

May 2014 Monthly Commentary

June 2, 2014

Stock Market & Portfolio Performance

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May 2014 & YTD 2014: Stocks & bonds posted good gains for the month of April and, with the exception of small stocks, decent gains for the first four months of 2014.

	May 2014	YTD 2014	Description:
Without Dividends:			
S&P 500	2.1%	4.1%	500 Largest Public U.S. Companies
NASDAQ	3.1%	1.6%	stocks trading on the Nasdaq
Russell 2000	0.7%	-2.5%	2000 of the smallest U.S. stocks
MSCI EAFE	1.0%	2.1%	international stock index
U.S. Aggr Bond	1.1%	3.9%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	1.9%	3.7%	non-very conservative MAM portfolios
MAM Conserv	1.2%	3.6%	portfolios with 50%+ bond allocation

Comment: Despite the dramatic rise in stock prices during the last five years, we continue to favor stocks over bonds. While the rally in bond prices so far this year has been unexpected, we feel bonds prices are likely to come under pressure once short-term interest rates start to rise (now expected by early to mid-2015).

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Introducing Lauree Murphy

Hello! I'm Lauree Murphy, recently hired by MAM as a financial planner and tax specialist. I'm excited about the opportunity to help our clients achieve their financial goals.

Before coming to MAM, I operated Murphy Financial Planning, where I did taxes and financial planning for individuals and small businesses. Prior to taking up tax and financial planning for individuals as a career, my work background was in accounting, financial planning, budgeting and analysis in the corporate world. I spent over 20 years working in a variety of finance positions in both large and small companies. Along the way, I worked as controller in a couple of startup companies. This experience gave me insight into some of the problems small companies and small business owners face.

I hold a B.S. in Business Administration from Merrimack College in North Andover MA, an MBA from Santa Clara University, and a Certificate in Personal Financial Planning from University of California, Irvine Extension.

I grew up in Massachusetts and attended college there. Although I have lived in California over 30 years, I have not entirely lost my Boston accent. My husband and I live near Half Moon Bay and have two grown sons. One is still finishing college and the other is officially off the payroll. I enjoy outdoor activities, especially hiking the many beautiful coastal trails. I also like reading, gardening and trying new recipes when I have time.

I look at financial planning as a lifelong process. It's not just about having enough to live well in retirement, but also achieving all the other financial goals you have. Taking small steps, being aware of where your money is going, and covering risk, are critical to financial success. If you have questions, my role is to help you find answers. Contact me to set up a get-acquainted meeting and we can talk about the things that are important to you.

Economic Update— 1% Negative GDP for 1st Quarter 2014

On May 30th the Commerce Department released its revised estimate of first quarter gross domestic product (GDP), reporting that it shrank at a seasonally adjusted annual rate of 1% for the first three months of the year. The drop marked the first contraction in three years, though economists say the downturn should be short-lived and likely doesn't indicate a new recession.

Slower stockpiling of business inventories and severe winter weather combined to push the economy into the red. But key gauges of hiring, consumer spending and industrial production improved during the spring from the winter slowdown. Economists expect GDP growth of 3% to 4% to return for the second quarter of 2014.

It is rare for economic output to contract outside of a recession, but it had already happened once since the economic recovery began in mid-2009. The worst recession since the Great Depression ended in June 2009, but the economic recovery has struggled to gain traction. Job growth has been largely lackluster even as the unemployment rate has slowly fallen. Modest wage growth combined with Americans reducing their debts has restrained consumer spending. The sluggishness of this recovery is why the Federal Reserve has embarked on several operations called Quantitative Easing and kept short-term interest rates near zero percent.



Investment Outlook

Given the dramatic rise in stock prices since March of 2009 combined with the tepid economic recovery, is it time to get more conservative with portfolio positioning? This past week I attended the annual two-day Financial Planning Association NorCal Conference. This is one of the best and largest financial planning conferences in the country. This year, over 650 financial planners attended. One of the keynote speakers was David Kelly, Chief Global Strategist for J.P. Morgan Funds. Dr. Kelly, whose prescient views I have followed closely since the financial crisis, is among my favorite economists. In his talk, he discussed the economy and gave his outlook for the stock market:

