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Financial **PERSPECTIVES**

WINTER 2025



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'Tis the Season for Education Planning



The holiday season is a time for reflection, celebration and meaningful conversations about the future. For families with learners of all ages, this time of year often includes joyful homecomings and discussions about hopes, goals and educational aspirations.

Amid the celebrations, it's a perfect moment to consider how you're preparing for those journeys. Just as we thoughtfully plan for holiday gatherings and gift-giving, investing in education—whether for a kindergartener, a high school student or someone seeking a professional certification—can be one of the most impactful gifts you give. With year-end deadlines approaching, now is the time to explore the financial benefits of 529 education savings plans and how they can support lifelong learning.

What Is a 529 Savings Plan?

A 529 plan is a tax-advantaged way to save for a wide range of future education costs. They now cover learning at nearly every stage of life—from elementary and secondary education to college, vocational training and even professional certifications or licenses for adult learners. Investments in a 529 savings plan grow tax-deferred, and when used for qualified education expenses, the withdrawals are income-tax-free. The plan's account owner controls the account for the beneficiary (student)—making all investment and withdrawal decisions. This is often a parent, but a grandparent or other adult could also be named as the account owner.

529 Education Savings Plan Contributions

Contributions to a 529 plan are considered gifts. While not federally tax-deductible, many states offer tax benefits when contributions are made to your state's sponsored 529 savings plan. Check with your tax professional to see what state benefits apply.

In 2025, a gift to a 529 plan cannot exceed \$19,000. This amount can be doubled for married couples. However, you can also make a special five-year advanced gifting election by filing a federal gift tax return. This allows you to front-load the 529 plan contributions, spreading them over five years for gift tax purposes, which increases the contribution amount to \$95,000 (\$190,000 if both spouses elect to use advanced gifting).

Contributions must be made by Dec. 31 to count as this year's gift. You can even super-fund by making a 2025 gift before year end and then using the five-year advanced gifting in January 2026, bringing the total funding to \$228,000 in just a few months.

Whether you're saving for a child's private school tuition, a grandchild's college education or your own career advancement through certification programs, 529 plan contributions can be a strategic way to support those goals.



Qualified Withdrawals and Current Year Expenses

Qualified withdrawals are generally those that are required for enrollment or attendance, such as tuition and fees, housing and food, or books and supplies. With a qualified withdrawal, 529 plan earnings are income-tax-free on your federal income tax return.

Conversely, earnings are taxable and subject to a 10% tax penalty when you take a nonqualified withdrawal. Nonqualified withdrawals can result if the amount you take out of the 529 education savings plan exceeds current-year qualified expenses. The end of the year is a good time to review the year's expenses and how they match up to your 529 plan withdrawals. Keep in mind, too, that many expenses that students incur are not considered "qualified," including travel expenses to and from school, club or athletic fees, cell phone plans, or health insurance plans.

New Ways to Use 529 Savings Plans

Recent legislation expanded 529 education savings plans. The One Big Beautiful Bill Act (OBBBA) created new ways to use 529 savings plans, and beginning July 4, 2025, there are two new categories of federal qualified expenses:¹

- **Expanded K-12 Qualified Expenses.** Although the amount you can withdraw for K-12 qualified expenses is still limited to \$10,000 this year (increasing to \$20,000 next year), 529 savings plans can now be used for more than just K-12 tuition. Qualified expenses now include books and instructional materials, online learning tools, tutoring (by a nonrelative licensed professional), tuition for dual enrollment college courses or fees for advanced placement exams taken in high school, and college admissions exams, such as the ACT or SAT.
- **Post-Secondary Workplace Credentials.** For individuals with jobs that require a professional license or certification, 529 savings plans can now be used income-tax-free for costs required to obtain or maintain credentials. This would include tuition, fees, books, supplies and equipment, preparatory courses and exam fees for professional licenses, and costs for continuing education. Eligible programs must generally be recognized by a state or federal agency.

