

January 2025 Monthly Commentary

Feb. 3, 2025

Stock Market & Portfolio Performance

Jan, 2025: U.S. stocks got off to a good start for the year with solid gains for the month. International equities posted strong returns, while bond prices posted modest gains.

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	Jan '25	FY 2024	Description:
Without Dividends:			
S&P 500	2.7%	23.3%	500 Largest Public U.S. Companies
Russell 2000	2.6%	10.0%	2000 of the smallest U.S. stocks
MSCI EAFE	5.2%	1.2%	international stock index
U.S. Aggr Bond	0.5%	1.4%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	2.4%	12.2%	non-very conservative MAM portfolios
MAM Consrv	1.8%	8.7%	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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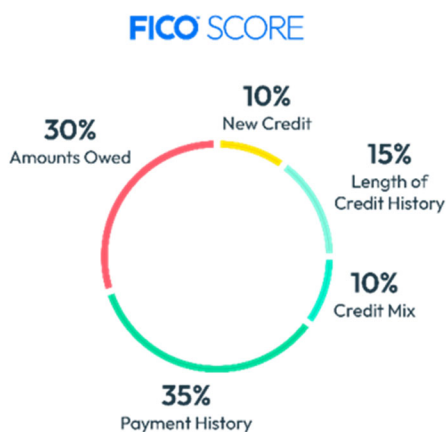
How to Build Credit

By Ryan McCarthy

Your credit score can impact several aspects of your financial life, including getting access to loans, rental options, and even job opportunities. Good credit can lead to lower interest rates, better loan terms, and lower the cost of borrowing over time. Unfortunately, education surrounding credit cards and building credit is often neglected in the school curriculum. This article discusses the ranges of FICO credit scores, what your credit score is made up of, and what can be done to increase your score.

FICO credit scores have a range of 300 to 850. What is considered a poor versus good score?

- **Poor Credit: 300 to 579.** Individuals with a credit score in this range may have trouble qualifying for a loan or credit card. If you do qualify, the account could have higher interest rates compared to borrowers with better credit.
- **Fair Credit: 580 to 669.** Individuals with a score in this range will likely have an easier time qualifying for credit cards with decent terms.
- **Good Credit: 670 to 739.** Having a credit score in this range will likely mean that you qualify for many loans and credit cards with low fees and interest rates.
- **Very Good Credit: 740 to 799.** Those in this range will qualify for most lenders' credit accounts and could receive the lowest advertised interest rates.
- **Excellent Credit: 800 to 850.** Individuals with excellent credit will probably already receive the best-available offers but will have a little more wiggle room if your score changes.



The above graph highlights the five categories that make up a FICO credit score.

- **Payment History.** Paying your credit card bills on time has a greater impact on your credit score than any other factor, as this accounts for 35% of the score. We recommend setting reminders or automating payments to help ensure that you don't miss a payment.
- **Amounts Owed.** Credit utilization accounts for 30% of the overall FICO score. The credit utilization ratio is the percentage of your available credit you are using. A utilization rate of roughly 30% or greater will generally negatively impact credit scores.
- **Length of Credit History.** The length of credit history accounts for around 15% of your FICO score. The score analyzes your experience with credit by measuring the age of your oldest credit account, the age of your newest credit account, and the average age of all your accounts.
- **Credit Mix.** Credit mix makes up around 10% of your FICO score. Credit scoring systems favor a mixture of installment debt (student loans, mortgages, car loans, personal loans) and revolving accounts (credit cards and lines of credit). Having the ability to successfully manage multiple debts and different credit types generally benefits your credit score.

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- **New Credit.** New credit comprises about 10% of your FICO score. When you apply for new credit, the lender pulls your credit report, which is called a hard inquiry. This normally causes a drop of between 5-10 points. The inquiry stays on your credit report for up to two years, but your score should rebound within a few months if the new card is used responsibly. Getting a new credit card may positively impact your credit mix and utilization, but opening multiple accounts too quickly could show you're a greater risk to lenders.

Building Credit Scores for Younger People: Adding your children as an authorized user is a great strategy to allow them to build years of credit history before they open their first credit card. One thing to note is that some companies, such as American Express, do not report credit history of authorized users under 18 to credit bureaus. If you choose to implement this strategy, teaching your children financial literacy and debt management becomes even more important, as becoming an authorized user will increase their borrowing capacity and may tempt them to spend money they don't have.

MAM Comments: Understanding how credit scores are calculated can help recognize the connections between your behaviors and your scores. Adopting good credit habits that align with credit scoring factors and applying those habits over the long haul are the keys to achieving your best credit score.

Social Security Fairness Act Signed into Law

The Social Security Fairness Act ("the Act") was signed into law on January 6, 2025. Upon implementation, the Act will eliminate the reduction of Social Security benefits for workers or their spouses who are entitled to public pensions from work not covered by Social Security. Specifically, the Act eliminates the Social Security benefit reduction from the Windfall Elimination Program (WEP) and the Government Pension Offset (GPO).

This legislation is retroactive to January 2024, resulting in a lump sum payment to those who will be impacted by the increase to their earned and spousal Social Security benefits. It is estimated the new law will increase benefit payments to more than three million retired teachers, law-enforcement officers and other workers receiving public pensions. The average monthly benefits are projected by the Congressional Budget Office to increase by \$460 for affected Social Security beneficiaries. Beneficiaries will begin to see the increase in 2025, and retroactive benefits will apply from 2024.



The Social Security Administration is evaluating how to implement the Act. Stay tuned as information becomes available later this year. Ongoing agency updates will be provided at:

<https://www.ssa.gov/benefits/retirement/social-security-fairness-act.html>

If you will benefit from this new law, you do not need to take any action except to verify that your current mailing address and direct deposit information are on file with the Social Security Administration. If you are receiving a public pension and are interested in filing for Social Security benefits, you may file online at <https://www.ssa.gov/apply> or schedule an appointment with the Social Security Administration.

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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