

Volume XXII, Issue IV

# THE HARBOR ADVISOR

## Now or Never?

One of our primary goals is to educate our clients regarding personal financial matters in order to help them make good decisions about their financial life. We also try to distill vast amounts of information and direct it to our clients, in other words provide news you can use. Once we get to know you and your family, we are able to frame financial events, opportunities and questions about your finances and resource planning. In this process, we try to encourage balance in decision-making. Balance between planning for the future and enjoyment of your assets today, balance the goals between different family members, and balance between family and work. This important aspect of assisting the weighing of alternatives is often missed in the view of what a wealth manager is.

I have long believed that a solid plan for the future and following through on the plan is important. This can provide confidence that your future is taken care of. It also provides peace of mind and freedom from worry that you are missing a detail that could derail you. I also believe these needs for the future should be balanced against enjoyment of your life today. Herein lies the rub: there seems to be an idea that these two notions are mutually exclusive. Perhaps it is due to the difficulty in conceptualizing multiple strategic paths or because emotion and past history with money color individual perception. My conclusion is that it is a combination of factors. A good wealth manager understands the conflicts and considers these issues in the advisory process.

The consulting process weaves goal orientation, long and short term needs and immediate gratification in with family dynamics and personal history to create a cohesive whole. Our relationships put the needs of the client and their family first, thus ensuring that professional decisions made are in the best interests of the client and the plan.

Your wealth manager at Harbor is trained to observe individual behavior, practice active listening and see individuals with an empathetic eye. This added to countless hours of professional training and high corporate standards form the basis for our unique client relationships. As you embark on the New Year, we encourage you to count on us to be your professional partner and financial mentor.

Best wishes for a happy and fulfilling 2012.



January 16, 2012

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## Investor IQ

Q: What was the largest currency denomination ever printed by the United States?

A: \$100,000



## Q4 2011 Market Recap

The fourth quarter was filled with tension and volatility as economic challenges in Europe dominated the news. European leaders worked to resolve their sovereign debt problems, but consensus between the nations was hard to reach. Equity markets reacted dramatically as resolutions to the crisis came and went. In December, a plan emerged for the ECB (European Central Bank) to provide support to European banks in their efforts to restructure vast amounts of public debt. While this plan is a provisional solution, it does allow more time for the nations to work toward more permanent structural reforms.

In the US, the economy showed solid signs of growth. Employment and housing numbers improved, consumer confidence rose and corporations continued to post strong profits. It was a bumpy year and while the economy remains vulnerable during its recovery, these gains provided some good news as we closed out 2011.

For the quarter, the Dow Jones Industrial Average's return was +11.95%, Wilshire 5000 +11.38%, Russell 2000 +15.02%, and MSCI EAFE +3.57%. The BarCap Aggregate was +1.13%.

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*"The avoidance of taxes is the only intellectual pursuit that still carries any reward"*  
*– John Maynard Keynes*

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### *Fund Focus: Pimco Emerging Local Bond Fund (PELBX)*

The harsh and unflinching spotlight on the weak underlying debt structure of many major developed economies, including much of the Eurozone, the US, and Japan, has sent investors on the hunt for alternative fixed income investments.

One area to consider is debt issued in emerging markets and denominated in the local currency. Not only does this strategy provide access to economies with healthy debt-to-GDP ratios, it also allows for diversification in currency exposures.

A fund that exemplifies this strategy is the Pimco Emerging Local Bond Fund. Helmed by Michael Gomez, the fund is currently focused on currencies of countries with a measure of insulation from global economic shocks. Another focus is countries with growing domestic demand to offset weakening exports to developed markets. Examples are Mexico, South Africa and Brazil.

While more volatile than many fixed income options, emerging local debt is worth a look for diversified investors.

## 2012 Economic Outlook

Market volatility will be a recurring theme until more progress is made toward resolving the sovereign debt crisis in Europe. Weakness in developing nations will inhibit demand for US exports as countries such as China ease back on growth to control inflation. Yet, this decreasing demand for commodities will result in lower pricing for such items as groceries and gasoline—a positive factor particularly for low-income consumers.

Many economists expect a modest 2% growth rate in the US. Contributing to growth are companies that are sitting on record levels of cash with profit margins at near all-time highs. Those companies with less debt on their balance sheets will be in a better position to fund future growth rather than relying on a tight credit market. Demand for hard goods, such as cars, is also expected to increase as consumers cannot delay purchases of these types indefinitely.

Economic growth will continue to be restrained by the slow recovery in the job and housing markets. Employment numbers are forecasted to keep pace with the population growth, but with little expectation for significant improvement in the near term. Foreclosures in the US housing market will continue to suppress prices, sales and new construction, although pending home sales, housing starts and builder sentiment have begun to improve.

Layoffs and budget cuts in state and local governments will offset economic growth. Additionally, since this is an election year, we expect Congress to remain resistant to decision making. As in the past year, this inaction will negatively impact business and consumer confidence.

Our outlook for global equity and fixed income market performance in 2012 remains highly dependent on macro events in the global economy. To make forecasting more difficult, these events are conditional in nature. As an example; if the Eurozone's wobbly negotiations fall apart, then European sovereign debt prices will fall, yields will rise and in all likelihood, global equity markets will sell off.

That said our internal consensus is more optimistic on global equity market returns and we expect to be fully invested per our model soon. Furthermore, we anticipate taking advantage of continued supply and demand imbalances from the credit crisis. Fixed income as a broad category performed well in 2011. We acknowledged this in our portfolio updates this fall, offering the opinion that now could be a good time to sell into strength and reallocate capital to better opportunities. Time will tell for the coming year.

