McCarthy Asset Management, Inc.

Personalized Wealth Management

October 2024 Monthly Commentary

Nov. 1, 2024

Stock Market & Portfolio Performance

Inside this issue:

Oct, 2024: U.S. stocks posted modest losses for the month. International equities fell more sharply, and bonds dropped due to a half-a-point spike in the 10-year U.S. Treasury rate.

	Oct 2024	YTD 2024	Description:
Without Dividends:			
S&P 500	-1.0%	19.6%	500 Largest Public U.S. Companies
Russell 2000	-1.5%	8.4%	2000 of the smallest U.S. stocks
MSCI EAFE	-5.5%	4.3%	international stock index
U.S. Aggr Bond	-2.5%	1.9%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	-1.4%	11.4%	non-very conservative MAM portfolios
MAM Consrv	-1.4%	8.5%	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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PIMCO's Cyclical Forum– 6 to 12 Month Outlook

PIMCO is one of the world's premier fixed-income investment managers. Launched in 1971 in Newport Beach, PIMCO today has offices worldwide with over 3,100 professionals. PIMCO holds its Cyclical Forum three times per year, where they focus on the outlook for the next 6 to 12 months. Here are their near-term economic views resulting from their most recent Cyclical Forum:

1. *The U.S. economy, like others, appears poised to achieve a rare soft landing—moderating growth and inflation without a recession.* But there are risks, such as the upcoming U.S. election and its implications for tariffs, trade, fiscal policy, inflation, and economic growth. High budget deficits will likely persist, limiting the potential for further fiscal stimulus and adding to economic risks.

2. Despite some cyclical growth recoupling, *PIMCO believes the U.S. economy maintains some distinct advantages.* Notably, robust capital spending and AI investment trends present significant upside growth potential, especially compared with Germany and other EU countries that are more exposed to Chinese competition and are more reliant on imported energy sources.

3. *The factors that supported relative U.S. economic strength are diminishing.* That suggests some recouping (i.e. realigning) with the rest of the world and further progress on curbing inflation.

4. *Bond yields are attractive in both nominal and inflation-adjusted terms, with the five-year area of the yield curve particularly attractive.* Cash rates are set to decline alongside policy rates, while high government deficits may drive long-term bond yields higher over time.

5. *Developed markets appear on track to return to target inflation levels in 2025.* In the U.S., labor markets appear looser than in 2019, heightening the risk of rising unemployment.

6. *We expect the yield curves to steepen as central banks lower short-term rates, creating a favorable environment for fixed income investments.* Historically, high quality bonds tend to perform well during soft landings and even better in recessions. Moreover, bonds have recently resumed their traditional inverse relationship with equities, providing valuable diversification benefits.

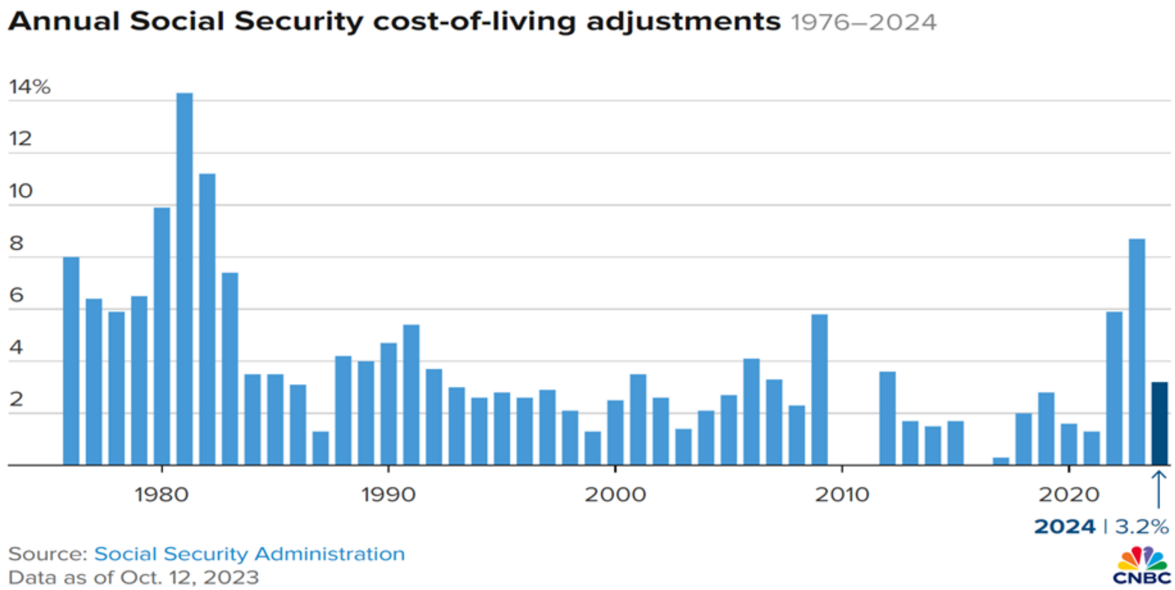
<u>MAM Comments:</u> The increased probability that the U.S. economy will achieve a soft landing is probably why the U.S. stock market has performed so well this year. In PIMCO's view, this also provides a good environment for high-quality U.S. bonds. MAM portfolios have a significant allocation to high-quality bonds, particularly those with a 3-to-5-year maturity.

