THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Cold Calls Burn

Has this happened to you? You're engrossed in your favorite TV show, only to receive a phone call from a broker you don't know who urges you to invest in something. This is a "cold call." A classic broker cold call might inform you that you're among the "lucky few" to be offered a "surefire investment." You might even be guaranteed "a 200 percent return within six months!"

Don't become a cold-call victim, as many do. Understand that promises of high returns for low risk are likely to be broken. Scoff at warnings that you have to "act now!" Any good investment should still be around tomorrow. Avoid "inside" tips, because it's illegal to pass on or act on material that is inside information. Steer clear of anyone unwilling to provide details in writing. Beware of predicted or "guaranteed" profits.

If a cold-calling broker really had a valuable stock to offer, he or she wouldn't have to convince strangers to buy it. People would be snapping up shares on the open market. Stocks that cold callers try to sell are often ones that no one else wants, stocks that their firm wants to unload. This applies to initial public offerings (IPOs), too. Shares of IPOs that people are excited about tend to be hard to come by, not aggressively hawked over the phone to strangers.

You can ask any cold caller to put you on his firm's "do not call" list. You can also prevent some others from being conned by turning in any hypesters. Take names and notes during the call and report anything shady to the Securities and Exchange Commission (SEC) at www.sec.gov/complaint.shtml. The SEC offers some excellent guidance on cold-caller restrictions at www.sec.gov/investor/pubs/coldcall.htm. (Shady behavior would include rudeness, aggressive sales techniques and ultimatums.)

Anyone thinking of investing with a cold caller should check out the regulatory background of the salesperson and/or brokerage firm. To do that, visit the FINRA Broker Check area at www.finra.org or call 800-289-9999.

If this is too much to remember, you have one more option: Just hang up. ■

Name That Company

Founded in 1923, my business stems from the mammal mus musculus, cousin of Speedy, Mighty, Jerry, Danger, Fievel, Itchy and Motor. Many people, especially small ones, think I'm supercalifragilisticexpialidocious. I opened my first park in 1955 and now operate a bunch in the U.S., France, Japan and Hong Kong. I'm the second-biggest media conglomerate in the world, with four major business segments: studio entertainment, parks and resorts, consumer products, and media networks. My brand names include Pixar, Miramax and ESPN. My main TV network is easy as 1-2-3. I built a utopian city in Celebration, Fla. Who am I?

Know the answer? Send it to us with Foolish Trivia on the top and you'll be entered into a drawing for a nifty prize! ■

The Motley Fool Take

Nimble Wal-Mart?

Who's afraid of the British invasion represented by retail giant Tesco? Maybe Wal-Mart (NYSE: WMT) is, judging by its plan to test out some smaller-format stores in Arizona.

Wal-Mart plans to open up four stores dubbed "Marketside," which will be about 20,000 square feet — about half the size of the regular Wal-Mart "Neighborhood Market" model. This is reportedly a response to Tesco's opening of small stores called "Fresh & Easy" here in the States. The Fresh & Easy stores will focus on small numbers of items in a format geared toward fresh foods and convenience.

Wal-Mart's not the only grocery retailer exploring smaller formats, either. Last August, Whole Foods Market (Nasdaq: WFMI) said it was testing a concept called Whole Foods Market Express, which will offer value-priced, on-the-go foods.

It should be interesting to see how big a deal Tesco's small-format entry will be. Will it hurt other big grocers, such as Safeway and Kroger, or hurt quick-stop standbys such as 7-Eleven? What about McDonald's quick dollar deals, or other fast food retailers with organic or ethnic emphases?

Most interesting of all, perhaps, we'll see whether Wal-Mart's Marketside experiment will end up a keeper for the retail behemoth. If so, a retailer with a giant-sized reputation may become a more nimble competitor — a trend its shareholders will definitely want to track. ■

My Dumbest Investment

The Stock That Got Away

I bought about 100 shares of Yahoo! when it debuted via its initial public offering (IPO) in 1996. I think it was around $30 back then. After a few months, I sold at roughly the same price because I needed some money to buy a house. Stupid me. Then again, stupid me in retrospect. Who knew?

— R.B., Rising Sun, Md.

The Fool Responds: You're right. There is no way to know which of your holdings will be the most stellar performer until you're looking at them in a rearview mirror. That said, you can improve your odds by keeping up with your holdings regularly — evaluating how strong their financial health is, along with their growth prospects and competitive position. When you need money, sell the holding in which you have the least confidence. Yahoo! shares have risen more than 16-fold for its earliest investors who hung on — that's enough to have turned $5,000 into more than $80,000. Think about your home, though — its value has probably increased considerably, too, boosting your net worth. ■

Do you have an embarrassing lesson learned the hard way? Boil it down to 100 words (or less) and send it to The Motley Fool c/o My Dumbest Investment. Got one that worked? Submit to My Smartest Investment. If we print yours, you'll win a Fool's cap!

