McCarthy Asset Management, Inc.

Personalized Wealth Management

July Monthly Commentary

August 3, 2020

Inside this issue:

Stock Market & Portfolio Performance

July 2020: Stocks rose for the fourth consecutive month with U.S. large-cap growth stocks leading the way. Value stocks, small cap stocks and international stocks rose more moderately for the month. Bonds continued to post strong returns for the year with the Fed maintaining short-term rates close to 0%.

	July 2020	YTD 2020	Description:
Without Dividends:			
S&P 500	5.5%	1.2%	500 Largest Public U.S. Companies
Russell 2000	2.7%	-11.3%	2000 of the smallest U.S. stocks
MSCI EAFE	2.2%	-10.6%	international stock index
U.S. Aggr Bond	1.5%	7.7%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	3.6%	-1.0%	non-very conservative MAM portfolios
MAM Conserv	3.1%	-0.4%	portfolios with 50%+ 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.

Advisor Team

McCarthy Asset Management, Inc.

Three Lagoon Drive Suite # 155
Redwood Shores, CA 94065
USA

STEVE McCARTHY
CPA, CFP®,
Owner and Principal
650 610-9540 x 303
steve@mamportfolios.com

LAUREE MURPHY, CFP®, EA
Financial Planner
Tax Specialist
650 610-9540 x 304
lauree@mamportfolios.com

ANTHONY BERTOLACCI , EA
Director of Compliance
Tax Accountant
650 610-9540 x 302
anthony@mamportfolios.com

MARILYN BLANCARTE, PACE
Executive Assistant
650 610-9540 x 305
marilyn@mamportfolios.com

RYAN McCARTHY, CPA
Financial Planner
650 610-9540
ryan@mamportfolios.com

Introducing Ryan McCarthy

I am very excited to announce that my son, Ryan, has joined McCarthy Asset Management as a full-time employee. Ryan has been working part-time for MAM for a number of years helping edit these Monthly Commentaries. He also wrote an article for a Monthly Commentary that was well received when he did an internship with MAM during in college ("Life Lessons from Ryan McCarthy"). Ryan provides a little background on himself in the article he wrote on P. 3.

Currently, Ryan is working remotely (as are Lauree and Marilyn). He has been helping Lauree in preparing Net Worth Analyses and Retirement Analyses for clients. He is doing this as he studies for the Certified Financial Planning exam. Next tax season, he will get involved with preparing individual and business tax returns. Further down the road, Ryan will assist me in managing portfolios.

At times, some clients have asked me when I plan to retire. My response was simple, I have no desire to retire. God willing, I will be involved with MAM for many more years. My long-term goal, though, has been to have Ryan join the business. In addition to being a proud dad working with my son, as a 26-year old, Ryan provides quite a bit of longevity for McCarthy Asset Management to provide its services to MAM clients.

Portfolio Repositioning– Would You Like to Talk?

This past month we performed the semi-annual repositioning of MAM portfolios. We discussed the specific changes in the letter that was mailed with each client's portfolio(s). In making the adjustments, we generally did not alter the asset allocation of portfolios. On average, MAM portfolios are invested 68% in equities and 32% in bonds. This is just an average, with most portfolios that aren't taking regular distributions having a higher equity/lower bond allocation than this.

Recently, a handful of clients have reached out to me and asked about having their portfolio(s) adjusted to a more conservative allocation. After having a conversation, in most cases, we then further reduced the equity and increased the bond allocation in their portfolio(s). Hearing from a handful of clients about this within the last month is not typical. It makes me think a number of others may be currently concerned about the possibility of another significant drop in the stock market. Here are my thoughts:

- After a dramatic drop in March, stock indices have recovered most of their losses over the last four months. Meanwhile, the economy and unemployment are still in the early stages of recovering from the economic impact of COVID-19. At least on the surface, it appears the recovery in the stock market has gotten well ahead of the recovery in the economy.

- As efforts have been made to reopen the economy, there has been a recent surge in new infections. Efforts to fight this surge will likely slow the economic recovery.

