

October 2021 Monthly Commentary

Nov. 1, 2021

Stock Market & Portfolio Performance

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		<u>Oct 2021</u>	<u>YTD 2021</u>	<u>Description:</u>	
		Without Dividends:			
Proposed Tax Increases Still Being Debated	2	S&P 500	6.9%	22.6%	500 Largest Public U.S. Companies
		Russell 2000	4.2%	16.3%	2000 of the smallest U.S. stocks
Introducing the New MAM Portal	2-4	MSCI EAFE	2.4%	8.8%	international stock index
		U.S. Aggr Bond	0.0%	-1.6%	index of U.S. bonds
Social Security Benefits to Rise 5.9%	4-5	With Dividends, after all fees:			
		MAM portfolios	3.8%	12.8%	non-very conservative MAM portfolios
Our Services	6	MAM Conserv	2.4%	7.5%	portfolios with 45%+ 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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Proposed Tax Increases Still Being Debated



In our September 2021 Monthly Commentary, we discussed the proposed tax increases spelled out in the \$3.5 trillion “Build Back Better Act” that was passed by the U.S. House Ways & Means Committee on September 25th. The tax increases were aimed at upper income and wealthy Americans. Included were an increase in the top individual tax rate, a 5% increase in the rate for long-term capital gains and qualified dividends, and a reduced gift and estate tax exemption. The corporate tax rate would also increase from 21.0% to 26.5%.

As we wrote in the article, we expected one or more fiscally-moderate Democrats in the Senate would be uncomfortable with the federal government spending another \$3.5 trillion on top of the \$5 trillion that has already been approved since the outbreak of COVID. This has proven to be the case with strong resistance from Senators Joe Manchin and Kyrsten Sinema. Their approval will be needed to pass the legislation with the 50/50 Democrat/Republican split in the Senate.

There’s been extensive negotiations the last month between key Congressional Democrats and the White House. It now appears that if the “Build Back Better Act” were to become law, the size of the spending bill will be substantially reduced from \$3.5 trillion to \$2.0 trillion or less. What is not clear is what tax increases, if any, will be included in the law. Losing the tax rate increases would significantly decrease the funding to cover the cost of the bill. The House’s corporate tax rate increase was projected to raise \$540 billion over a decade, while the tax increases on ordinary income and capital gains would raise nearly \$300 billion. Alternatives to these tax hikes now being discussed include a tax on billionaires and increased funding and reporting for IRS tax enforcement.

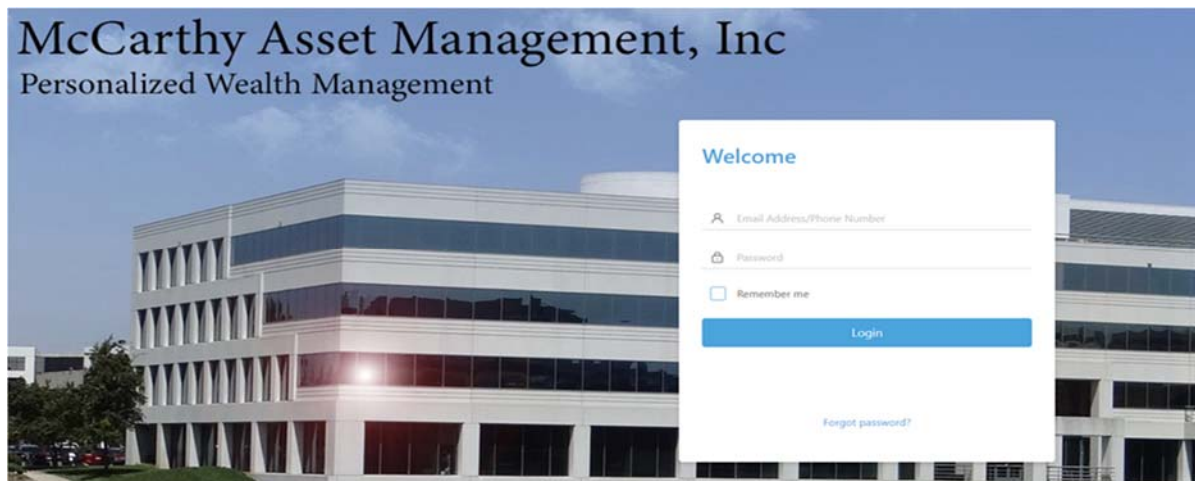
Meanwhile the \$1 trillion infrastructure bill, which passed the Senate with broad bipartisan support, has been held up by progressives in the House of Representatives wanting to tie the bill to the passage of the Build Back Better Act.

We should know in the next month or two how all this plays out.

Introducing the New MAM Portal

This year we have undertaken a major software project to convert our portfolio management system and customer relationship management software to a cloud-based platform called Advyzon. This is a highly-rated, comprehensive system for financial advisory firms. The founders of Advyzon were a team that broke off from Morningstar. Included with Advyzon is a powerful new client portal.

