

McCarthy Asset Management, Inc.

Registered Investment Advisor

January 4, 2010

Dear MAM Client,

I hope that you and your loved ones had wonderful Holidays. December is quarter-end, so I am keeping this month's Commentary short. We will be sending out quarterly reports this week. In the report, I will discuss both the performance of the market and MAM portfolios for 2009, as well as my 2010 outlook for the stock market. In case you don't want to wait, we have already uploaded year-end values and performance of the portfolios to the MAM Web site (www.mamportfolios.com).

December Performance: The stock market continued its recovery in December. *Unadjusted for dividends*, the S & P 500 rose 1.7%, the Nasdaq climbed 5.8%, the Russell 2000 rose 7.8%, and the international equity index MSCI EAFE climbed 1.8%. MAM portfolios rose, on average, 1.3% for the month (net of fees) versus a rise of 2.0% for the Vanguard Index 500 fund (symbol VFINX) with dividends reinvested.

2009 Performance: Full year results for 2009 were very strong. *Unadjusted for dividends*, the S & P 500 rose 23.5%, the Nasdaq Composite jumped 43.9%, the Russell 2000 climbed 25.2%, and the international equity index MSCI EAFE rose 27.8%. For all of 2009, 21% of MAM portfolios that were in existence for the whole year had performance that equaled or exceeded that of the S & P 500. The composite return of assets in MAM portfolios was a gain of 23.3% (after MAM fees) versus a gain of 26.5% in the Vanguard Index 500 (symbol VFINX) with reinvested dividends.

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, 2010.

2009 and 2010 Mortgage Industry Changes: Hopefully all of you with a mortgage have taken advantage of the near record low mortgage rates this past year. Many homeowners have not been able to refinance due to the difficulty in obtaining a new mortgage. Qualifying for a mortgage has become much more difficult due to changes initiated in response to the 2007-2008 credit crisis. I have asked Rick Southern, who is a mortgage broker with MetLife Home Loans, to write the attached letter to explain these changes. I was initially introduced to Rick through a client who has used Rick's services for many years. Since I have gotten to know Rick, I have been very impressed with his knowledge and professionalism.

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

Steve McCarthy, CPA, CFP

encl: Mortgage Industry Changes 2009 and 2010