- The Federal government has continued to be aggressive in providing stimulus to boost the economy. Congress is currently debating a new measure which could total another $1 to $1.5 trillion in spending. Meanwhile, it is likely the Federal Reserve will keep short-term interest rates close to 0% through the end of 2022. All of these efforts are helping to support the stock market.

- While the November Presidential Election is not yet on the radar for the stock market, the election is just over three months away. As we get closer, it could add to stock market volatility.

Would you like to have a conversation about your portfolio(s)? Please let me know if you are concerned about your outlook for the stock market and would like to talk. My general philosophy is that it is next to impossible to consistently and successfully time the stock market. Furthermore, I believe stocks will outperform bonds over time. Nonetheless, for those who are overly concerned about another market drop, I think it will make sense to get at least a little more conservative with their portfolio(s). If this applies to you, please send me an email or call.

Why Are Millennials Being Hit the Hardest Financially from COVID-19? By Ryan McCarthy

Emerging data appears to show that millennials may be impacted more significantly financially by the coronavirus than their counterpart generations. Before discussing why this may be the case, I want to formerly introduce myself to MAM clients. My name is Ryan McCarthy and I am the youngest son of my parents, Joanie and Steve. I graduated undergrad from the University of Southern California in 2016, studying Business Administration with a concentration in Finance and Accounting. After graduating, I joined PwC, where I worked for 3.5 years, earning my CPA and focusing on tax compliance for high net worth individuals. In May of 2020, I joined McCarthy Asset Management full-time.

To understand why COVID-19 is impacting millennials so significantly, it is important to define the ages that compromise each generation. There are four generations to consider. The “Baby Boomers” are those born between 1946-1964, “Generation X” ranges from 1965-1980, “Millennials” are those born between 1981-1996, and “Generation Z” contains those born between 1997-2012. While it is true that since March of 2020, millennials have been laid off at a higher proportion than any other generation, let’s first examine a few factors from before COVID-19 arrived that have lingering effects on millennials today:

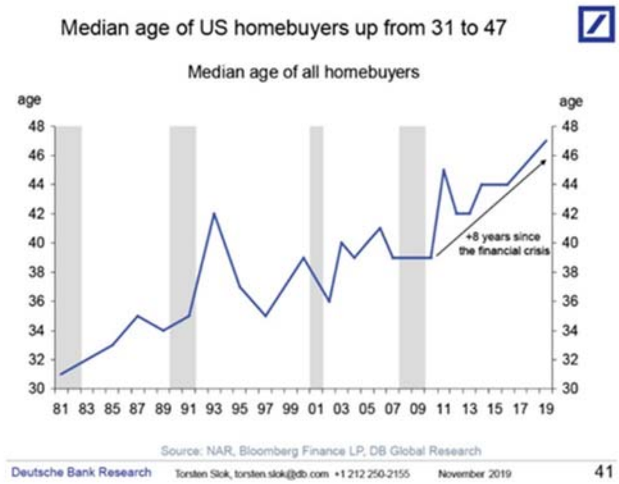
- **College Debt:** Since 2000, the cost of a college degree has increased more than 100%, compared to a 54% increase in inflation during that time. This rapid increase led to millennials incurring student loans at a significantly higher rate than any of their preceding generations. Of the total $1.5 trillion overall student debt, about $1 trillion has been added since 2005. The series “The Emerging Millennial Wealth Gap” investigated the degree of impact this debt has had on millennials financial security. The series states that “median wealth levels [of millennials who attended college] are lower than young adults who never attended college.” The idea that an individual is better off financially not attending college than earning a degree with student debt is a great representation of how expensive college has become and how burdensome debt is at a young age.

- **Reaching Employment During Period of High Unemployment:** Entering the job market during a time of high unemployment and low demand for workers negatively impacted millennials. In the article “How millennials are being set back by back-to-back global crisis,” the authors wrote that “people who enter a labor market with high unemployment typically see a 10% hit to income in the first year, with the effect averaging out to a 1.8% reduction in yearly earnings over 10 years, according economists at Yale and the University of Rochester. They also found the impact of the Great Recession on wages to have been ‘much larger’ than previous downturns.” While a 1.8% annual reduction in earnings over 10 years may seem insignificant, this decline in wages compared to preceding generations directly reduces the amount millennials can save and subsequently invest in the stock market or use to purchase a house.

