McCarthy Asset Management, Inc.
Personalized Wealth Management

February 2025 Monthly Commentary

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Stock Market & Portfolio Performance

February, 2025: U.S. stocks fell for the month, particularly large-cap technology and small cap-stocks. International stocks continued their strong start to the year. Bonds rose as the yield on the 10-year Treasury slipped

	Feb '25	YTD 2025	Description:
Without Dividends:			
S&P 500	-1.4%	1.2%	500 Largest Public U.S. Companies
Russell 2000	-5.5%	-3.0%	2000 of the smallest U.S. stocks
MSCI EAFE	1.8%	7.1%	international stock index
U.S. Aggr Bond	2.2%	2.7%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	-0.1%	2.2%	non-very conservative MAM portfolios
MAM Consrv	0.3%	2.2%	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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Inflation Heated Up in January; Fed Rate Cuts Likely on Hold

Consumer prices rose briskly in January, extending a recent pattern of price increases that likely derails the prospect for Federal Reserve interest rate cuts anytime soon. On February 12th, the U.S. Labor Department reported that prices rose 0.5% last month on a seasonally adjusted basis. That was the largest increase since August 2023 and well ahead of economists' expectations for a milder increase of 0.3 %. The gain pushed 12-month inflation to 3% in January.

Economists say the import tariffs that Trump has started to impose could make inflation worse. Trump's allies say other moves, such as deregulating businesses and boosting energy production, could offset the effects of higher goods prices.

The latest University of Michigan consumer sentiment survey released on February 21st showed consumers expect prices will climb at an annual rate of 3.5% over the next five to ten years. The rate is the highest since 1995. According to the same survey, over the next twelve months, inflation expectations rose to 4.3%, up from 3.3% for the prior month. "What we're seeing is a very broad-based conclusion or opinion among consumers that inflation is going to pick up in the year ahead, as well as the next five years," said Joanne Hsu, director of consumer surveys at the University of Michigan. "People are not reacting to current price shocks. They're reacting to anticipated price shocks, Hsu added. "So it really remains to be seen if these inflation expectations will stick. It really depends on what kind of tariff policies are rolled out and whether or not that trickles down to consumer prices."

U.S. Economy: Meanwhile, the U.S. economy continues to perform well, and the recent employment reports have been strong. For the 4th quarter of 2024, the U.S. economy expanded at an annualized rate of 2.3% in the fourth quarter of 2024. For all of 2024, the U.S. economy grew at a solid 2.5% rate.

MAM Comments: The Fed cut rates three times between last September and December by a full percentage point before signaling in early January it would take a wait-and-see approach to future cuts. The disappointing January inflation report makes it even more likely that for now, the Fed will remain on hold for future interest rate cuts. As for an increase in inflation, much will depend on the extent to which the Trump Administration imposes tariffs.

Managing Digital Assets in Your Estate Plan

In today's digital age, digital assets have become an integral part of our personal and financial lives. These range from online financial accounts to social media profiles. Besides the need to back up digital devices and keep passwords secure, we must also consider what happens to all this information if we die or become incapacitated.

If you have not considered digital estate planning, you are not alone. Data tells us that approximately 76% of adults lack a proper estate plan, and less than 3% have a digital estate plan. Without proper planning, your digital property could be lost, inaccessible to heirs, or even subject to identity theft after your passing.

Identifying Digital Assets: Digital assets encompass a wide range of electronic records, including email accounts, social media profiles, digital photos and videos, online storage accounts, and financial accounts like PayPal, Venmo, or cryptocurrency wallets. As our reliance on digital platforms grows, so does the value, both sentimental and financial, of our digital assets.

Decide how you would like these assets to be handled. Here are possible decisions to make:

- Who should have access?
- Do you want your Facebook or Instagram page memorialized or shut down?
- Do you want your family to have access to all the online photos you have stored?
- Who will have access to the monthly bills you pay online?

Managing Digital Assets in Your Estate Plan– Con't

Here are the steps to address digital assets in your estate plan:

- **Create an Inventory of Digital Assets:** Start by cataloging all digital assets. This inventory should include:
  - Account names and websites.
  - Usernames and passwords. A password manager can be very useful here.
  - Instructions on how to access, manage, or close each account.

  A helpful template from Everplans is attached to this Monthly Commentary. This will assist you in gathering an inventory of your digital assets in one place. You can use it or create something like it.

- **Designate a Digital Executor:** Appoint a trusted individual as a digital executor responsible for managing and distributing digital assets according to your wishes. In some states, such as California, the **Revised Uniform Fiduciary Access to Digital Assets Act (RUFADAA)** allows executors or trustees to manage digital assets with explicit permission.

