McCarthy Asset Management, Inc.
Personalized Wealth Management

November 2025 Monthly Commentary

Dec 1, 2025

Stock Market & Portfolio Performance

Inside this issue:

November 2025: Equities posted modest gains for the month, with value stocks outperforming growth stocks. Bonds posted small gains for the month.

	Nov '25	YTD '25	Description:
Without Dividends:			
S&P 500	0.1%	16.4%	500 Largest Public U.S. Companies
Russell 2000	0.7%	12.1%	2000 of the smallest U.S. stocks
MSCI EAFE	0.5%	24.3%	international stock index
U.S. Aggr Bond	0.6%	7.5%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	1.1%	12.0%	non-very conservative MAM portfolios
MAM Consrv	1.2%	10.5%	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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How to Take Advantage of Changes to SALT Deduction Limit by Ryan McCarthy

For years, homeowners in high-tax states have felt frustration at the $10,000 SALT deduction limit. However, there's finally some relief, as the SALT deduction has increased 4x, from $10,000 to $40,000, for the 2025 tax year. This change could make an impactful difference for millions of taxpayers, particularly those in states with high property and income taxes.

What is the SALT Deduction? The SALT, or state and local tax, deduction allows taxpayers, who itemize, to deduct certain state and local taxes they have paid. These typically include property taxes and state income taxes. Since the 2018 tax year, the SALT deduction was capped at $10,000 per tax return. Homeowners in high-tax states, such as California, New York, New Jersey, and Connecticut, were significantly impacted.

Who Will Benefit the Most? According to the Tax Policy Center, roughly 11% of U.S. households will benefit from the expanded deduction, with an average savings of about $2,600. The most significant benefit will go to upper-middle-income and high-income taxpayers in high-tax states, such as California, New York, New Jersey, and Connecticut.

Does your Income impact your SALT Deduction limit? Yes. The full $40,000 deduction is available to taxpayers with adjusted gross income (AGI) below $500,000. For those that have an AGI between $500,000 - $600,000, the SALT deduction limit will be reduced by $300 for every $1,000 of additional income. For those taxpayers with adjusted gross income above $600,000, the SALT deduction limit will be $10,000.

Potential Year-End Planning Strategies to Capitalize on these Changes:
With the changes to the SALT deduction applying for 2025, taxpayers can take steps now to maximize the benefit before filing next April. Here are a few potential strategies to consider:

1. Accelerate Property Tax Payments

If you have received your property tax bill, you can pay before December 31st, 2025 to claim the deduction on your 2025 tax returns.

2. Bundle Charitable Contributions

Charitable giving can complement your SALT strategy. Beginning in the 2026 tax year, new rules will limit charitable deductions to amounts that exceed 0.5% of your income, which means bunching charitable donations into 2025 could enhance your overall tax benefit. Donor-advised funds can also be an effective strategy to combine multiple years of charitable donations into one high-deduction year.

3. Manage Your Income Levels

For taxpayers in the $500,000–$600,000 income range, every dollar of adjusted gross income impacts how much of the SALT deduction you keep. Strategies like maximizing 401(k) or HSA contributions, deferring income, or timing year-end bonuses can help preserve more of the expanded deduction.

4. Keep an Eye on the AMT (Alternative Minimum Tax)

One key consideration when planning around the new SALT cap is the Alternative Minimum Tax. Since the new $40,000 SALT limit may bring more taxpayers closer to the AMT threshold, it's important to be cautious with strategies like prepaying large amounts of property taxes. For at least 2025, we don't recommend going overboard with property tax prepayments until we have a clearer picture of how these changes interact with AMT calculations. Once 2025 tax returns are prepared, we will have better insight into who is most likely to be subject to AMT and can adjust planning accordingly for future years.

One important thing to note is that the higher SALT cap isn't permanent. It will increase slightly each year with inflation, but unless Congress acts, the cap is set to revert to $10,000 in 2030. That makes the next few years a valuable and limited window of opportunity for taxpayers to plan strategically.

MAM Comments: A personalized and thoughtful year-end strategy can help you maximize your tax savings. If you'd like to discuss how these changes could affect your personal situation, let us know and we will be happy to help you evaluate your options and create a personalized strategy to best take advantage of these changes.

