for married couples filing jointly.

Taxpayers may now deduct up to \$10,000 annually in interest paid on qualifying new auto loans.



The temporary auto loan interest deduction offers taxpayers a potential pathway to offset the cost of buying a new car. If you are planning to purchase a new vehicle, consider consulting a tax professional to confirm the vehicle's eligibility for the deduction.

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