Last week's trivia answer

Headquartered in Lake Forest, Ill., I'm 163 years old. I was founded by a Swiss immigrant who began making carriages, cabinets, tables and chairs, before moving on to billiard tables. Today I'm a global leader in the marine, fitness, bowling and billiards industries. I take in nearly $6 billion annually, mostly from boating and marine engines. My brands include Mercury, Mariner, Mercury MerCruiser, Sea Ray, Bayliner, Maxum, Hatteras, Meridian, Sealine, Baja, Boston Whaler, Trophy, Princecraft, Life Fitness, Hammer Strength and ParaBody. In 2001, I sold my Igloo Coolers business. I employ more than 25,000 people. Who am I? ■

(Answer: Brunswick Corp.)

Write to Us! Send questions for Ask the Fool, Dumbest (or Smartest) Investments (up to 100 words), and your Trivia entries to Fool@fool.com or via regular mail c/o this newspaper, attn: The Motley Fool. Sorry, we can't provide individual financial advice.

What Is This Thing Called The Motley Fool?

Remember Shakespeare? Remember "As You Like It"? In Elizabethan days, Fools were the only people who could get away with telling the truth to the King or Queen. The Motley Fool tells the truth about investing, and hopes you'll laugh all the way to the bank.

Ask the Fool

Initiating Coverage

Q I often run across announcements that such-and-such company has "initiated coverage" on a particular stock. What does that mean?

— R. Gibbs, Old Hickory, Tenn.

A Full-service brokerages and investment banks typically employ analysts to follow and study various companies. The analysts issue recommendations that are passed on to broker clients and others. When a brokerage initiates coverage of a company, it just means that the company is now being followed by the firm and that the brokerage has an opinion on it (perhaps "Buy," "Hold" or "Sell"). There may also be a detailed research report available on the stock, which is typically much more illuminating than a simple "Hold" rating.

Keep in mind that "Sell" ratings are relatively rare — arguably because since these recommendations usually come from organizations with investment banking operations, the analysts probably don't want to burn any bridges with current or potential investment banking clients by being too negative.

Many brokerages offer gobs of research reports on companies. See what yours offers, or look for a better brokerage at www.broker.fool.com.

Q If a novice had $40,000 to invest now, how would you advise him to invest and still sleep?

— D. Murray, Los Angeles

A First off, don't put your money anywhere without confidence in what you're doing. Perhaps park it in a CD for a few months, while you take some time to learn more about your options. Later, you might want to move some or all of your long-term money into a low-fee, broad-market index fund, such as one based on the S&P 500. If you're willing to do some research after that, you might begin investing in carefully selected stocks and mutual funds. Learn more at www.fool.com/investing.htm.

Got a question for the Fool? Send it in — see Write to Us. ■

BUSINESS BRIEFS

Bonita Bay receives workplace award

Bonita Bay Group has been named "Family-Friendly Business of the Year" by the Naples Alliance for Children and earned "Family-Friendly Workplace" designation for the ninth consecutive year. The NAFC created the designation to recognize businesses of all sizes for workplace policies and programs that help employees achieve a better balance of work and family responsibilities.

Bonita Bay Group has earned the designation every year since the NAFC began recognizing family-friendly businesses. According to Sabra Cecil, vice president of human resources for Bonita Bay Group, employees participate in periodical surveys that ask how the company can help them achieve a better work-life balance. The company uses the feedback to help choose what to add to or enhance the benefit package.

Family-friendly benefits enjoyed by Bonita Bay Group employees include:

• A reimbursement program to help employees pay for time at fitness centers and gyms

• Annual health fairs and specialized weight loss and tobacco cessation programs

• Paid paternity leave. New dads may take up to 40 hours of paid time off after the birth or adoption of a baby. An assistance program for adoptive parents provides up to $4,000. If the child has special needs, the assistance is up to $6,000

• Space in Naples Community Hospital's Sick Kids Care facility at no cost to the employee, providing another option for parents to consider when a child is not feeling well

• Subsidized health care insurance for employees and their families, plus fully paid dental, disability and life insurance.

Bonita Bay Group is a diversified company involved in the planning, development, sales and management of master-planned communities, free-standing recreational amenities and commercial facilities. The company is respected for its commitment to meticulous planning, environmental stewardship, integrity and attention to detail. Bonita Bay Group employs more than 1,300 individuals and is currently developing six master-planned communities – Bonita Bay, Shadow Wood Preserve, Mediterra, TwinEagles, Verandah and Sandoval – along with 14 golf courses and two marinas. Additional information about the company is available at www.BonitaBayGroup.com. ■