Tax Law Changes Related to Charitable Contributions

The One Big Beautiful Bill Act (OBBBA) alters the federal tax treatment of charitable contributions. These tax law changes provide new benefits and limitations on charitable contributions. Most of these changes don't take effect until 2026. Here's what the new law does:

For non-itemizers:

- Starting in 2026, taxpayers who take the standard deduction will be able to take an "above-the-line" deduction of up to $1,000 (single filers) or $2,000 (married couples filing jointly) for cash gifts made directly to qualified charities.

- The deduction excludes donor-advised fund (DAF) contributions, and the maximum deductible amount will adjust for inflation over time.

For itemizers:

- Reduction in the deduction: Beginning in tax year 2026, charitable deductions will be allowed only to the extent that total contributions exceed 0.5% of adjusted gross income (AGI). The first 0.5% is non-deductible. For example, if your AGI is $200,000, only gifts above $1,000 would be deductible.

- New limit on the tax benefit of charitable contributions: Starting in 2026, taxpayers in the maximum federal income tax bracket of 37% will have the tax benefit of their charitable deductions benefits caped at 35%. For example, if you are in the 37% bracket, a $10,000 gift that currently generates a $3,700 tax savings would be limited to $3,500 under the new cap.

- As discussed in the article on P.2, starting in 2025, OBBBA raises the state and local tax (SALT) deduction cap for itemizers to $40,000, up from $10,000 in 2024 (subject to a phase out for taxpayers with AGI above $500,000). The effect of the higher SALT limitation will be more taxpayers will be able to itemize their deductions and claim deductions such as charitable contributions.

Tax Planning:

- For itemizers: Accelerate charitable contributions into 2025 to avoid the 0.5% of AGI reduction in charitable contributions. For high-income taxpayers in the 37% tax bracket, it also may make sense to accelerate contributions into 2025 to avoid the 35% cap on the tax benefit.

- For non-itemizers: Delay charitable contributions until 2026 to claim an above-the-line charitable deduction of up to $1,000 for single filers and $2,000 for married, filing joint filers.

2026 Reduction in the Premium Tax Credit

The Premium Tax Credit (PTC) is a refundable tax credit that helps eligible individuals and families cover the premiums for their health insurance. It was created under Obamacare and applies to eligible individuals who buy health insurance through either a Federal or State ("Covered CA" for California) marketplace. We most commonly see it for clients who retire early and are not yet eligible for Medicare.

Prior to 2021, the PTC was available only to people with modified Adjusted Gross Income (AGI) ranging from 100% to 400% of the federal poverty level guidelines. For 2025, 100% of the federal poverty level for a family of 1 is an AGI of $15,650 and 400% if $62,600. Here are the specific numbers:

Household size	100% FPL	400% FPL
1 person	$15,650 ASPE +1	**$62,600** PAN Foundation +1
2 persons	$21,150 ASPE +1	**$84,600** PAN Foundation +1
3 persons	$26,650 ASPE +1	**$106,600** PAN Foundation +1
4 persons	$32,150 ASPE +1	**$128,600** PAN Foundation +1

During the height of the COVID-19 pandemic, federal lawmakers enhanced the PTC for 2021 and 2022, letting more middle-class people qualify for a subsidy even if their income exceeded 400% of the Federal Poverty Level. Lawmakers later renewed these enhancements but made them temporary through 2025.

For 2025, individuals with modified AGI over 400% of the federal poverty level qualify for the PTC to the extent that the cost of the benchmark silver plan on the marketplace exceeds 8.5% of their income. *Unless Congress takes action this month, beginning in 2026, the rules revert to those that were in place for pre-2021 years, so only those with modified AGI between 100% and 400% of the poverty level qualify for a subsidy.*

MAM Comments: In 2026, if you will be receiving a subsidy for a Federal or State health insurance plan, be careful not to understate your income. If you do and receive more of a subsidy than you are entitled to, you will owe the difference on your 2026 Federal tax return.

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

1) **CA Property Tax payments** are due December 10, 2025.

2) **Roth IRA Conversions:** Please contact us ASAP if you would like to discuss doing a Roth IRA conversion. The deadline for 2025 conversions is December 31, 2025.