



Award Winning

Malibu Rotary Club Surfwriter

February 9, 2011

**Official Newsletter of the Rotary Club of Malibu
Malibu Rotary Club President Christopher Bauman**

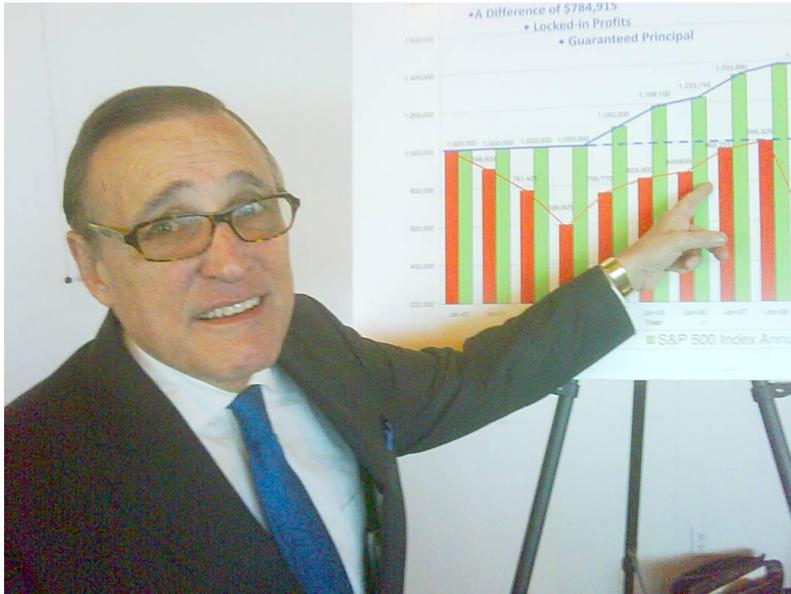
**Edited by Dr. John W. Elman
Pictures by Dr John W. Elman**

In This Issue (click underlined topics for web link when connected to the Internet)

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- **Next regular Malibu Rotary Club Meeting will be February 16 Wednesday, at 7:30 a.m in the Pepperdine University Fireside Room: Speaker is Pepperdine student Luci Prosapio, who is a future Rotary Ambassadorial Scholar.**
- **Other News and Guests from Last Malibu Rotary Club Meeting**
- **Malibu Rotary Club Supports BioSand Filters in Ecuador**
- **Check Calendar on Malibu Rotary website MalibuRotary.org**
- **Malibu Rotary Club Website: www.MalibuRotary.org**
- **Rotary International Website: www.Rotary.org**
- **Rotary District 5280 Website: www.rotary5280la.org**
- **Rotary District 5280 “Rotarians Doing Business With Rotarians” Website: <http://yp5280.org/>**

- **RI President (2010-2011) Ray Klingensmith**
- **Rotary District 5280 Governor (2010-20 11): Doug Baker**

Ray Kotroczo: “Intelligent and Profitable Investing”



Ray Kotroczo is Financial Manager with Legacy Financial of California (www.LegacyFinancialCA.com) in Beverly Hills. At the Malibu Rotary meeting February 9, he made his recommendations on investing in today’s economy. Ray said that the crash of 2008 was very predictable, and most crashes are.

Ray talked about major cycles in the stock market during this century, and noted that they take place over many years. In fact, since 1933, there have only been

4 cycles.

The Great Depression bottomed out in 1933. That year the Dow Jones Industrial Average was 34 points. Then one of the longest Bull Markets began and lasted 31 years, until 1964. It featured multi-term presidents, and America feeling good about itself following victory in World War II. By 1964 the Dow had reached 1,000.

