

McCarthy Asset Management, Inc.

Registered Investment Advisor

January 2, 2009

Dear MAM Client,

I hope that you and your loved ones had wonderful Holidays. December is quarter-end, so I am keeping this month's Commentary short. We will be sending out quarterly reports next week. In the report, I will discuss both the performance of the market and MAM portfolios for 2008, as well as my outlook for the economy and market for 2009. In case you don't want to wait, we have already uploaded year-end values and performance of the portfolios to the MAM Web site (www.mamportfolios.com).

December Performance: The stock market staged a modest recovery for the month. *Unadjusted for dividends*, the S & P 500 rose 0.8%, the Nasdaq climbed 2.7%, the Russell 2000 rose 5.5%, and the international equity index MSCI EAFE climbed 5.9%. MAM portfolios rose, on average, 3.6% for the month (net of fees) versus a rise of 1.1% for the Vanguard Index 500 fund (symbol VFINX) with dividends reinvested.

2008 Performance: Full year results for 2008 were very poor. *Unadjusted for dividends*, the S & P 500 fell 38.5%, the Nasdaq Composite dropped 40.5%, the Russell 2000 fell 34.8%, and the international equity index MSCI EAFE plunged 45.1%. For all of 2008, 91% of MAM portfolios that were in existence for the whole year had performance that equaled or exceeded that of the S & P 500. The composite return of assets in MAM portfolios was a loss of 34.7% (after MAM fees) versus a drop of 37.0% in the Vanguard Index 500 (symbol VFINX) with reinvested dividends.

Estimated Tax Payments: For those of you who pay estimated payments, I want to remind you that the due date for the fourth quarter payments is January 15, 2009. For many of you who make payments to cover the tax on your investment income, fourth quarter payments will not be needed due to the reduced level of 2008 investment income. Please contact me if you would like to discuss your specific situation.

Minimum IRA Distributions Suspended for 2009: On December 11th, Congress approved the Worker, Retiree and Employer Recovery Act of 2008, which, among other things, eliminates required minimum distributions for 2009. This impacts those over age 70 ½ who have IRAs and others who have inherited IRAs. Later this month I will contact clients who received minimum distributions in 2008 to see if they want to receive IRA distributions for 2009.

Please let me know if you have any questions or comments.

Steve McCarthy, CPA, CFP