McCarthy Asset Management, Inc.

Personalized Wealth Management

November 2015 Monthly Commentary

December 1, 2015

Stock Market & Portfolio Performance

November & YTD 2015: After a strong month in October, stocks had mixed performance in November, while bonds were down modestly. We are now entering what historically has been the two best months for stocks (December and January).

	November	YTD 2015	Description:
Without Dividends:			
S&P 500	0.0%	1.0%	500 Largest Public U.S. Companies
Russell 2000	3.1%	-0.5%	2000 of the smallest U.S. stocks
MSCI EAFE	-0.7%	-0.9%	international stock index
U.S. Aggr Bond	-0.3%	0.9%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	-0.4%	-1.8%	non-very conservative MAM portfolios
MAM Conserv	-0.5%	-1.7%	portfolios with 50%+ bond allocation

The returns showed above are unaudited. Past performance is not indicative of future results. Returns for McCarthy Asset Management Portfolios (“MAM Portfolios”) are net of management fees and transaction costs, and reflect the reinvestment of dividends. Results represent a composite of clients using a similar investment strategy, individual results will vary.

Returns for the indices are provided solely as a general indication of current market conditions. MAM Portfolios are not invested in a style substantially similar to any index. Indices do not reflect the deduction of management fees or transaction costs or the reinvestment of dividends. Performance for the indices would be lower if these costs were reflected.

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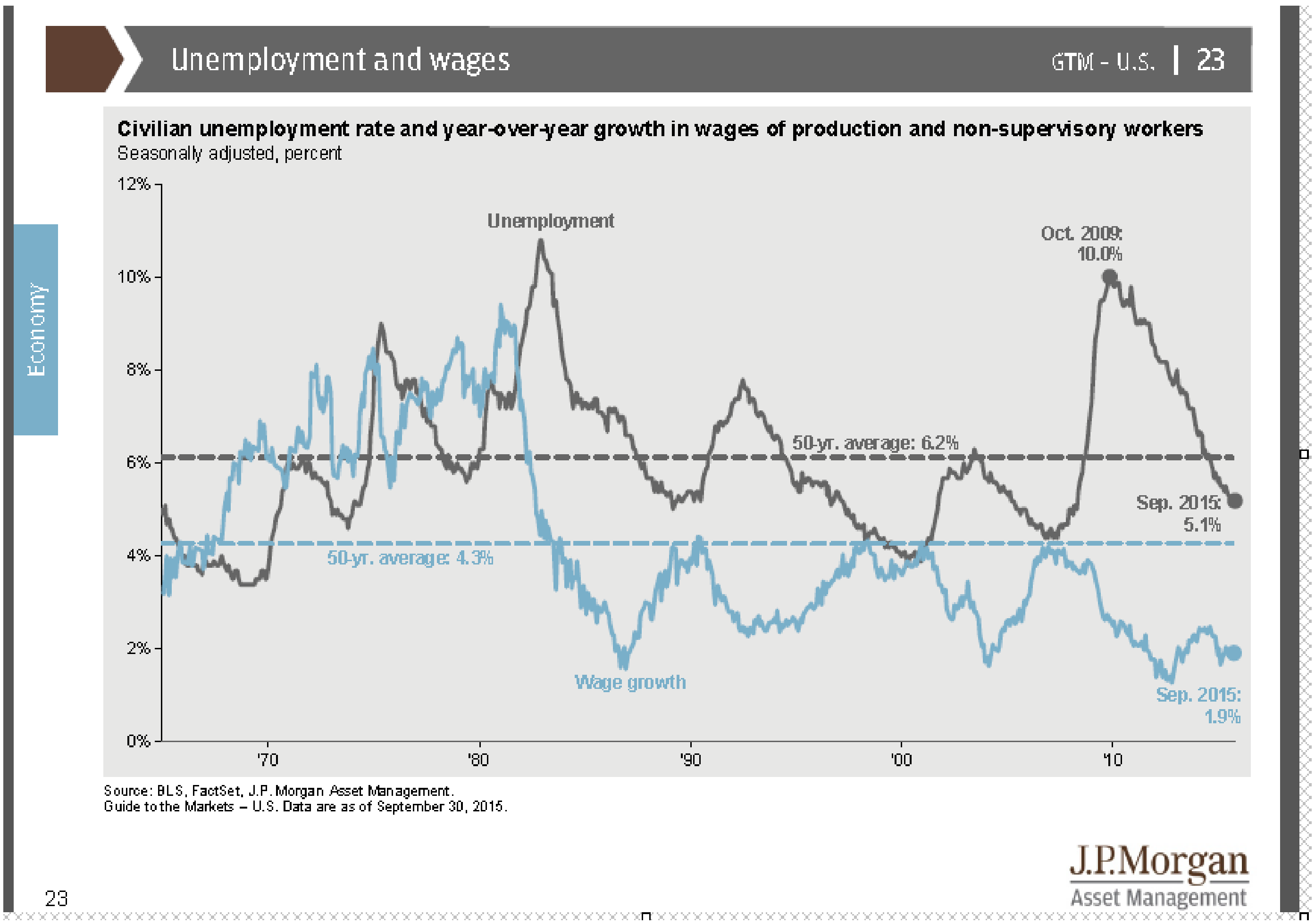
Is the U.S. Economy Close to Full Employment?

