McCarthy Asset Management, Inc.
Personalized Wealth Management

January 2021 Monthly Commentary

Feb. 1, 2021

Inside this issue:

Stock Market & Portfolio Performance

January 2021: With the exception of good performance from small-cap stocks, the stock market fell modestly for the month. Bonds prices also fell as the 10-year Treasury rose, probably in reaction to the likelihood of another Stimulus Bill being passed by Congress.

	Jan 2021	FY 2020	Description:
Without Dividends:			
S&P 500	-1.1%	16.3%	500 Largest Public U.S. Companies
Russell 2000	5.0%	18.4%	2000 of the smallest U.S. stocks
MSCI EAFE	-1.1%	5.4%	international stock index
U.S. Aggr Bond	- 0.7%	7.5%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	-0.5%	11.6%	non-very conservative MAM portfolios
MAM Conserv	-0.6%	9.7%	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.

Advisor Team

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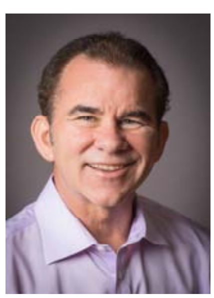

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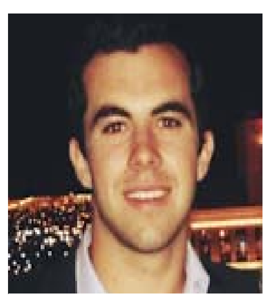

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Possible 2021 Fiscal Agenda for the Biden Administration

As a result of wins in the January 5th runoffs in Georgia, Democrats have forged a 50-50 tie in the Senate. Tie votes in the Senate are broken by the vice president, so Democrats will have the narrowest of majorities in both the House and Senate. This will likely shift the policy outlook moderately to the left, but the majorities are razor-thin, giving moderates heavy influence. This could lead to increased bipartisanship, which often results in better legislation.

The 2021 policy agenda is now becoming clearer. The Biden administration will have more freedom to pursue its policy priorities than it would if it was facing a split Congress. But the close margins in both chambers and the lack of Democratic unanimity on a wide variety of issues will act as a brake on the party's most ambitious goals. The stock market will likely take comfort that the new administration may need to scale back its plans in areas like climate change, healthcare and tax increases.

That said, there are areas where Democrats believe they can have success. Among the likely candidates for action in 2021 are:

- **Another economic stimulus/COVID relief package:** This will likely be the new administrations first priority, with a deadline of Mid-March, when many of the provisions of the $900 billion (roughly 4% of GDP) December -passed COVID bill expire. Biden has already proposed a $1.9 trillion package, which includes:

  ◊ Another $1,400 per person to eligible recipients. This money would be in addition to the $600 payments that were approved in December.

  ◊ An additional $400 a week in unemployment benefits through September of 2021.

  ◊ Rental assistance and eviction moratorium.

  ◊ $15 billion in assistance to small businesses separate from the Paycheck Protection Program.

  ◊ $350 billion in aid for states and schools.

  ◊ $20 billion to support COVID vaccines and testing.

  ◊ A $15 hourly minimum wage.

  This proposal has already run into resistance due to its high cost from Republicans and some Democrats. On January 25th, lawmakers said they expected a bipartisan group, which includes lawmakers from both chambers, would continue to meet to try and fashion a targeted package. The White House has signaled it is prepared to negotiate.

- **Infrastructure focused on economic recovery:** Both parties support more spending on roads, bridges, and other infrastructure needs, but have been stymied by how to pay for it. While that issue will still need to be sorted out, infrastructure spending is likely to be a top priority for the Biden administration. Political analysts speculate the infrastructure and related spending could be in the range of $1 trillion to $2 trillion (4.5% to 9% of GDP), and would most likely be spread out over several years.

- **Tax hikes to finance higher spending:** Although the Biden campaign proposed nearly $4 trillion in tax hikes to offset some of the spending, the reality of trying to raise taxes in a time when the U.S. economy is still recovering from a sharp recession means that tax changes would likely be more evolutionary than revolutionary. In addition, the narrow margins in the House and Senate will make significant tax increases difficult to pass. For instance, raising the corporate tax rate from 21% to 28%, as Biden had proposed, will likely be scaled back to a more modest 24% to 25%.

Possible 2021 Fiscal Agenda for the Biden Administration– Con't

On personal taxes, the top tax bracket is likely to revert to 39.6% (up from 37%), which would raise approximately $500 billion over 10 years. Other changes, such as reducing the estate tax exemption, abolishing the step-up in basis, and increasing the capital gains tax rate for those making more than $1 million per year, are possible sources of revenue as well, but could be difficult to pass given the legislative realities of a narrowly-divided Senate.

All in all, tax increases could reach $1 trillion - $1.5 trillion over 10 years, but even if passed in 2021, they won't likely take effect until 2022.

- **Retirement savings:** A bill introduced in late 2020 has attracted high-profile, bipartisan support from leaders in both chambers. While the bill will have to be reintroduced in 2021, the 2020 version may be a good representation of it. Among other things, that bill would have raised the minimum distribution age to 75 (up from 72), added a second tier of catch-up contributions at age 60, and made it easier for small business to start a retirement plan. While these provisions are likely to change as the new bill is negotiated, there appears to be real momentum for moving it forward in 2021.

Fund Profile– T. Rowe Price Capital Appreciation

T. Rowe Price Capital Appreciation Fund (symbol PRWCX) continues to be our favorite fund. It is also the largest position in most MAM portfolios. We previously profiled it in our December 2018 Monthly Commentary. Since then, we have only become fonder of the Fund. It is rated "5 stars" and "Gold" by Morningstar.

