



# THE MOTLEY FOOL®

To Educate, Amuse & Enrich

## Fool's School

### 401(k) Mistakes to Avoid

Want to retire with more money? Avoid making the following mistakes with your 401(k) plan:

- Failing to contribute enough to receive a maximum employer match. That's free money, providing an immediate and risk-free, tax-deferred return on your savings.
- Borrowing from your 401(k) when you don't have to. Is a kitchen remodeling worth jeopardizing your future for?
- Trying to time the market. Don't jump from one investment to another, chasing "hot" sectors. Even pros can't consistently time the market successfully.
- Being too conservative. If you have 10 or more years until retirement, don't avoid stocks. Over long periods, they've outperformed bonds and other alternatives.
- Being too aggressive. Consider keeping money you'll need within five or so years out of stocks.
- Holding too much of your employer's stock. Try to have no more than 10 percent to 20 percent of your plan assets in any one com-

pany. Even respected companies can implode, with disastrous results for employees.

- Failing to allocate or rebalance. Decide what percentage of your money you want in stocks, bonds and cashlike investments, according to your age, risk temperament and goals. Then monitor and rebalance your holdings every year or so.
- Keeping a default election that automatically invests your money in an ultraconservative option. This can doom you to low returns.
- Cashing out after a job change. Too many people do this each time they switch jobs, leaving themselves with little to retire on. Leave your money in the plan, or roll the balance into your new employer's plan or an IRA.
- Ignoring index funds. Your best bet for stock investments in a 401(k) is usually an index fund, such as one based on the S&P 500 or the total stock market. If your plan doesn't offer one, ask about it.

Above all, don't fail to participate in your plan in the first place! Learn more about 401(k)s at [www.fool.com/money/401k](http://www.fool.com/money/401k) and [www.401khelpcenter.com/Employee\\_index.html](http://www.401khelpcenter.com/Employee_index.html). ■



## My Dumbest Investment

### Pumped and Dumped-Up

My worst investment was in a company that specialized in liquidation services, selling items on eBay. Based on the e-mail I received hyping it, I knew it was a pump-and-dump scam. I figured I would beat the criminals at their own game, make a few bucks, and run. I bought. I watched the price climb quickly. I didn't take my eye off of my brokerage's screen all morning, planning to sell at the first sign of weakness. I thought, "I'm so much smarter than these people!" Then it happened: My company's server lost power. It took about 20 minutes to get my account back up. Guess who lost his shirt? I am an idiot!

— Zac C., Denver

**The Fool Responds:** You're playing with fire, dealing with easily (and frequently) manipulated penny stocks. People get excited, thinking they'll get rich because they're buying 10,000 shares for 5 cents apiece (costing just \$500). But if the shares have been hyped up from one penny to five, they can easily and quickly plunge back to one — or below. ■



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

I was founded in Arkansas in 1962. I introduced pharmacy, auto service and jewelry divisions in 1978, and greeters and one-hour photo labs in 1983. I topped \$1 billion in sales in 1979 and took in that much in a day in 2002. In 1983 I launched a club named after my founder. With 1.9 million workers, I'm one of America's biggest employers. I sport more than 100 distribution centers, along with 60,000-plus vehicles and some 8,000 drivers. I'm the world's largest retailer, with annual sales of \$375 billion and more than 6,500 stores. ■

(Answer: Wal-Mart)



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](mailto: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

### Too Many Shares Outstanding?

Q I see that ExxonMobil hasn't split its shares since 2001. Is that because it has too many shares outstanding already?

— K.R., Martinsville, Ind.

A It doesn't typically work that way. Splits often take place when a stock's price is deemed "too high." Splits are, to some degree, a psychological event, making the stock look "cheaper" and possibly attracting more investors. If stocks never split, then a single share of some big companies such as Coca-Cola would cost as much as a car or house.

ExxonMobil does have a lot of shares — more than 5 billion. (Microsoft has more than 9 billion shares, while General Electric has roughly 10 billion.) But then its revenues and profits are huge, too. In 2007, it raked in more than \$400 billion in revenues and netted a \$40 billion profit. Per share, that's \$7.28. What really matters is how strong the firm is, how quickly it's growing, how successfully it's competing, and how each share's value is increasing. Earnings per share for 2007 were up more than 400 percent over 1997 levels.