According to a recent Wall Street Journal survey of economists, after years of a sluggish recovery, the U.S. economy is at last on the cusp of full employment. According to the survey, 56% of the economists believe the U.S. will return to a state of "full employment" within the first half of 2016.

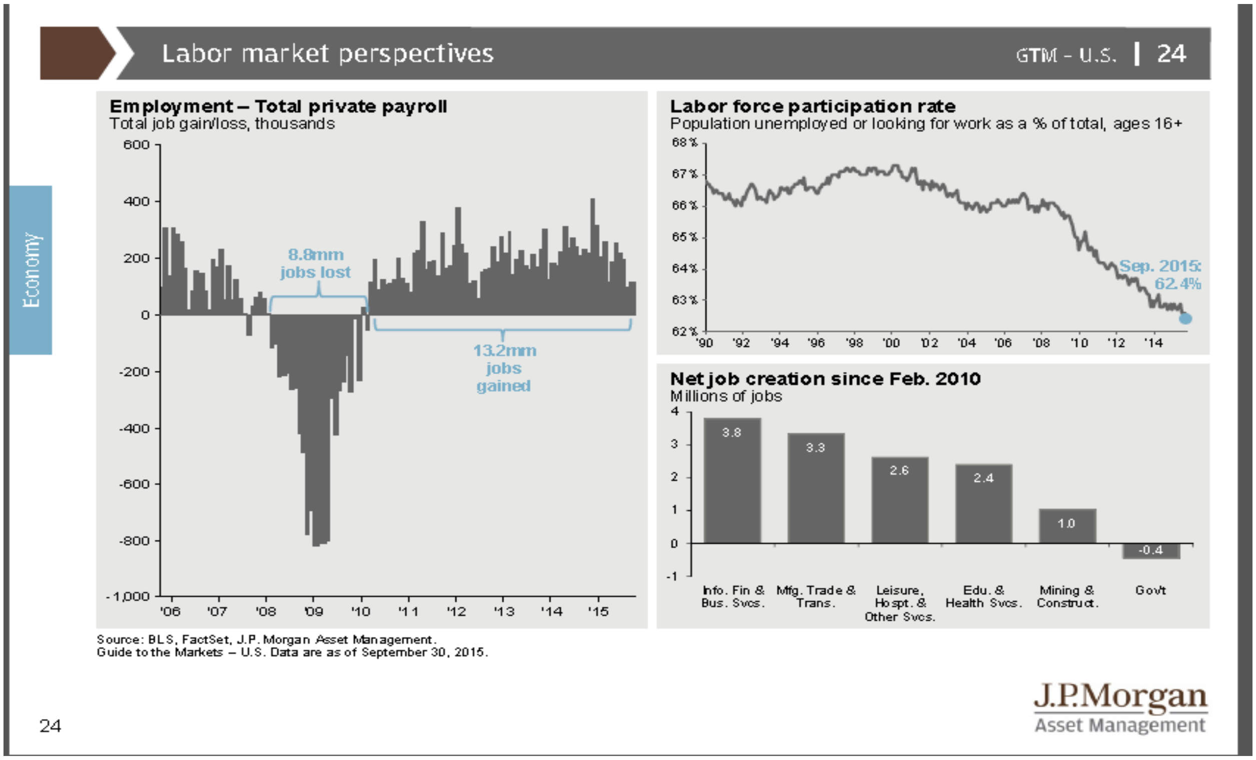
"Full employment" is a term economists use to signify an economy in balance, meaning there is no longer cyclical economic weakness, as well as no pressures pushing the inflation rate higher. The term doesn't signify an economy in which everyone has a job, let alone a good one.