These two new features are just the most recent way 529 plans have been expanded and help address funding concerns that arise when a child decides not to attend college. Last year another expansion began that permits annual Roth IRA contributions to be made for the beneficiary from long-term unused 529 savings account balances (up to a \$35,000 lifetime limit) when certain conditions are met.



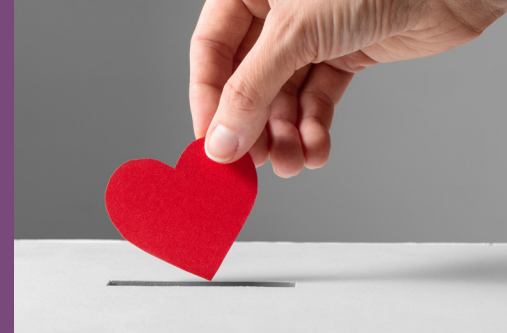
We Can Help

This holiday season, consider giving the gift of education. Whether you're planning for a loved one's journey through private school, college, vocational training or professional development, it is a meaningful way to support the dreams and aspirations of those you care about. Your financial advisor can model future college costs and saving needs, and also help you tailor a contribution strategy that fits your family's unique goals—no matter the age or stage of the learner.

¹ Note: State laws may differ as some states do not conform to federal law. Check with your state's Treasurer or your tax professional before making a distribution, as non-qualified withdrawals can result in additional taxation, including the recapture of state-provided tax deductions or credits.



Unique Charitable Giving Factors This Year



The holiday season often inspires generosity, prompting many to support causes close to their heart. This year, giving may carry even greater significance—not only in its impact on others, but also in its potential tax advantages. With new charitable deduction rules on the horizon, understanding how your gifts fit into your year-end tax planning is more important than ever.

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) became law. In it, the OBBBA makes significant changes to charitable contribution rules. Starting in 2026, for those who do not itemize, you can deduct up to \$1,000 single/\$2,000 married in charitable contributions “above the line,” meaning the deduction lowers your taxable income dollar for dollar before applying the standard deduction. This is akin to the brief deduction allowed during COVID, which at the time was a \$300/\$600 deduction. As such, if you do not itemize, you may consider delaying your gift to 2026 to take advantage of this income tax benefit.

For those who itemize, the new charitable rules add some complexity, especially this year. While the deduction rules are unchanged for tax year 2025, there are new rules starting in 2026 that may influence your gifting plans. For 2026, the qualifying requirements to take a charitable deduction remain, but the deduction is only allowed for contributions exceeding 0.5% of your modified adjusted gross income (MAGI). What this means is that gifts in 2025 for those who itemize will typically mean a larger deduction than one in 2026.



For example, if you have a \$1,000,000 MAGI, and you make a \$20,000 gift, for tax year 2025 you can deduct the full \$20,000 gift. However, starting in 2026, you can only deduct \$15,000 of the gift because the first 0.5% of your MAGI (\$5,000) is a floor threshold that must be surpassed before you can take the deduction. In other words, if you only gifted \$5,000 in this scenario, you would not be allowed to deduct any of the gift.

With this in mind, some are considering “bunching” their charitable gifts in 2025. Consider someone who gifts \$10,000 per year to their favorite charity. The bunching concept would lead one to consider a \$20,000 gift in 2025, and perhaps a smaller or no gift in 2026, to maximize their charitable deduction.

Another layer to this calculus is that the OBBBA reduces the tax benefit of itemized deductions for those in the top tax bracket, currently the 37% bracket. Starting in 2026, all itemized deductions for those in the top tax bracket are reduced by 2%, meaning you can only deduct 35% of the total itemized amount. This reduction for those in the top tax bracket again leads one to consider the tax benefits of giving in 2025 as opposed to 2026.