After months of work, we were excited to introduce the new MAM portal this past month:



Introducing the New MAM Portal- Con't

You should have received several emails from me the week of October 18th:

- “Logging Into the New MAM Portal”- instructions of how to log into the portal.
- “Online Access to View Your Account Information”- provided the link to the portal and your temporary password.
- “Mobile Access to View Your Account Information”- provided a link to the mobile app and the same temporary password.

The “Logging into the New MAM Portal” email included two attachments:

- Instructions to the New MAM Portal- contained information about the various sections of the portal.
- myAdvisorLink App- contained instructions on how to download the app.

Please let us know if you haven't received any of these emails or if you encounter difficulty in logging into or maneuvering around your portal.

We hope you will find the new portal very helpful. The initial feedback from clients has been very positive. Here are some of the benefits you will find in accessing your portal (either via the desktop version or the app version):

- You can review your portfolios individually or at a consolidated level if we manage more than one portfolio for you.
- You can view the **Portfolio Growth** over the last five years, the current **Portfolio Allocation** in a pie chart and with a listing of the percentage invested in each asset class, and a **Performance Update** over various timeframes including “since inception.” All of this is updated each day for the prior day’s activity and prices.
- If we have prepared a **Retirement Analysis** for you, included is a link to the MoneyGuidePro website to:
 - ◇ “The Play Zone” allows you to change certain of the assumptions we used in your Retirement Analysis, such as the age you retire or the amount spent on basic living expenses. As you change an assumption, you will see the impact on the “probability of success” of your Retirement Analysis (i.e., not depleting your assets by age 95).
 - ◇ “What Are You Afraid Of?” to analyze the financial impact of common concerns, including a great recession, high inflation or Social Security cuts.
 - ◇ “Compared to Current” is a tool that gives a side-by-side comparison of the Retirement Analysis we prepared to the one that you have changed certain assumptions.

Introducing the New MAM Portal- Con't

If we have prepared a Retirement Analysis for you, please let us know if you are unable to link to the MoneyGuidePro website via the new portal. If so, Ryan will be able to make sure you are granted this access. **Also, please note that the Retirement Analysis that shows up on your portal may have significant differences from the one we prepared for you. This is because the one on the portal does not factor in inflation prior to 2021 for your spending goals. Please let us know if you would like Ryan to update your Retirement Analysis to reflect this inflation impact on your spending goals.**

- As with your previous client portal, the new portal has a **Vault** with your most recent consolidated quarterly report, the Net Worth Analyses we have prepared for you, a copy of tax returns if you are a tax client, and estate documents that you have provided to us. Also available are recent Schwab statements for the accounts we manage for you.
- You can securely upload documents to MAM via your portal.

Through the end of this year, we plan to keep in existence your old MAM portal. Until then, you will have both your new and old portal available.



Please let us know if you would like to have a Zoom call with Ryan to walk you through the various features of your new MAM portal. This may be particularly helpful if you would like for him to show you all you can see and do with the link to MoneyGuidePro.

Social Security Benefits to Rise 5.9%

Approximately 70 million of Americans who receive Social Security benefits will get a 5.9% boost in 2022, the highest inflation adjustment (COLA) in 40 years. This compares to an average COLA of 1.4% per year over the past 12 years. The COLA adjustment is calculated based on the Labor Department's measure of inflation faced by blue-collar workers. The Labor Department said its broadest measure of inflation, the consumer-price index, rose 5.4% in September from a year earlier, the largest annual gain since 2008.

Social Security Cost of Living Adjustments



Note: Adjustments were effective with benefits received in July between 1975-82 and benefits received in January after 1982. Social Security Administration data show no adjustment was made in 1983.

Source: Social Security Administration



Social Security Benefits to Rise 5.9%-Con't

The extent to which the larger-than-usual Social Security adjustment makes retirees and other recipients feel better off will largely depend on whether inflation eases next year compared with 2021. Federal Reserve Chairman Jerome Powell and other Fed officials have said they expect elevated inflation to be temporary and to ease as frictions associated with the economy's reopening fade. Mr. Powell recently told lawmakers that it is difficult to pinpoint when this cooling in inflation may happen.

Roughly half of Americans aged 65 and older relied on Social Security for 50% or more of their income in 2019, according to an AARP analysis of Census Bureau data. About a quarter of seniors 65 and older relied on the benefits for 90% or more of their income, the analysis found.

On a separate note, the Social Security Board of Trustees wrote in an August report the trust fund that pays benefits is projected to become depleted by 2034, a year earlier than estimated in 2020. At that time, Social Security income would be sufficient to pay only 78% of scheduled benefits. We have written about this pending shortfall before. As we said then, sadly, politicians probably won't take action to shore up the financial viability of the Social Security System until it becomes a crisis.

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

Year-End Tax Planning: For those of you who are tax clients, please let us know if you would like to have us do any tax planning, such as determining the amount of 4th quarter estimated payments or making a Roth IRA conversion.



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Registered Investment Advisor.