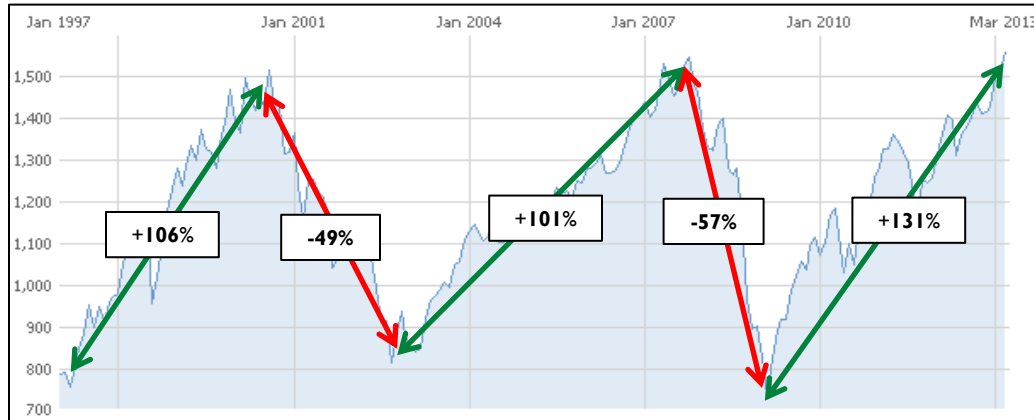


Market Recap

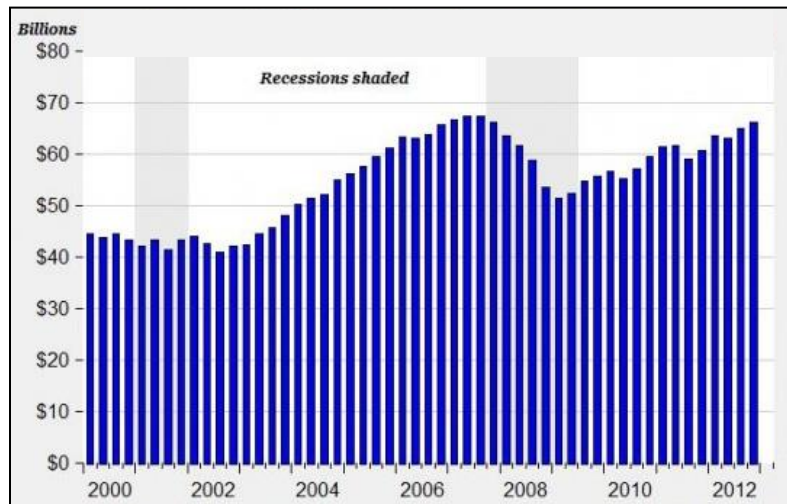
S&P 500 (1997 to present)



Source: MSN Money

The Dow Jones Industrial Average has been on a record-breaking rally, moving higher over 10 consecutive days and setting new closing highs the past eight days. The market advance has also taken the S&P 500 stock index to the brink of its all-time high. As of Thursday's market close, the index was only two points off of its historical high of 1565 set in October 2007. Such lengthy advances in stock prices without a pullback are rare. Since the end of World War II, there have been only four times in which the indices had winning streaks longer than 10 days (most recently in January 1992). The longest run ever was 14 days in 1897. While some investors have worried that the market's rise has gone too far, market bulls say that stocks are still trading at relatively attractive valuations and that money continues to flow into the market, signaling broader participation by investors.

U.S. Household Net Worth



Source: Federal Reserve

Despite the many headwinds within the economy, the U.S. consumer has remained resilient, as pent up demand and core spending have allowed consumption to continue to drive economic growth. Coming into this year, one major concern was that fiscal restraint coming from Washington would serve as a drag on economic growth. Thus far, economic indicators have held up despite higher income tax rates and the 2% payroll tax increase. One important development has been the recovery in household net worth, as financial assets have appreciated and home prices have started to recover. A feeling of increased wealth may help unlock further pent up demand and spur additional growth. At the very least, it seems to have allowed consumers to look past the economic headwinds and to continue to make purchases.

Market Recap

Portfolio Longevity

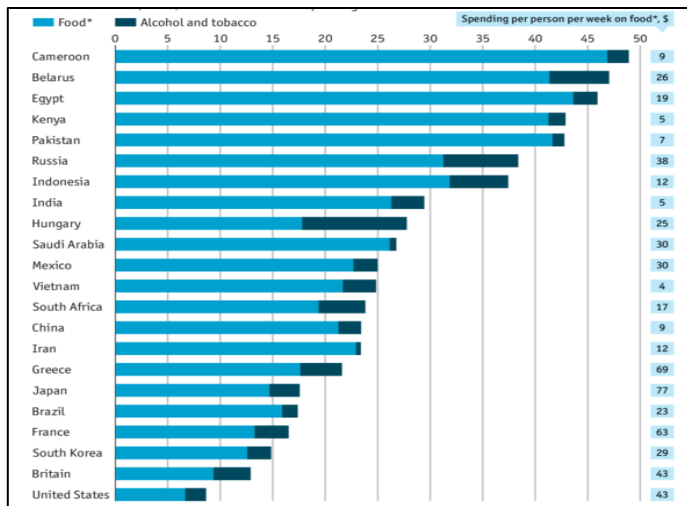
		Withdrawal Rate									
		12%	11%	10%	9%	8%	7%	6%	5%	4%	3%
Annual Investment Return	2%	8	8	9	10	11	13	15	18	22	28
	3%	8	9	9	11	12	14	16	19	24	33
	4%	8	9	10	11	13	15	18	22	28	39
	5%	8	9	10	12	14	16	19	24	33	50+
	6%	9	10	11	13	15	18	22	26	42	50+
	7%	9	10	12	14	16	20	25	36	50+	50+
	8%	10	11	13	15	18	22	31	50+	50+	50+
	9%	10	12	14	16	20	27	44	50+	50+	50+
	10%	11	13	15	18	24	36	50+	50+	50+	50+

*assumes 3% annual increase in withdrawal amount to cover inflation

Source: Lipper; Barclays; Blackrock

With life expectancies continuing to rise, people can conceivably spend 30 years or more in retirement. The need to ensure an adequate asset base to provide a regular income stream increases as people live longer. This places greater demands on investment portfolios, requiring that they not be too conservatively managed. Both the withdrawal rate and investment return have a dramatic impact on the longevity of retirement savings. Consider that a portfolio earning 6% per year with an initial 5% withdrawal rate (with the amount withdrawn increasing 3% per annum to adjust for inflation) will last approximately 26 years. If the investor migrated the portfolio to a portfolio heavily weighted to bonds and earned 3%, the funds would last only 19 years. Being too conservative, particularly in today's low-interest-rate environment, can potentially be as risky as being too aggressive.

Spending on Food and Drink as % of Total Household Spending



Source: U.S. Department of Agriculture; The Economist

Spending on food as a share of total household expenditures has been declining markedly. Some would suggest that the decline in proportional food spending has resulted from, among other things, a decline in overall food costs and has come at the expense of quality. In general, the proportion of income spent on food is far greater in less affluent countries, with some exceptions. For example, Indians spend less of their household budget on food than Russians. In general, though, as countries develop and incomes increase, people spend proportionally less on food. South Koreans spent one-third of their income on food in 1975; now the figure is just 12%. Traditionally, lower proportional food expense leaves more money for other (perhaps more discretionary) purchases, leading to a better quality of life.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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