Charitable giving is a wonderful thing. Helping those in need is the most important factor to consider. The ancillary benefits of a tax deduction for charitable giving, and calculating that benefit, is complex. With the uniqueness of laws changing between 2025 and 2026, that decision becomes more difficult. Please remember Benjamin F. Edwards does not provide tax advice, so it is important to consult with your tax professional for guidance tailored to your specific situation. Doing so may lessen the tax blow for this year and years to come.



2026 Cost-of-Living Adjustments



Each year, cost-of-living adjustments (COLAs) influence a wide range of tax and retirement limits. For 2026, Social Security benefits will rise by 2.8%, which may feel underwhelming given the nearly 10% increase in Medicare premiums. Several tax provisions—such as standard deductions, income tax phase-out ranges and transfer tax limits—are also impacted. Below we’ve highlighted key updates to help you plan effectively.

Retirement Savings

For 2026, contribution limits for retirement accounts are increasing, creating additional opportunities to save. Modified adjusted gross income (MAGI) phase-out ranges for traditional IRA deductibility and Roth IRA eligibility have also risen by about 2.5%, expanding access for more taxpayers.

Retirement Savings Contribution Limits	2026 Limit	Change
Traditional and Roth Contribution Limit ¹	\$7,500	\$500
Catch-up Contribution Limit (Age 50+)	\$1,100	\$100
401(k), 403(b), 457(b) and Government Thrift Savings Plan	\$24,500	\$1,000
Employee Salary Deferral Limit		
Catch-up Contribution Limit (Age 50 – 59 and 64+)	\$8,000	\$500
“Super” Catch-up Contribution Limit (Ages 60 – 63)	\$11,250	No Change
SIMPLE IRA Employee Salary Deferral Contribution Limit ²	\$17,000	\$500
Catch-up Contribution Limit (Age 50 – 59 and 64+)	\$4,000	\$500
“Super” Catch-up Contribution Limit (Ages 60 – 63)	\$5,250	No Change

¹ Phase-out ranges for traditional IRA deductibility and Roth IRA eligibility have increased by a little more than 2%.

² Certain SIMPLE IRA plans have a higher salary deferral limit of \$18,100. This applies for plans with 25 or fewer participants, or 26–100 participants if the employer has elected (and notified employees) that they will increase their match or non-elective contributions by 1%.



Standard Deductions

Standard deductions also increased for 2026, but again not at the same level as last year. As always, taxpayers will need to consider the advantages of utilizing standard deductions versus itemizing.

Standard Deduction	2026 Limit	Change
Standard Deduction for Married Filing Jointly	\$32,200	\$700
Standard Deduction for Single Filers	\$16,100	\$350

Transfer Taxes

After an unprecedented increase three years in a row, the 2026 annual gift tax limit stays flat. The federal estate and gift tax exclusion amount has been made “permanent,” and will continue to be indexed for inflation going forward.

Estate and Gift Tax Limits	2026 Limit	Change
Annual Gift Exclusion Limit (gifts to individuals, 529 education savings plan contributions and ABLE Accounts)	\$19,000	No Change
Lifetime Unified Estate and Gift Tax Exclusion	\$15,000,000	\$1,010,000

Request a Copy of Our 2025 Year-End Tax Guide and Tax Considerations for 2026

For 2025, the wait is over. The One Big Beautiful Bill Act (OBBBA) became law. While the law addresses many things besides income tax, there are major income tax law changes. This year-end report focuses on the changes that affect individual taxpayers and how your financial planning may be impacted as you review your year-end planning situation. Our *2025 Year-End Tax Guide* offers ideas to consider when wrapping up this tax year.



Also, in early 2026, you can expect our *Tax Considerations for 2026* planning piece. In it we will discuss the many new rules that apply for 2026, along with ongoing tax planning concerns.

Contact your financial advisor for a copy of these informative pieces.



