

McCarthy Asset Management, Inc.

Registered Investment Advisor

January 2, 2013

Dear MAM Client,

Happy New Year! I hope that you and your loved ones had wonderful Holidays. Since December is quarter-end, the Monthly Commentary will be the 4th Quarter Letter that we will include with the quarterly reports. We plan to mail those reports (or email for those who prefer paperless) by the end of this week. In the 4th Quarter Letter I will discuss:

- Fiscal Cliff- Agreement Reached (a summary is attached to this email)
- 2012 Economic Update and 2013 Economic Outlook
- Bad Market Timing: Investors Have Been Selling Stocks & Buying Bonds
- 2013 Stock Market Outlook (“Cautiously Optimistic”)

Stock Market Performance for 4th Qtr & FY 2012: The stock market had mixed performance for the 4th quarter while returns for full year 2012 were very good:

	<u>4th Qtr</u>	<u>FY 2012</u>	<u>Description:</u>
Without Dividends:			
S&P 500	(1.0)%	13.4%	500 Largest Public U.S. Companies
NASDAQ	(3.1)%	15.9%	stocks trading on the Nasdaq
Russell 2000	1.4%	14.6%	2000 of the smallest U.S. stocks
MSCI EAFE	6.2%	13.6%	international stock index
U.S. Aggr Bond	0.2%	4.2%	bond index

Portfolio Performance With Dividends, after all fees:

MAM Portfolios	1.3%	11.4%	non-very conservative MAM portfolios
MAM Conserv	1.1%	9.3%	very conservative MAM portfolios

Fiscal Relief (At Last!): See attached for a summary of The American Taxpayer Relief Act of 2012 that was just passed by Congress and is awaiting President Obama’s signature.

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, 2013.

We have already uploaded to the MAM Web site (www.mamportfolios.com) the December 2012 month-end values and full year performance for client portfolios.

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

Steve McCarthy, CPA, CFP®