Social Security Cost-of-Living Adjustement will be 2.5% in 2025

Amid falling inflation, approximately 68 million Americans will see only a 2.5% increase in their Social Security benefits and Supplemental Security Income (SSI) payments in 2025. This will be a decrease from the 3.2% boost Social Security beneficiaries received this year. In contrast, in response to surging inflation, for 2023 and 2022, beneficiaries saw the biggest boost to benefits in four decades, with COLAs of 8.7% and 5.9%, respectively.

Benefits do not necessarily go up every year. For instance, as can be seen in the graph below from CNBC, there were no increases for the years 2010 and 2011.

Social Security Cost-of-Living Adjustment will be 2.5% in 2025- Con't



What the COLA means if you haven't claimed benefits yet: If you are currently receiving payments, you will benefit from the 2.5% COLA for 2025. But you will also benefit if you wait to start your benefits checks at a later date. This is because your future benefit is adjusted upward by every COLA.

Will Social Security be able to pay all Promised Benefits in the Future? In May, the Social Security and Medicare Trustees released their annual report indicating that the Social Security Old-Age, Survivors, and Disability Trust Fund will be exhausted in 2035, one year later than projected in last year's report. By 2035, Social Security is projected to be able to pay out only 83% of benefits.

There are many potential actions (payroll tax increase, increasing the retirement age, reducing benefits for certain people) that could be taken to improve the solvency of the Social Security system. It's just a matter of when Congress acts and what specific steps it takes to address the projected deficits. Hopefully, Congress will act before this becomes a crisis.

BOI– New Reporting for Millions of Small Businesses

Starting January 1, 2024, millions of U.S. small businesses are required to comply with the Corporate Transparency Act ("CTA"). The CTA was the result of sweeping bipartisan legislation passed in 2021 that Congress hopes will curtail the use of anonymous shell companies and track the flow of illicit money. The CTA requires disclosing the beneficial ownership information ("BOI") of up to 30 million U.S. small businesses.

What entities are required to file a BOI report? Generally, all corporations, LLCs, limited partnerships, and other entities that are registered with any Secretary of State's office are covered by the CTA. Most general partnerships, sole proprietorships, and trusts that are not registered with a Secretary of State's office are excluded. In addition, certain "larger" operating entities are not required to file if they employ more than 20 people in the U.S. and their reported revenue is greater than $5 million.

When must companies file? Entities created before 1/1/24 must file by 1/1/25. New entities created in 2024 must file within 90 days of being created. Starting in 2025, new entities created after 12/31/24 must file within 30 days.

BOI– New Reporting for Millions of Small Businesses- Con't

What sort of information is required to be reported? Companies must report the following information: full name of the reporting company, any trade name of doing business as (DBA) name, business address, and IRS taxpayer identification number. Additionally, information on beneficial owners of the entity is required. This includes name, birthdate, address, and the identification number and image of an acceptable document, such as a driver's license.

Penalties for not filing: Penalties for willfully not complying with the BOI reporting requirement can lead to fines of up to $591 per day for each violation. Andrea Gacki, director of FinCEN, acknowledges the challenge of getting word out about the reporting. He said that the agency's focus for 2024 is to raise awareness of the reporting requirement, rather than enforcement of the law.

How to file: The report can be filed online by logging into https://fincen.gov/boi.

Please let me know if you need further instructions.

MAM Comments: We found filing the BOI report to be fairly straight-forward when we filed it for McCarthy Asset Management, Inc. It took a little less than an hour to do so.

Sincerely,

Steve McCarthy

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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

Year-End Tax Planning: 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.