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Comprehensive Market Coverage

Our team offers a range of informative pieces designed to help you navigate the complexities of investing. Whether you're seeking big-picture perspectives or real-time market commentary, we have you covered:



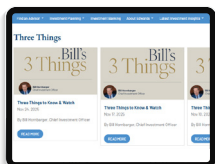
Investment Insights: Monthly and Quarterly Editions

Published both monthly and quarterly, *Investment Insights* delivers in-depth analysis to help keep you in-the-know with market trends, economic developments, and the latest asset-class and index returns. These reports deliver comprehensive insights into the factors influencing market movements and their potential implications for your investment portfolio.



Monday Market Commentaries

Kick off your week with our Monday market commentaries, which summarize the previous week's market activity and highlight key events to watch in the days ahead. These updates help investors start each week well-informed and prepared to navigate the market's ups and downs.



Bill Hornbarger's "Three Things" Series and Video

Each week on Monday, our Chief Investment Officer, Bill Hornbarger, shares his perspectives in our "Three Things to Know and Watch" series and its accompanying video. Bill distills the week's most important developments into three essential market takeaways, providing market insights in a format that's easy to digest, as well as three interesting facts that you may not have known.

Accessible on Multiple Platforms

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For more information on accessing any of our Investment Strategy team's materials, please contact your financial advisor.



MARKET RECAP

Market Summary

Fixed Income

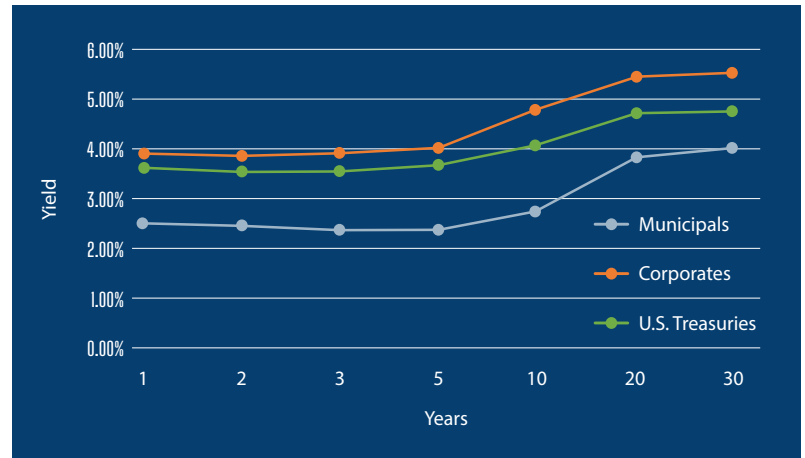
Despite a quarter that contained the longest government shutdown resulting in delayed or omitted economic releases, the bond market has functioned remarkably well. We have witnessed two rate cuts of short-term interest rates with a final reduction anticipated on Dec. 10 for the 2025 calendar year. This will bring the overnight lending into the 3.5-3.75% range. For the last quarter, the 10-year tightened by 14 basis points (bps) and the 30-year tightened by 20 bps. Year to date, the 10-year moved from 4.57% down 48 bps to 4.09%. Over the same period, the 30-year Treasury is effectively unchanged at 4.74% from 4.78% to start the year.

The corporate market has been equally resilient with strong corporate earnings as a favorable tailwind for most of the quarter. There was a slight back-up in credit spreads in November, primarily due to an outsized issuance by the technology sector. The capital-heavy investment for artificial intelligence (AI) tapped the corporate bond market for 90 billion; to digest the large issuance size the market demanded 15–20 bps in additional yield. The 10-year spreads ended the quarter 8-10 bps wider: A rated paper at 77 bps, BBB paper at 108 bps, and BB paper at 208.5 bps.

The municipal bond market was the outlier over the recent quarter; the yield curve for all maturities 10 years and longer shifted down by 50 bps on all maturities. Much of this movement was driven by supply dynamics; the amount of new-issue paper in 2025 versus 2024 has been 10% higher, with more deals coming to the market early in the year when the market was digesting the tariff announcement. The new-issue supply was not as heavy in September, driving a significant buying frenzy in the first two weeks of the quarter. For AAA rated bonds, the 10-year finished the quarter at 2.73% and the 30-year at 4.08%.