## Beyond Email – Making Tech Work For You

As a personal financial plan helps supply the information needed to organize and direct the financial portion of life, technology, if well used, can arrange and manage many other areas of our lives. Technology has become an indispensable element for most of us, gradually creeping into many aspects of our lives. It has changed how we communicate, shop, bank, and more. For 2012, we would like to focus a bit on how you can make technology work for you as well as how to secure your personal information while still utilizing the convenience and rapidity that our computerized society offers. We will be offering ideas and resources for you to explore throughout the year (check out the Living Well column for favorite smartphone apps) and would love your feedback on what works for you and which resources you find helpful.

To begin, if you have never used the calendar on your computer or phone to record your appointments and activities and to remind you of them beforehand, this is a place to consider starting. Also consider blocking out some time on that calendar, maybe a few hours once a month or once a quarter, to spend some time learning about your various technology tools and how they can make your life easier. Most of us use only a fraction of the capabilities available on our gadgets.

Another possible starting point is developing your knowledge and use of online access to your bank and brokerage accounts. Most accounts can be linked electronically for easy access and movement of funds between accounts. Bills can be paid online, saving time, postage and fuel. Statements can be reviewed online and if needed, printed out or, even better, saved directly to your computer as a PDF for paperless storage. The beginning of a new year can also be an excellent time to begin tracking your finances in Mint.com, Quicken or some other financial software package.

We encourage you to take steps in the New Year to allow your personal technology to simplify and streamline your life. A small investment in time to learn a new skill may save you much more going forward.



## 2012 IRA Contribution Limits

As we look to welcome 2012 with open arms, it is time to also review your IRA contributions. According to the IRS, IRA contribution limits will remain the same for 2012 as they were for 2011.

**If you are under 50 years of age at the end of 2012:** The maximum contribution that you can make to a traditional or Roth IRA is the smaller of \$5,000 or the amount of your taxable compensation for 2012. This limit can be split between a traditional and a Roth IRA but the combined limit is \$5,000. The maximum contribution to a Roth IRA and the maximum deductible contribution to a traditional IRA may be reduced depending upon your modified adjusted gross income (modified AGI).

**If you are 50 years of age or older before the end of 2012:** The maximum contribution that can be made to a traditional or Roth IRA is the smaller of \$6,000 or the amount of your taxable compensation for 2012. This limit can be split between a traditional and a Roth IRA but the combined limit is \$6,000. The maximum contribution to a Roth IRA and the maximum deductible contribution to a traditional IRA may be reduced depending upon your modified AGI.

If you have a SIMPLE IRA through your employer, you may contribute up to \$11,500 during the course of the year. If you are eligible for “catch-up” contributions (age 50+), that limit is \$2,500.

## Living Well & Smart

### There's An App For That!

The staff at Harbor have made a list of favorite smartphone apps to share with you. We hope you find something new and please share your favorites with us!

#### Food & Fun Favorites:

Scrabble – Just like the Hasbro board game only more fun

Yelp – Locates eateries with customer reviews

Open Table – Great for making restaurant reservations

Instagram – Combines creative photography fun with social networking

Spotify – music streaming service

Flipboard – Combines content from all your favorite sites and turns it into a social magazine

Fandango – Search movies and theater listings, watch trailers, see ratings and purchase tickets

Epicurious – Terrific recipes and grocery list

ZipList – Multiple shopping lists, recipe search and recipe box app

Fooducate – Scan a barcode, see what's really in your food

Cor.z+ and Cellar Tracker – Wine information and cellar tracker

Pinterest – Virtual pinboard and social app

#### Finance & Productivity Favorites:

Bloomberg – Financial and world market information

NY Times – General news

Economist – Financial magazine

Mint.com – Manage money, budgets, expenses and bills on the go

SpringPad or Evernote – Apps that organize your brain and will never let you forget anything again

Kayak – Compare flight, hotel & car rental deals, track flight status, manage your trip itinerary and more

Trip Advisor – Everything you love about Tripadvisor and available on the go

Easy Passwords – Safeguard your passwords and private information

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## Harbor Happenings

### EVENTS

We have some fun events planned for 2012 and hope you will be able to join us. To start things off, we will be hosting a book review on *The Social Animal* by David Brooks later in the first quarter. Stay tuned for details!

Do you have any ideas for events or webinars you would like to share with us? If so, give Denise a call or email [denise@harborfin.com](mailto:denise@harborfin.com).

### PERFORMANCE WEBINAR

Our next quarterly performance webinar is scheduled for January 26th at 12:15. If you have joined us in the past, we are interested in your feedback on information you would like us to include in the future. Please contact Susan for registration details.

## 2012 Closures

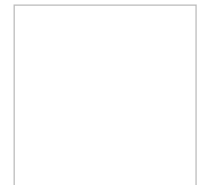
Our office will be closed on the following New York Stock Exchange holidays in 2012:  
Monday, 1/16 – MLK Day, Monday, 2/20 – Presidents Day, Monday, 5/28 – Memorial Day,  
Wednesday, 7/4 – Independence Day, Monday, 9/3 – Labor Day, Thursday, 11/22 –  
Thanksgiving Day, Tuesday, 12/25 – Christmas Day

Securities offered through Triad Advisors and Schwab Institutional. Members FINRA & SIPC

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