

## November 2024 Monthly Commentary

Dec. 2, 2024

### Stock Market & Portfolio Performance

**Nov 2024:** U.S. stocks posted solid gains for the month. Meanwhile, international equities were relatively flat, while bonds rose modestly due to a small drop in the 10-year U.S. Treasury rate.

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	Nov 2024	YTD 2024	Description:
Without Dividends:			
S&P 500	5.7%	26.5%	500 Largest Public U.S. Companies
Russell 2000	10.8%	20.1%	2000 of the smallest U.S. stocks
MSCI EAFE	-0.7%	3.6%	international stock index
U.S. Aggr Bond	1.1%	3.1%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	3.2%	15.0%	non-very conservative MAM portfolios
MAM Consvr	2.2%	10.8%	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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The consensus view is that the Republican sweep of the White House, Senate & House will result in pro-growth policies for the U.S. economy. In fact, the day after the election, stock prices surged, with the indexes rising 2.5% for the S&P 500, 3.0% for the Nasdaq, and 5.7% for the Russell 2000 small-cap index. This marked the best post-Election Day performance for the broader market on record.

While policies such as tax cuts and deregulation will likely be positive for the economy, other policies like tariffs and deportation efforts could hamper growth or increase inflation. Here are some actions likely to be undertaken by the Trump Administration:

- 1) Tax cuts: Decreasing taxes should benefit economic growth. For an extensive list of possible tax law changes, see P.3 for the article “Possible Tax Law Changes Under President Trump.”
- 2) Deregulation: Trump is likely to reverse numerous Biden administration environmental rules, including carbon emission reductions for power plants and a pause of permits for liquified natural terminals. A more employer-friendly labor policy is also possible. These efforts would likely provide a boost to the U.S. economy.
- 3) Tariffs: Trump has pledged to expand tariffs via executive action, including a tariff of 60% on imports from China and across-the-board duties of 10%-20% for other countries. Legal experts say Trump can accomplish quite a bit with tariffs on his own (without Congressional action). Generally, tariffs result in higher consumer prices, which in turn could lead to higher inflation and higher interest rates.
- 4) Immigration: While it is unclear to what extent President Trump will implement a mass deportation effort targeting millions of undocumented people in the U.S., any such effort could have negative economic implications from a reduced workforce. This could lead to higher wages and higher inflation.

**MAM Comments:** If the economy continues to experience a soft economic landing, we should have a favorable environment for the stock market. Further out, time will tell which policies President Trump is able to implement, and what impact they will have on the economy and stock market.

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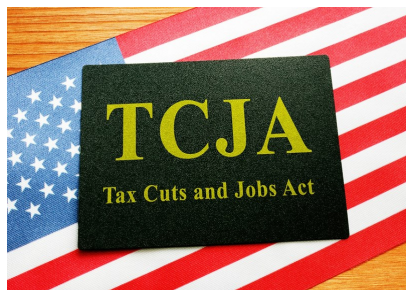
## Possible Tax Law Changes Under President Trump

With Republicans in control of the House and Senate, President Trump will have significant power to implement his tax policy. These were the same political conditions that were in place when his 2017 tax legislation, the Tax Cuts and Jobs Act (TCJA), was passed.

**Make TCJA Permanent:** Trump’s first tax policy goal is likely to extend most of the temporary TCJA provisions, which are set to expire at the end of 2025. We will know more about this as the 2025 tax year progresses. The following are some of the expiring TCJA provisions:

- Suspension of the personal exemption deduction
- Increased standard deduction
- \$10,000 state and local tax limitation (SALT limitation)
- \$750,000 acquisition debt limit for home mortgage interest





- Suspension of interest deduction for home equity debt
- Suspension of 2% miscellaneous itemized deductions
- Qualified business income deduction under IRC Section 199A
- Increased alternative minimum tax exemption amounts and higher phaseout thresholds
- Increased Child Tax Credit and higher phaseout thresholds
- Increased Estate and Gift tax exclusion, which is scheduled to be cut roughly in half after 2025.

### Other Tax Changes President Trump has discussed during his campaign:

- Reduce the C corporation tax rate from a flat 21% down to 15%, but only for those businesses that produce products in the U.S.
- Repeal most provisions of the Inflation Reduction Act. This is likely to occur to help pay for tax cuts.
- Make the following items of income exempt from tax: Tips, Overtime Wages, and Social Security benefits. This seems unlikely to happen.
- Reinstate 100% bonus depreciation.
- Provide a tax credit for family caregivers.
- Make personal interest expense deductible on autos manufactured in the U.S.

**Challenges:** Even with control of the White House, Senate and House of Representatives, President Trump will still have one major hurdle to passage of his tax proposals: the Senate filibuster. The rules of the U.S. Senate generally require 60 votes to pass most legislation. The Republicans have gained the Senate majority, but do not control 60 votes. As such, any bills, including tax bills, can only be passed if they have bipartisan support or if they are passed under an exception to the 60-vote rule.

The TCJA was passed using an exception to the 60-vote rule. It was passed as part of Congress' annual budget reconciliation process, requiring a simple majority. There is a catch for the budget reconciliation process for tax bills: They cannot add to the federal deficit beyond the budget window, which is typically 10 years. This is the main reason why so many TCJA provisions sunset after 2025.

**MAM Comments:** Anything can happen at this early stage, so we'll have to wait and see how negotiations and Senate budgetary concerns play into the tax bill writing process in 2025.

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## Tax Credits That May Be Eliminated

Passed in 2022, the Inflation Reduction Act (IRA) was one of President Biden's signature pieces of legislation. It contained numerous tax credits aimed at helping Americans save money while making climate-friendly changes, like installing solar panels and buying electric vehicles. Given Trump's stand on climate change, the climate-related provisions of IRA are likely to be on the chopping block, particularly because reducing or eliminating these credits could help offset the cost of extending provisions of the Tax Cut and Jobs Act of 2017.



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## Tax Credits That May Be Eliminated- Con't

### Credits Which May be Reduced or Eliminated:

- Up to \$7,500 for new and \$4,000 for used electric vehicles. Under IRA, married couples filing jointly earning less than \$300,000 or single filers earning less than \$150,000 are entitled to up to \$7,500 off a new electric vehicle or \$4,000 off a used one.
- Up to 30% off the cost of installing battery storage systems, rooftop solar, and geothermal heating. These credits amounts are uncapped. Rewiring America says average credits are worth \$4,800 for battery storage, \$4,600 for solar and \$7,200 for geothermal heating.
- Up to \$1,200 for weatherization. This can include projects like insulation and air sealing doors and windows.
- Up to \$600 for electrical panel upgrades.
- Up to \$1,000 for electric chargers. People in certain rural or low-income areas can get up to \$1,000 off chargers for electric vehicles.
- Up to \$2,000 for heat pumps and heat pump water heaters.

**MAM Comments:** If you are considering a purchase of an electronic vehicle, installing rooftop solar, or some other expenditure that may qualify for an energy credit, you should consider acting before the credit is eliminated.

Sincerely,

*Steve McCarthy*

*Stephen P McCarthy, CPA, CFP®*

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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

- 1) **CA Property Tax payments** are due December 10, 2024.
- 2) **Roth IRA Conversions:** Please contact us ASAP if you would like to discuss. The deadline for 2024 conversions is December 31, 2024.



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