The basic goal of the Fund is to deliver over a full market cycle, S&P 500-like or better returns, while taking substantially less risk than the S&P 500. In 2008, we started using it in some portfolios. In 2014, the Fund closed to new investors to keep assets at a manageable level. Fortunately, in 2015, T. Rowe Price granted an exception to MAM to allow us to add it to all portfolios. Since then, it has been our largest holding.

__Performance:__ The Fund has been remarkably successful since David Giroux became the manager in June of 2006. Since then, the Fund has outpaced all of its peers in the "50-70% equity category," and beat more than 96% of rivals on a risk-adjusted basis. The Morningstar chart below shows the performance of the Fund (shown in blue) relative to three other excellent moderate allocation funds (Dodge & Cox Balanced, Vanguard Wellington and Vanguard Wellesley) during Giroux's tenure:

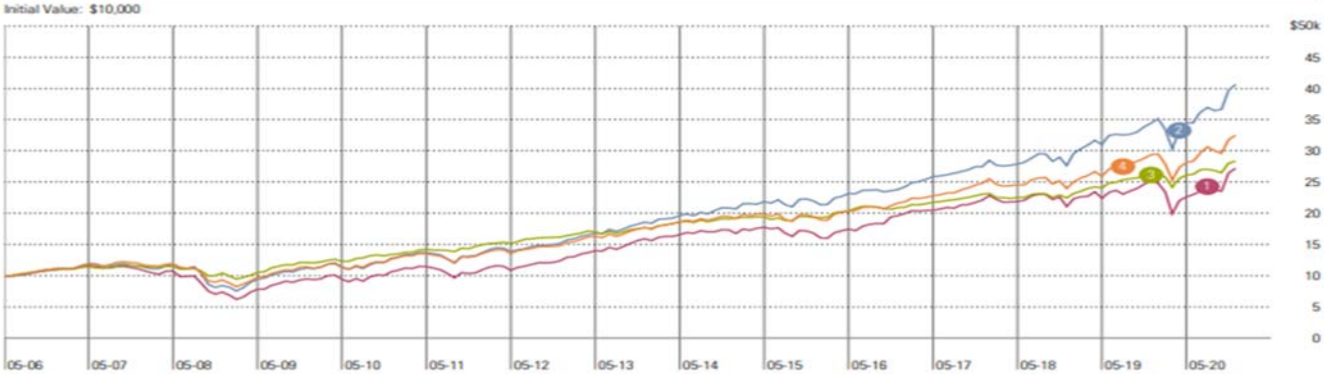
Release date 12-31-2020 Page 1 of 8

Investment Growth

05-31-2006 to 12-31-2020

Currency
USD

Initial Value: $10,000



Investment	Cumulative Return %	Annualized Return %	Amount at End of Period $
1 Dodge & Cox Balanced (USD, DODBX)	171.79	7.10	27,178.86
2 T. Rowe Price Capital Appreciation (USD, PRWCX)	306.55	10.10	40,654.74
3 Vanguard Wellesley® Income Inv (USD, VWINX)	183.24	7.40	28,323.78
4 Vanguard Wellington™ Inv (USD, VWELX)	224.58	8.41	32,458.30

Performance Disclosure

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end, please visit http://advisor.morningstar.com/familyinfo.asp.

Fund Profile– T. Rowe Price Capital Appreciation– con't

How Has It Performed So Well? Giroux's ability to identify mispricing across a wide array of asset classes—and act quickly when he does—is partly to thank for this strong track record. Equities have ranged from 57% to 73% of assets, with Giroux upping risk when stock prices were depressed in 2008, 2011, 2018 and early 2020, and scaling back when markets became overheated, as in 2007 and late 2019. In a similar manner, he opportunistically manages the rest of the portfolio, which can include high-yield bonds, leveraged loans, investment-grade credit, Treasuries, cash, and covered calls.

Giroux and the team conduct deep fundamental research to build a high-conviction, 40-stock portfolio. The equity sleeve outperformed the S&P 500 by 4.4% annualized over the last decade. His actions in 2020 show how he can skillfully steer the fund amidst extreme volatility. He entered the year with about 20% in cash and an 8% underweighting in equities. As the markets plummeted in March and April, he cut his cash stake in half, and moved to an 11% equity overweighting, emphasizing higher-beta names, such as semiconductors and industrials. He then gradually eliminated the equity overweighting as stock prices recovered in 2020.

Operating Expenses: The investor share class (which can be purchased and sold for no transaction fee) has a 0.70% expense ratio, which is 0.16% cheaper than the median for similarly sold peers.

MAM Thoughts: We have been very pleased with the performance of the Fund and feel fortunate that we are able to use this closed fund in portfolios. We like the flexibility Giroux has to adjust the equity allocation, which is a major advantage he has over index and balanced funds such as those with Vanguard, which maintain a rigid equity allocation. Furthermore, we take comfort that while the Fund has performed in line with the all-equity S&P 500, it has done so with significantly less risk due to the downside protection provided by the bond allocation.

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

ADV Part II: You were provided a copy of our ADV Part II when you became a MAM client. As a Registered Investment Advisor, we file this document with the Securities and Exchange Commission. Along with other items, it contains information regarding our fees and our educational backgrounds. Each year, the SEC requires us to offer clients the opportunity to receive a copy of our most recent ADV Part II. **Please let us know if you would like to receive a copy.**