

Market Perspective

THE WATT GROUP
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Market Overview

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By James Watt

Clients who choose active management typically do so with the expectation of achieving superior, risk-adjusted performance. Understandably, it can be discouraging when actively managed portfolios lag behind broad passive indexes.

Recently, market returns have been driven by an unusually narrow group of mega-cap stocks dominating the S&P 500 and NASDAQ. This handful of companies has posted outsized gains, which can make broadly diversified or style-specific active strategies appear lackluster by comparison—particularly those focused on small- or mid-cap stocks, value-oriented strategies, or risk-managed approaches.

Our team builds portfolios across a range of investment styles and market capitalizations—not to chase short-term performance, but to reduce long-term risk and support steady growth over time. This approach may not always track the latest market surge, but it's designed to serve your financial plan with discipline and resilience.

It's worth noting that the S&P 500's strength this year is concentrated. For example, NVIDIA (now the largest S&P component) has gained nearly 30%, while META has seen similar gains. Microsoft and Alphabet are each up more than 20%. Today, just 10 stocks make up roughly 40% of the S&P 500's total weight. That level of concentration means the S&P 500 is far from a truly diversified strategy—and why maintaining balance across styles and sectors remains so important.

While market leadership will always shift over time, our commitment to your long-term success does not. We remain focused on managing risk, seeking quality opportunities, and staying disciplined through changing market cycles. This approach may not capture every short-term surge, but it's designed to help you build lasting wealth with confidence and clarity.

Financial Planning Corner

Social Security Planning

By Jonathan Robinson, CFP®

Clients almost always have questions about social security benefits, especially when factoring the benefits into their financial plans. It is vital to understand social security as it makes up a significant portion of post-retirement income for our clients.

The questions center around two main themes:

1. Will social security even be available by the time I retire?
2. Should I take social security early or wait until full retirement age, now 67, or even later at 70?

As with most things in financial plans, the answer often starts with, "it depends on your situation". Through our planning process, we can test different scenarios to make the best assessment for your situation.

When thinking about whether or not social security will still be available, the current worst case scenarios, as reported by NPR, show that even if payroll deductions of an ageing society were combined with the separate Social Security Trust Fund, there is



potential for an almost 20% reduction to future benefits after 2034, if Congress does not pass some other sort of fix. Absent a better solution, we might plan on that 20% reduction in your financial plan to make sure you still have enough money in retirement.

The question around whether to take benefits early is more specific to each client's situation. Taking benefits at 62 allows you to access income sooner, which can be helpful if you are retiring early or need extra cash flow. It also means you may preserve other investments longer. However, benefits claimed at 62 are permanently reduced—typically by about 25–30% compared to waiting until full retirement age. This reduction continues for life, which can be significant if you are in good health and expect to live well into your 80s or 90s.

Waiting until full retirement age (or even delaying to age 70) increases your monthly benefit and can strengthen your long-term income security, especially if you live longer than average. It also provides a larger survivor benefit to a spouse. The drawback, of course, is that you forgo several years of payments while waiting, and you may need to rely more on personal savings in the meantime. Deciding when to claim Social Security is ultimately about balancing your health, life expectancy, and financial needs with your long-term goals—and our team is here to help you evaluate which option fits best.

A financial plan can show different hypothetical scenarios and lay out the exact dollar amounts you can expect to receive, ultimately determining which strategy makes the most financial sense for you now.

Case Study of the Quarter

Your Company gives you stock options, what to do?

By Peter Watt

If you or your partner works for a publicly traded company, you may be offered stock options or restricted stock units (RSUs) as part of your compensation package.

So what should you do with them?

Whether to buy, sell, or hold these company shares depends on several factors — including the company's financial outlook, the current share price, any employee purchase discount, how your overall portfolio is positioned, and your long-term financial goals.

When you're considering purchasing additional company stock, our team works alongside equity analysts to evaluate the company's fundamentals and share price trends. Together, we can help you decide whether increasing your stake makes sense or if your money might be better allocated elsewhere.

When it comes to selling vested company stock, we guide you through the decision-making process. Sometimes the best course is to hold your position; other times, we may recommend a structured share sale plan to gradually diversify your assets and protect this form of compensation. These plans are personalized around your financial goals, expected future stock grants, and your broader investment portfolio. If we move forward with a sale plan, we'll also help you implement it as tax efficiently as possible.

While company stock can be an excellent way to build wealth, it also carries concentrated risk. It's important to discuss your options with us before making major decisions. Over the years, we've helped many clients unlock significant value and avoid costly mistakes with thoughtful, disciplined strategies.

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. NASDAQ Composite Index (NASDAQ) is a market-value weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. The performance of an index is not indicative of the performance of any particular investment; however, they are considered representative of their respective market segments. Please note that indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

Dollar cost averaging does not guarantee a profit and does not protect against loss in declining markets. Investors should consider their ability to continue making purchases through periods of fluctuating prices.