- Stock Market Outlook:** “We are in the middle innings of the recovery. I would slightly overweight equities and underweight bonds. I like the U.S. stock market. But it—and corporate earnings—have gone up so much, there’s less room for stocks to grow. Over the next five years, I’d expect U.S. stocks to return an average of 5% to 7% per year, including dividends, with a lot of volatility along the way. I think you can do better than that in Europe. Earnings there have been depressed by two recessions, not just one, so there’s a lot of room to improve. And government-debt markets that had been the subject of panic selling have stabilized. Also, people should have money in emerging markets because they offer long-term growth.”
- Emerging Market Stocks:** “Is it too early to go back in? It always feels too early. It felt that way in 2009 in the U.S. But emerging markets are as cheap as they’ve been in the last decade. You have to pick and choose. I wouldn’t focus on China, but I feel good about India.”
- What Kind of Turbulence Should Investors Prepare For:** “We’ll have mini-corrections, but stock prices won’t correct in a big way until they become unreasonable, or the market gets hit by a big event. Most of the risks (currently) appear to be global, in Japan, China or Ukraine.”



Introducing Junxure’s ClientView Portal

We are very excited to be introducing the ClientView portal to MAM clients later this month. ClientView will be a dramatic improvement to the current MAM Vault. Both are client portals that allow you to securely log in and access certain information. ClientView is offered by Junxure, which is the firm that provides CRM (customer relationship management) software to wealth management firms. Since we use Junxure, ClientView will allow you to access a great deal of information that we retain for clients.

MAM Vault: The current MAM Vault has been in use since 2009. It is offered by Advisor Products, which is the software firm that hosts the MAM website (www.mamportfolios.com). Here is how clients have been using the MAM Vault:

- 1) Weekly updates to portfolios: Once a week, generally on Fridays, we update the Vault to reflect the most recent positions and prices for client portfolios.
- 2) Monthly Performance report: On a monthly basis (generally the first day of the next month), clients receive an email indicating that their performance reports are available.
- 3) Clients have the ability to load in documents to their Vault for future access. This feature has not been widely used.

Introducing Junxure's ClientView– Con't

ClientView: This portal will provide so much more to our clients than the MAM Vault:

- 1) **Portfolio Updates:** We expect to provide more frequent updates to clients' portfolios (possibly as frequently as daily).
- 2) **Monthly Performance Reports:** On a monthly basis (generally the first day of the next month), we will provide performance updates for client accounts.
- 3) **Quarterly Reports:** Currently we mail or email clients their Quarterly Report. These reports will now also be available on the client portal.
- 4) **Tax Returns:** For MAM clients who are tax clients, we will upload the client's tax returns for viewing. Initially, we will be uploading 2013 tax returns. Please let us know if you would like access to your tax returns prior to year 2013.
- 5) **Net Worth Analysis:** For the 100+ clients for whom we have completed a Net Worth Analysis, we will have the most recently completed one available for access.
- 6) **Retirement Analysis:** The new portal will allow a direct link to the MoneyGuide Pro Retirement Analysis that we have prepared for clients.
- 7) **Estate Planning Documents:** For those clients who have provided us with an electronic copy of their estate planning documents, we will have those made available on their client portal. For those clients for whom we don't have a copy of their estate planning documents, Marilyn will be working on a project later this year to request a copy from them.
- 8) **Risk Assessment Questionnaire:** The portal will have a copy of the client's completed Risk Assessment Questionnaire.
- 9) **My Alerts:** We will be able to provide alerts to clients, which are messages they will see when they log into their ClientView portal. These alerts could be general messages that pertain to all clients, or they may be specific to a client (such as a reminder to do something).
- 10) **Contact Info:** The contact information we have for clients (phone numbers, mailing address and email addresses) will appear in the Contact Info part of the home page of the new portal. Since you will be able to see the contact info we have for you, we should be able to maintain more current information on clients.
- 11) **Send Us Info Securely:** With ClientView, you will be able to send us an alert and securely attach a document or file. This will be a great way for clients to securely send us electronic documents.



Sincerely,

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Our Services

McCarthy Asset Management, Inc. (MAM) is an independent, privately owned Registered Investment Advisor firm. We provide clients with the peace of mind that comes from knowing professionals are managing their financial affairs. The services we offer include:

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services: Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services: MAM has retained several outside experts, whose services are available at no cost to our clients:

- Long Term Care Planning– Allen Hamm of Superior LTC Planning Services, Inc.
- Medicare Advisory Program (MAP) - Allen Hamm
- The Savvy Life® Classes, Workshops , and One-on-One Consultations

Reminders

- 1) **Estimated Tax Payments:** Second quarter of 2014 estimated payments are due on June 16, 2014.
- 2) **ClientView Portal:** We will contact clients later this month once their new MAM portal is available for access.



Discover the difference with a
Registered Investment Advisor.