The chart below from J.P. Morgan shows how far the U.S. economy has progressed on reducing unemployment:



After reaching a peak of 10.0% in October of 2008, the U.S. unemployment rate fell to 5.0% as of October 31st. As shown on the chart on P.3, the 8.8 million jobs that were lost during the Financial Crisis have been replaced by 13.2 million jobs gained since then. Unfortunately, the official unemployment rate and the number of jobs gained do not tell the whole story. As can be seen in the chart on the right of P.3 , the "labor force participation rate" has steadily declined from around 67% prior to the Financial Crisis to 62.4% currently. This rate indicates that the share of Americans participating in the workforce has decreased.

Is the U.S. Economy Close to Full Employment?- *Con't*



Some economists feel that the official U.S. Bureau of Labor Statistics (BLS) unemployment rate is misleading, and the "real" unemployment rate is much higher for a couple of reasons:

1. "Marginally attached" describes individuals not currently in the labor force who wanted and were available for work. The official unemployment numbers exclude them, because they did not look for work in the 4 weeks preceding the unemployment survey. Excluding these workers at least partially explain why the "labor force participation rate" has been declining since 2007.

2. Involuntary Part-Time Workers are those who are working part-time because their hours were cut back or because they were unable to secure a full-time job. These part-time workers are counted among the "employed" in the employment surveys.

In Summary: The U.S. economy has made dramatic progress since the Financial Crisis on the job front. The rate has now fallen close to where economists consider the U.S. economy to be back to full employment. For the reasons discussed above, though, there is still more work to be done to get Americans back to work.

Schwab Donor-Advised Fund Accounts

SCHWAB CHARITABLE 15 YEARS of GIVING

How would you like to receive a tax deduction for the fair market value of a highly-appreciated security you own, while being able to delay the decision of which charity or charities to donate the proceeds? Furthermore, you would not need to pay capital gains tax on the appreciation of the contributed security. These are the benefits of setting up a "Donor-Advised Fund" account. The three biggest providers of these accounts are Fidelity Charitable, Schwab Charitable and Vanguard Charitable.

I am familiar with how a Schwab Charitable Donor-Advised Fund account works, as last year my wife and I set one up ("The McCarthy Family Charitable Fund") and funded it with a highly appreciated stock. We received a charitable deduction on our 2014 tax returns for the value of the stock on the day it was delivered into the account. Schwab Charitable sold the stock with the proceeds going into the "McCarthy Family Charitable Fund" account. Since then, we have been making charitable contributions out of our account by instructing Schwab Charitable to send a specified dollar amount to charities that we name.