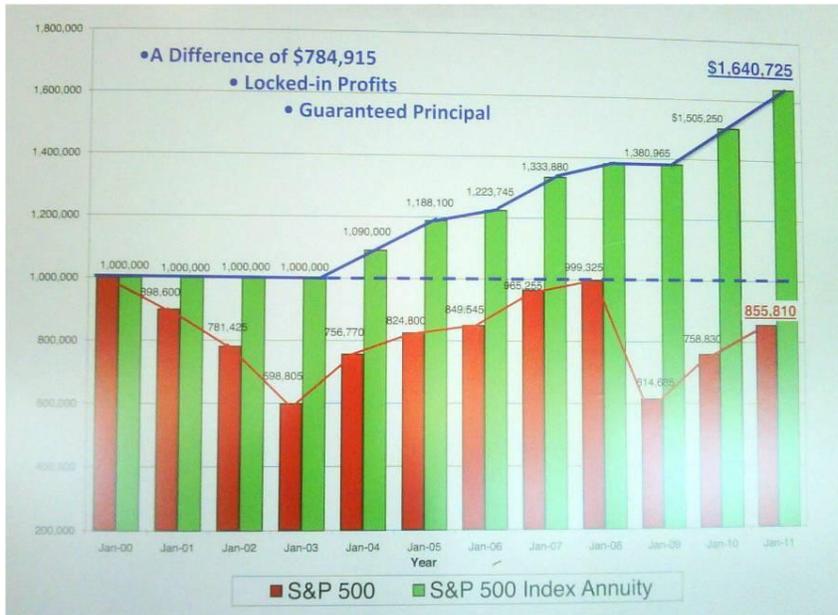
Then came Viet Nam, years of doubt, and a Bear market that lasted from 1964 to 1982. Prime interest during the Carter Administration was up to 21 % and the Dow retreated to 500 hundred. There were market rallies, but they fizzled. But by 1982 the Dow reached 1,001, and began the greatest bull market in terms of how fast the Dow went up. This bull market lasted from 1982 to 2000. The Viet Nam war had ended. There were multi-term presidents Reagan and Clinton, and the tech revolution. The Dow went up 12 fold, from 1001 to 12,000, by 2000.

Our present period, from 2000 to 2011, has seen fluctuations, but currently Dow still at 12,000, as it was in 2000. It has been a time of low inflation, low interest. Ray points out that it is a myth to think that large deficit government spending necessarily breeds inflation. Both George W. Bush and Obama have run up huge government deficit spending budgets, but inflation still remains about 1 %. F.D Roosevelt also had large government deficit spending programs and did not have a problem with inflation. Conversely President Carter did not run a deficit budget, yet he had double digit inflation.

Because interest rates are so low today, whether its banks or bonds, and because the stock market is still uncertain, Ray believes one of the safest places to invest money long term, is in Indexed

Annuities. He especially likes annuities indexed to S & P 500 offered by insurance companies. The way these are structured, they will either go up, or break even. They won't go down. Investors are guaranteed they will not lose money.

The way this works is that the insurance companies invest in the S & P 500 equities and if the market goes up they make money. They buy options to cover possible bear markets. They set caps on the amount they will pay out when the market is up. The cap is usually between 9 and 12% The insurance company's profit is the money they make over the cap price paid out to investors. So if the S&P equities went up 20% on an indexed annuity with a 12% cap, then the insurance company would make 8% that year. The money must stay in the account for years.



There are penalties for early withdrawals. Typically the higher caps have longer withdrawal penalties. If the investor keeps the money in the account for several years then there is no penalty to withdraw it. Investors pay ordinary income tax on profits made in these accounts, except if they are put in Roth IRA. They would seem to be a good investment for a scholarship fund or other long term savings plan.

Ray showed a graph of the difference in money made if one invested in the S&P 500 Index compared to what one would make if the money was invested into the S&P 500 Annuity instead. In the last 11 years (from January 2000 to January 2011), \$1000 invested in the S&P 500 stocks in the year 2000 would be worth only \$855.81 in 2011. But \$1000 put into a S&P 500 Index Annuity would be worth \$1640.72, about twice as much.