- **Include Digital Asset Provisions in your Will or Trust:** Work with an estate planning attorney to update your Will, Powers of Attorney, and any Revocable Living Trusts to clearly state your wishes for how digital assets should be handled. Our understanding is that without proper language in your estate documents, agents under Powers of Attorney executors under Wills, and successor trustees of Trusts could be forced to go to court to be able to access and manage all or many of the incapacitated or deceased person's digital assets.

- **Store Your Plan Safely:** Keep your digital estate plan in a secure location, such as in an encrypted digital vault. Ensure your digital executor knows how to access it.

- **Regularly Update Your Plan:** Your digital life evolves over time, and so should your digital estate plan. Regularly review and update it to reflect new accounts or changes to your wishes.

Note that some digital asset companies have procedures that clients can follow with the companies directly to designate successors. For example:

- Apple: https://support.apple.com/en-us/102631

- Facebook: https://www.facebook.com/help/1568013990080948?locale2=en_US&_rdr

MAM Comments: Digital assets have become an integral part of modern life, yet they are often overlooked in estate planning. By taking proactive steps to inventory your digital assets, appoint a digital executor, and provide clear instructions in your estate planning documents, you can ensure that your digital legacy is protected and that your loved ones are able to manage your digital property after your passing. We recommend you work with an experienced estate attorney who can guide you through this process.

Trusts & Homeowner's Insurance

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SILVERMAN & JAFFE, P.C.

Homeownership is often one of the most significant financial investments people make in their lifetime. Protecting that investment with homeowner's insurance is not only wise but usually required if you have a mortgage.

However, a little-known issue can arise when the title to a home is held in a living trust. If the property's title is in the name of a trust, a mismatch can occur between the named insured under the policy - individual owner(s) - and the legal property owner, the living trust.

Particularly due to the recent devastating fires in Southern California, a few clients who understandably have their homes titled in a living trust, have inquired about this issue. Each was worried about the above-referenced mismatch as to their home and questioned whether this could put them at risk that a hypothetical fire insurance claim might be denied.

If the home is titled in the name of a living trust but the insurance policy lists only the individual homeowner as the insured, the insurer may argue that the legal owner—the trust—is not covered under the policy. This could create a loophole for the insurer to deny claims or even cancel the policy outright.

A 2009 appellate case, Kwok vs. Transnation Title Insurance Company, involved a similar issue, except that: i) an LLC, not an individual, transferred title into the LLC owner's trust); and ii) that case involved a title insurance policy; not a homeowner's insurance policy. The court upheld the insurance company's denial of the claim due to the trust transfer.

While this case caused considerable worry about titling of homes in one's living trust, no mass (if any) denial of homeowner's insurance claims has resulted. Since it is extremely common and beneficial to own a home in a living trust, many modern homeowner's insurance policies expressly allow transfers into the homeowner's living trust. In any event, I have not heard about nor read in legal journals or other sources about insurance companies attempting to deny fire or hazard claims on these grounds.

Nevertheless, you shouldn't need to speculate or worry about potential homeowner's insurance policy claim denials or what any given court may or may not decide on this issue. Fortunately, this problem is avoidable with proper planning and communication. Here are some steps homeowners can take to ensure their insurance coverage aligns with their living trust:

1. **Notify Your Insurance Company:** Some insurance companies require you to notify them that you own your home in your living trust; hence, do so to be safe. Provide them with a copy of your Trust Certification and ask them to update your policy accordingly. Ask for verification that your policy coverage is secure, notwithstanding that your home is titled in your living trust.

2. **Add the Trust as an Additional Insured:** Virtually all insurers will allow you to add your living trust as an additional insured on the policy. This ensures that both the individual homeowner and the trust are covered.

3. **Review Your Policy Regularly:** Homeowner's insurance policies (and related policies, including your umbrella policy, if any) should be reviewed with an experienced insurance agent annually and whenever a significant change, such as transferring the title to a trust, occurs. This helps catch potential gaps in coverage before they become problematic.

Trusts & Homeowner's Insurance
Robert J. Silverman, Attorney at Law
SILVERMAN & JAFFE, P.C.– Con't

Many insurance companies have long ago addressed this issue by offering coverage, endorsements and/or riders specifically designed to cover properties held in trusts. These provide peace of mind to homeowners that their coverage is secure.

You should certainly be able to enjoy the benefits of your living trust without compromising your insurance protection.

Estate Planning * Trust Administration & Probate * Real Estate * Business

Please contact the author to request a complimentary: i) "Estate Planning Primer"; ii) Real Estate titling brochure; iii) Introductory meeting.

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This article is intended to provide information of a general nature, and should not be relied upon as legal, tax and/ or business advice. Readers should obtain specific advice from their own, qualified professional advisors.

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 are able to utilize the income tax services provided through either the firm Stephen P. McCarthy, CPA or from the CPA firm of Lauren Be. 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.**

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