Fixed Income Yield Curves

As of December 1, 2025



Source: Bloomberg BVAL AAA Curve, Bloomberg US Corporate (A) Fair Value Index, Bloomberg US Treasury Actives Curve



MARKET RECAP

Market Summary

Equities

Through November 30, 2025

Despite a brief bout of at the end of November volatility (induced by AI), stocks have been able to continue their march higher over the last three months.

Quarter-to-date, domestic growth stocks have been the strongest-performing group with the NASDAQ Composite gaining 3.1%, taking its year-to-date return above 20%. If the index manages to finish the year above 20%, it will mark the third straight year of annual returns in excess of 20%. The last time this occurred was 2019, 2020 and 2021. Growth stocks have surged this year as artificial intelligence tools have quickly moved into the mainstream. Corporations and investors have scrambled to position themselves for the rapidly changing AI landscape, and several stocks, including mega-caps, have seen strong moves higher as a result.

Small-cap stocks are solidly positive on a quarter-to-date and year-to-date basis but have lagged large-caps. Much of the disparity between the two groups comes down to underlying earnings growth and the ability of larger companies to invest heavily in AI infrastructure. Small caps are expected to see stronger earnings growth in 2026, so we expect the group to see improved performance relative to large caps.

International stocks have lagged over the last three months but are still the best performing group year-to-date, although that gap is closing. In May, the MSCI EAFE was more than 15% ahead of the next closest index. Through the end of November, the Nasdaq had closed that gap to less than 3%, reflecting the surge in AI-related stocks over the last six months.

Valuations for nearly all major stock asset classes have gotten more demanding over the last several quarters, indicating that stock prices have risen more than companies' respective earnings. While we still think stocks could rise further from here, earnings will need to continue to grow at an elevated pace to justify current valuations.

Index (Price Only, Not Total Return)	Month End Close	Q4-to-Date	Year-to-Date	Trailing 1-year	2024
Dow Jones Ind. Avg.	47,716	2.8%	12.2%	6.2%	12.9%
S&P 500	6,849	2.4%	16.4%	13.5%	23.3%
NASDAQ Composite	23,366	3.1%	21.0%	21.6%	28.6%
Russell 2000	2,500	2.6%	12.1%	2.7%	10.0%
MSCI EAFE	2,810	1.6%	24.3%	21.4%	1.1%



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IMPORTANT DISCLOSURES

Past performance is not a guarantee of future results.

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Diversification does not guarantee a profit or protect against loss.

Investing in securities entails certain risks, including the potential loss of all or a portion of the proceeds invested. Individuals should consider their specific financial needs, investment objectives and risk tolerance before making an investment.

Equity investments refer to buying stocks of U.S. companies as well as companies outside of the U.S. The market capitalization of U.S. companies is used to group large, medium (mid) and small companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. Shareholders share in both the upside potential and the downside risk. Dividends are not guaranteed and are subject to change or elimination.

Mutual funds and ETFs are sold by prospectus. Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from your financial advisor and should be read carefully before investing.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.

An investment in a 529 plan will fluctuate such that an investor's shares, when redeemed, may be worth more or less than the original investment. Investors should carefully consider a 529 plan's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the 529 plan issuer's official statement, which should be read carefully before investing.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value in your investment.

An index is not managed and is unavailable for direct investment. The Dow Jones Industrial Average (DJIA) is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The Nasdaq Composite Index measures over 5,000 NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The Russell 2000 is a stock-market index measuring the performance of 2000 small-capitalization stocks. The S&P 500 Index covers 500 industrial, utility, transportation and financial companies in the U.S. markets. S&P®, Standard & Poor's® and S&P 500® are registered trademarks of the Standard & Poor's Financial Services LLC.



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