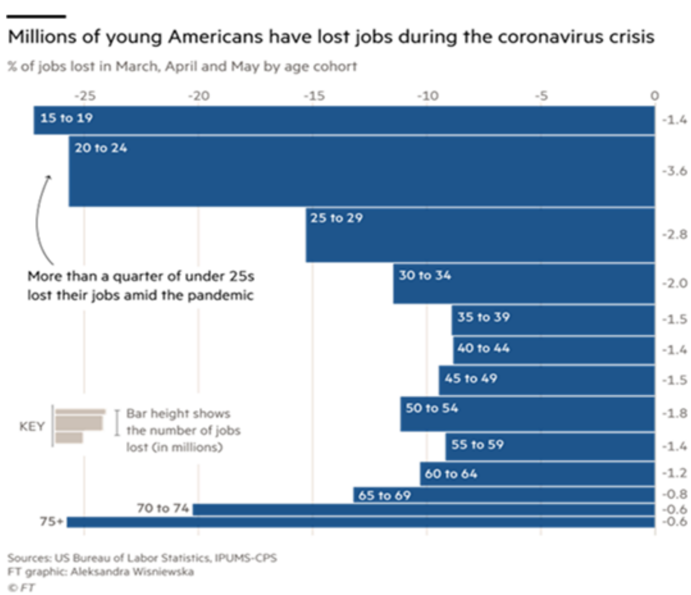
- **Inability to Capitalize on Bull Market Post Financial Crisis**: After the Financial Crisis ended, the stock market began its longest running bull market in its history. However, the combination of unprecedented student debt and weak wage growth, among other factors, caused millennials to not have the necessary investable assets to capitalize on this recent 10+ year bull run. The stock market has always been a critical source to individuals building their wealth, but if you’re struggling to stay above water and meet fixed expenses, you lack the ability to deploy capital and allow it to appreciate.

- **Inability to Purchase a Home:** For many individuals, their home represents a significant percentage of their overall net worth. However, many millennials will not have the opportunity to purchase a home at the age of those in their preceding generations. As seen in the graph at the top of the next page, a Deutsche Bank analysis found the median age of Americans buying homes rose sharply after the Financial Crisis. In 2009, the median home-buying age was about 39. In 2019, the median age of homebuyers had increased to 47. The increase of 8 years in the average age of the homebuyer between 2009-2019 further delays the age at which a millennial can purchase a home and start building equity.

Why Are Millennials Being Hit the Hardest from COVID-19 By Ryan McCarthy– con't



- **Millennials Laid Off at a Higher Proportion Than Other Generations:** The chart below exemplifies how significantly millennials are being laid off during the pandemic. To get a better idea, examine the five groups containing those aged 55 and older (55 to 59, 60 to 64, 65 to 69, 70 to 74, and 75+). Those five cohorts combined have lost 4.6 million jobs since the onset of COVID-19. In comparison, the two groups containing those aged 15 to 24 have lost 5 million jobs. Additionally, more than 25% of individuals under the age of 25 have lost their jobs during the pandemic.



Unfortunately, for many millennials, the economic impact of COVID-19 feels like another additional financial setbacks that dates back to the Financial Crisis. The most important question now is what can be done if you, or someone you know, are a millennial who is concerned financially? I wish I had a simple answer. Talking to a financial advisor and creating a plan is a great first step.

Sincerely,

Stephen P McCarthy, CPA, CFP®,

McCarthy Asset Management, Inc.

Three Lagoon Drive Suite # 155
Redwood Shores, CA 94065
USA

Phone: 650-610-9540
Fax: 610-9541
E-mail: Steve@mamportfolios.com

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

Please let us know if there are any topics you would like to have us cover or any questions answered in a future Monthly Commentary.