



**Scannell Wealth Report
February 28, 2011**

The Markets

Guns and oil are never a good combination.

As unrest in the Middle East continued last week, oil prices headed north and stock prices headed south. The decline in stocks last week was rather modest, but it still shows how oil is an important component of our economy. Specifically, if oil prices rise too much too soon (and nobody knows exactly what “too much too soon” is), then that could tank economic growth and stock prices.

Let’s look at some facts related to oil so we can put the Middle East turmoil in perspective -- at least as it relates to the turmoil’s impact on the economy.

In 2009...

- The U.S. was the world’s third largest crude oil producer.
- The U.S. produced 11% of the world's petroleum yet consumed 22% of the world’s petroleum.
- The U.S. imported 51% of the petroleum we used.
- Of the 51% that we imported, 51% of that came from Western Hemisphere countries.
- Our five biggest suppliers of crude oil and petroleum product imports were:
 1. Canada (23.3%)
 2. Venezuela (10.7%)
 3. Saudi Arabia (10.4%)
 4. Mexico (9.2%)
 5. Nigeria (8.3%)
- Approximately 14% of our crude oil and petroleum product imports came from the Persian Gulf countries of Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates.
- Dependence on OPEC is declining as 41% of U.S. petroleum imports came from OPEC countries in 2009, which is down from 70% in 1977.

The data above comes from the U.S. Energy Information Administration and indicates we are still heavily dependent on imported oil. The good news is a significant chunk of the imports are from friendly and “stable” countries. So, while problems in the Middle East are a serious concern for the U.S. economy, so far, it appears that we we’ll have a steady supply of oil. The big question is, at what price?

Data as of 2/25/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.7%	5.0%	19.5%	-1.3%	0.4%	0.4%
DJ Global ex US (Foreign Stocks)	-1.6	1.9	19.9	-3.7	1.7	4.6
10-year Treasury Note (Yield Only)	3.4	N/A	3.6	3.9	4.6	5.0
Gold (per ounce)	1.4	-0.6	28.1	14.4	20.4	18.2
DJ-UBS Commodity Index	1.5	1.8	25.6	-7.5	0.6	4.1
DJ Equity All REIT TR Index	-0.5	6.0	35.6	2.9	2.5	11.7

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable or not available.

IT LOOKS LIKE IT'S GETTING HARDER to keep up with the Joneses. Last week, we published some data from the IRS on how income and income taxes are distributed in the U.S. This week, we'd like to share a chart, which shows the minimum level of adjusted gross income (AGI) you need in order to reach certain percentiles. For example, in 2008, you needed an AGI of \$113,799 to be in the top 10% of all taxpayers.

Tax Payers	Adjusted Gross Income Floor on Percentiles 2008	Adjusted Gross Income Floor on Percentiles 1986	Percentage Change 1986-2008
Top 1%	\$380,354	\$118,818	220%
Top 5%	159,619	62,377	156
Top 10%	113,799	48,656	134
Top 25%	67,280	32,242	109
Top 50%	33,048	17,302	91

Source: IRS Statistics of Income Division, July 2010

It's interesting to note that over the 1986-2008 time period, the minimum AGI needed to be in the top 1% in order to grow more than twice as fast as the minimum AGI needed to be in the top 50%. Looking at it another way, in 1986, you needed to earn 6.9 times the 50th percentile AGI in order to reach the top 1% of all tax payers. By contrast, in 2008, you needed to earn 11.5 times the 50th percentile AGI in order to reach the top 1%.

Another interesting point in the data is that the top 25% of tax payers have increased their income at a faster rate over the past 22 years than the bottom 75% of taxpayers.

So why share this data with you?

As our country embarks on a deep dive to figure out how to cut our budget deficit, politicians from both parties will use numbers like we've published over the past couple weeks to support their case or refute their opponent's case. We think it's important that you have the raw data so you can have an informed opinion on what's really happening as it relates to the growth and the distribution of income and income taxes in the U.S. Ultimately, changes in these areas could affect your financial situation.

Weekly Focus – Think About It

“Liberty, when it begins to take root, is a plant of rapid growth.” --*George Washington*

Best regards,

“Scannell Wealth Management Group”

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we'll ask for their permission to be added.

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This newsletter was prepared by PEAK

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* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

* The Dow Jones World (Ex. U.S.) is an unmanaged group of securities considered to be representative of the non-U.S. stock market in general*

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