Schwab Donor-Advised Fund Accounts– *Con't*

Donor-advised funds are becoming popular. According to the National Philanthropic Trust's 2014 Donor-advised Fund Report, which uses 2013 data, more than 217,000 exist, up 34% over the past seven years. Charitable assets in donor-advised fund accounts totaled more than $50 billion for the first time in 2013, an increase of nearly 20% year over year. That growth handily out-paced all other giving vehicles, including private foundations and charitable trusts, as well as the 4.4% growth in overall charitable giving. Contributions to donor-advised funds now represent 7% of all individual charitable donations.

One reason for the appeal of donor-advised funds is that individuals can take an immediate tax deduction for the full amount they contribute (subject to a 30% of Adjusted Gross Income limitation). Additionally, there are no rules or regulations about how quickly the money actually has to be distributed to the charity.

Here are additional details about Schwab Charitable donor-advised fund accounts:

- **Cost:** While there is no cost for setting up an account, Schwab Charitable charges 0.60% annually for the first $500,000 of assets held in the account. My understanding is that Fidelity Charitable and Vanguard Charitable also charge 0.60% annually on assets held in their accounts.

- **Minimums:** The minimum to establish an account is $5,000, the minimum for additional contributions is $500 and the minimum for distributions to a charity is $50.

- **Documentation:** Schwab Charitable handles grant distribution and tax receipt consolidation, and confirms charity tax-exempt status.

- **Professional Management:** Schwab Charitable allows investment advisory firms, such as McCarthy Asset Management, Inc., to manage the assets in a donor-advised fund account, but only for account balances greater than $250,000.

- **Transferring Appreciated Securities from Existing Schwab Account**: If you want to use a highly appreciated security (stock, mutual fund or ETF) in a non-retirement account that we manage for you to fund your Charitable account, we can prepare the paperwork that Schwab Charitable will need to accomplish the transfer.

Social Security Law Changes– Goodbye "File and Suspend"

On November 2, the Bipartisan Budget Act of 2015 was signed into law by President Obama. The Bill included changes related to claiming Social Security benefits. In the past, we have written about the ability of couples to use a strategy called "file and suspend" to maximize benefits. This strategy will now be phased out. Also changed was the ability to restrict benefits to just spousal benefits. How these changes affect you depends on your age.

If you are 66 or older by April 2016 :

You can still file and suspend benefits to trigger a spousal benefit or dependent benefits. *But* you must have that in place by April 2016. After that, the only use for "file and suspend" will be to stop your benefit if you claim before your full retirement age, and subsequently decide you want to earn delayed credits (8% per year) between ages 66 and 70.

Anyone currently using "file and suspend" will be grandfathered in. Their spouse or child will continue to receive benefits. Spouses who have restricted their benefits to just a spousal benefit, will be able to keep this benefit and allow his/her own benefit to earn bonus credits until age 70.

If you are age 62 or older by Dec 31, 2015:

You will still be able to "restrict an application" to just spousal benefits once you turn 66. To do so, your spouse must already be collecting Social Security benefits, or has filed and suspended by April 2016.

If you are younger than 62 on Dec 31, 2015:

You are out of luck. You will no longer be able to file and suspend to trigger benefits for your spouse. If you suspend benefits, **ALL** benefits based on your work record are suspended. When you file for benefits, you will not be able to choose between a spousal benefit and your own benefit. You will be awarded the higher of the two. In most cases, it will still make sense for the higher earner to wait until 70 to collect benefits and maximize the survivor payments for whoever lives longer.

Want to learn more?

Lauree will be giving a Social Security presentation at the Redwood Shores Library at a TBD date this coming January. We would love to see you there. Feel free to invite a friend or colleague. It will be open to the public. For planning purposes, we request that you RSVP via email or give us a call.

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.**
- **Social Security Planning is an analysis of the best strategy for when and how to start claiming Social Security benefits.**

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 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) - Eileen Hamm**

Reminders/Updates

1) **Property Tax payments** are due December 10, 2015.
2) **Roth IRA Conversions:** Please contact us ASAP if you would like to discuss. The deadline for 2015 conversions is December 31, 2015.

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Discover the difference with a Registered Investment Advisor.