Other News and Guests from Last Malibu Rotary Club Meeting

Malibu Rotary Club President **Chris Bauman** said that Maggie Luckerath and last week's speaker Gary Darakgian were were working with Hollie Packman, discussing the wheelchair the Malibu Rotary is donating to someone in the community as part of a Rotary District project. Although the wheelchair was meant for an individual in need, the consideration is giving the wheelchair to the SOS Malibu Community Outreach program, which has a better handle on the needs of the disadvantaged people in the community. The need for a wheelchair may crop up at

anytime and giving it to the organization would allow the wheelchair to be used as needed and recycled in the population that needs it.

Geoff Ortiz has communicated with the principal of Malibu High School regarding students sponsored by the Malibu Rotary Club to go to the RYLA camp on Catalina. Usually Malibu Rotary sponsors 2 students, but this year, with help of district, we would like to sponsor 4 students. Geoff also reminds us the newest production at Malibu Stage, an original production of *A Night At The Oscars* is playing from February 11th through March 20th.

Guests

Guests at the meeting included **Maggie Luckerath**, as well as Maggie's husband, **Hubert**, two guests introduced by Jack Corrodi, **Thomas Quaranta** and **Jim Coggino**. Also at the Malibu Rotary Club meeting of February 9th to help speaker **Ray Kotroczo** was **Jill Woods**, who was originally listed as the speaker. She works with Ray at Legacy Financial of California.

Malibu Rotary Club Supports BioSand Filters in Ecuador

Malibu Rotary Club voted to send \$500 to the Rotary Club of Pontiac Michigan to help build and install BioSand Filters in Santo Domingo De Los Colorados, Ecuador. As was noted by Carol Cousineau, who, along with husband Ron brought the project to our attention, after installing the first BioSand filters in Ecuador (and pictured left) "That money would be matched by the next District Grant, which we have been assured we will get. So, for instance \$500.00 become \$750.00."

Malibu Rotary Club President Chris Bauman signed papers in November, 2010 for the Bio Sand Filters Michigan Rotary District Simplified Grant.

The filters and two 5 gallon safe water containers per unit, cost around \$60.00 each, so a donation of \$500.00 would provide 12 families of five or more with 20 gallons of water each day - enough for drinking, cooking, brushing teeth, bathing and washing clothes! The filters are expected to last at least 50 years without the need to add any expense except chlorine - available and inexpensive. That means each family will have more money to provide more nutritious food for their families, since they don't have to pay for propane to boil their water. It will mean more time to spend with their children, rather than boiling or foraging for firewood. With great improvement in the health of all the family members, fewer cases of diarrhea and stomach flu from bad water and parasites, the parents will better be able to hold down a job and provide for their families, children will be able to attend school more days and have a better future.



We are excited about this project because we anticipate that this is just the beginning. All over Ecuador, there are families struggling to survive, with a high infant mortality rate, because of bad water. This successful project will be a shining example and model. Rotary is the perfect vehicle for getting the word out about BioSand and accomplishing the goal of providing safe drinking water for the world. BioSand is one of the four methods of purifying water recommended for Third World Countries by the World Health Organization. (We have researched the others. Since they provide only a small amount of water for drinking, are small and ceramic, so more susceptible to breakage or deterioration, or adding so much chlorine that the people won't drink it, the concrete BioSand is by far the best choice for all but mountainous areas, where a more expensive plastic version of BioSand is an alternative.)”

For a while it looked like the matching grant process was not going to happen.

When Malibu Rotarian Bill Wishard visited Ecuador in March, 2010, he was able to meet with Ecuador Past District 4400 Governor, Juan Prinz, to get project back on track

Please see Malibu Rotary Club Website www.maliburotary.org for latest Calendar and future speakers

Calendar

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Malibu Rotary Club Speakers (all meetings at at 7:30 a.m in the Pepperdine University Fireside Room)

Feb 16 2011, **Luci Prosapio**: Rotary Ambassador Scholar-to-be

Feb 23 2011, **Rhiannon Bailard**, Asst VP, Gov Affairs, Pepperdine: Pepperdine Campus Life Project

Mar 9 2011, **Jonathan Friedman**, malibu.patch.com