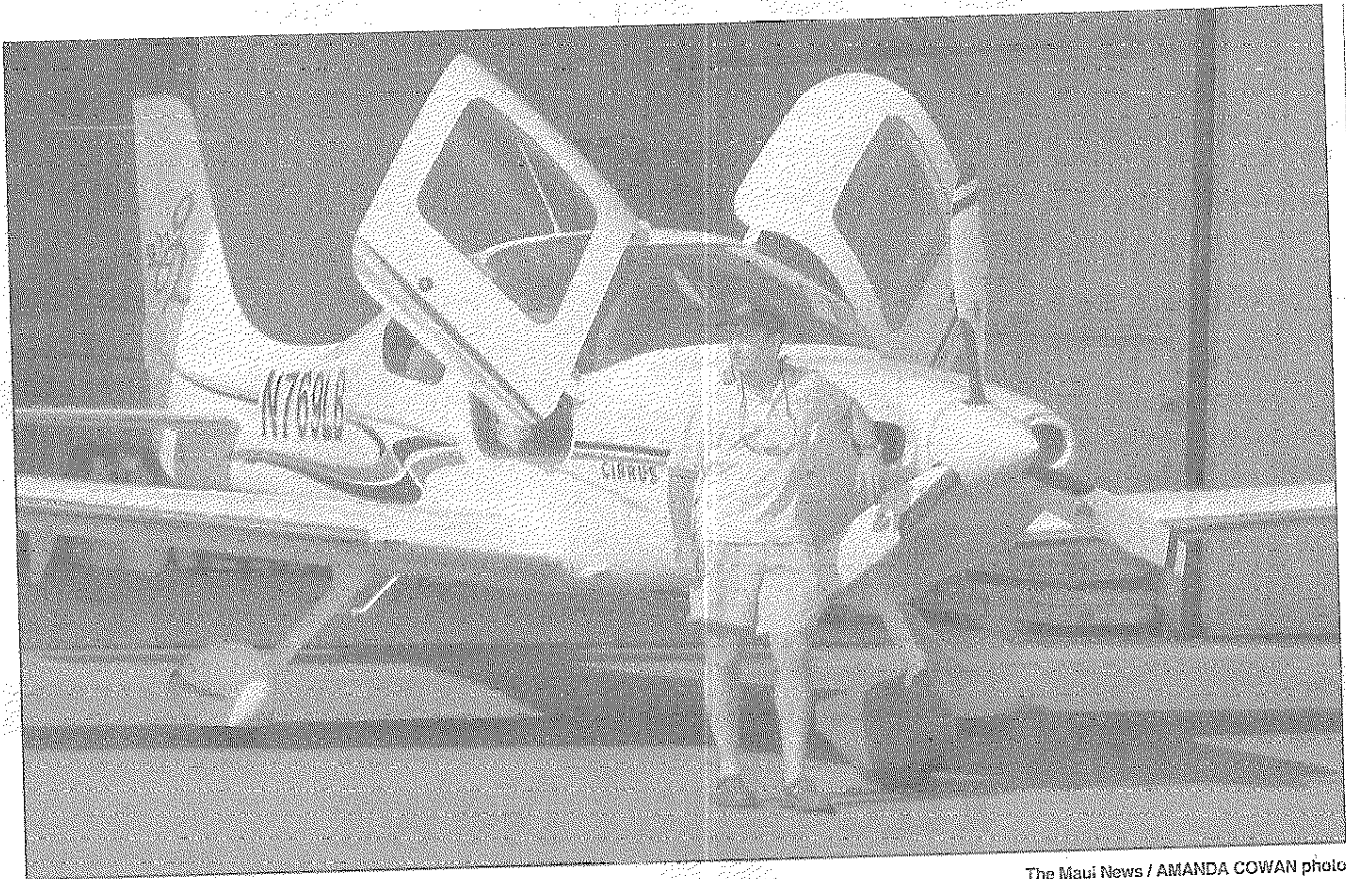


Money Matters



The Maui News / AMANDA COWAN photo

An investment adviser who started up the Wailea Capital Group and a pilot, Laurence Balter has written his own book on reducing risk in investing. Shown with his Cirrus SR-22 at

Kahului Airport on Tuesday, Balter also reduces risk in flying. The Cirrus SR-22 has a parachute to bring the aircraft to the ground in event of an emergency.

Adviser takes risks out of flying and investments

He recommends review of credit ratings — and a parachute can't hurt

By HARRY EAGAR
Staff Writer

WAILEA — Investment adviser Laurence Balter of Wailea flies a Cirrus SR-22, a small plane with a fast rate of climb and a parachute that lowers the whole plane to the ground in a crisis.

Balter says his plane is like his favorite stocks: high performance and good value, with an easy letdown "just in case anything goes wrong."

He's put his investment ideas in a self-published book, "The Power Portfolio: Investing in America's Greatest Companies for Growth and Income."

He's been promoting it on Maui by speaking to civic groups, but with his fast plane he's also branching out to speak on the other islands.

He's a man who likes to fly and made his first fortune with a small airline in Los Angeles, and he also uses his Cirrus in the Angel Flight program, which arranges for private pilots to fly patients who otherwise could not afford it to distant medical treatment.

"A selfish toy for selfless reasons," he

describes it.

Although it takes a book of 140 pages to explain his reasoning, Balter's bottom line can be summed up in a few words: Look for excellent credit ratings.

"I try to keep it really simple," he says. There are not a lot of very, very high-rated corporations, he says. Only 11 out of more than 11,000 are rated AAA.

General Electric is AAA, Coca-Cola, another of Balter's favorite examples, is AA.

Enron and Worldcom were CC or worse, he says.

Companies with excellent credit ratings do not always have Wall Street glamour, Balter says.

For example, if you had invested \$100,000 — "admittedly a lot of money then" — in Johnson & Johnson in 1964 and held it, the stock value today would be over \$50 million.

The same investment in Coke would have grown to around \$24 million.

It turns out, Balter says, that the kind of investment strategy your grandmother was advised to take can work very well still.

Buy solid companies and hold. Holding a stock for 40 years is patience indeed. "Most people don't hold stocks more than 40 weeks."

Balter earned a degree in mathematics

and physics at the University of California at San Diego, simultaneously founding a small regional airline, which he sold by the time he was 30.

Then he moved to Maui, where he founded Wailea Capital Group and is also a branch manager for Linsco/Private Ledger, an independent brokerage and investment manager.

He acknowledges that the investment strategy he recommends can be difficult for small investors, because they have a hard time diversifying sufficiently and so make "too many one-sided bets."

On the other hand, he thinks his strategy works well for retirees who worked hard and took risks for a long time, made a pile, and perhaps are now ready to back off from risk.

Not big enough to afford a private investment manager?

Balter's book notes that the \$100,000 from 1964 put into an S&P 500 index fund would be valued at \$4.5 million today.

The plane with the parachute works, too, he says. So far, three pilots have pulled the ripcord on their SR-22s, and all three landed hard but safely.

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