Q Is it smart to buy more shares of a stock when its price has fallen?

— S.T., Newark, N.J.

A This is called "averaging down." It's often regrettable, because there's frequently a good reason why a stock is dropping. There are some exceptions to this rule, though. For example, perhaps the entire market has swooned, taking your holding with it. Or maybe the market has significantly overreacted to your company's latest news, sending its shares down to levels you don't believe are justified. If so, you can snap up some bargain-priced shares. Before you average down, always take the time to re-evaluate the business.

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

## Name That Company

Founded in 1859 and headquartered in Ohio, I'm a big name in ATMs, safes, vaults, voting machines, video monitoring, alarms, fire-resistant storage devices, bullet-resistant items, biometric identification systems, drive-through technologies, pneumatic-tube delivery systems, check-cashing machines, fire-detection services and more. I made the world's largest bank vault for Wells Fargo in 1875 and introduced cash-dispensing automated teller machines in 1966. I've hiked my dividend



every year since 1954. I employ more than 17,000 people in more than 88 countries and rake in nearly \$3 billion annually. United Technologies has recently tried to buy me. 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

### Paychex Prospers

Paychex (Nasdaq: PAYX), a payroll processor (and, increasingly, a human resources specialist), recently reported quarterly earnings, featuring net income up 12.6 percent. Management expects high single-digit sales growth in payroll revenue this year and a growth rate in the lower 20s for HR services.

The eminently scalable and high-quality business pushed its operating profit margin up 3.9 percentage points, far beyond the margins of rivals such as ADP, Intuit and Hewitt Associates.

You know what earning better margins on growing revenue means: markedly better profits. Operating income leapt 22 percent year over year in the third quarter. Even though

declining interest rates hurt the bottom-line results, continued share buybacks concentrated the remaining profits among fewer shares outstanding, helping Paychex to grow its earnings per share by 18 percent.

Free cash flow may not be growing as fast as earnings (it's up 12 percent year over year through the first three quarters of fiscal 2008), but at \$525.8 million for the fiscal year to date, it continues to dwarf what Paychex reports as net income.

Relative to analysts' sub-15 percent long-term profit growth projections, a P/E of 24 seems a bit much to pay. But relative to the company's price-to-free cash flow ratio — a better measure of cash profitability — it's a much closer call. Keep an eye on this one. ■

# BUSINESS BRIEFS

## Commercial real estate

**LandQwest Commercial** announced the following transactions:

**The North Law Firm** leased approximately 5,220 square feet of office space at 4315 Metro Parkway in Fort Myers from Metro Parkway Operating Associates, LP with Jennifer Horne, CCIM, broker associate of LandQwest Commercial negotiating the transaction.

**Simply Sweet Treats, Inc.** leased approximately 1,250 square feet of retail space at Merchants Crossing, 15201 N. Cleveland Ave. in Fort Myers from Noble Properties with Jennifer Horne, CCIM, broker associate of LandQwest Commercial negotiating the transaction. The company will be operating a candy and ice cream store.

**Rudinos Pizza & Grinders** franchise has leased approximately 3,143 square feet of retail space at The Village Shoppes at HealthPark, located at Summerlin and Bass Road in Fort Myers. Lindsey Schmoey of the Colliers Arnold represented the tenant and Doug Olson of LandQwest Commercial represented Talamh Associates, LLC, the landlord.

**Bajjo Mexican Grill**, a new Subway franchise, has leased approximately 2,408 square feet of retail space at The Village Shoppes at HealthPark, located at Summerlin and Bass Road in Fort Myers. Doug Olson of LandQwest Commercial represented Talamh Associates, LLC, the landlord.

## Residential real estate

**Michael J. Frye**, CCIM/Owner of RE/

**MAX Realty Group**, Fort Myers, has announced that RE/MAX Realty Group has been named to RISMedia's 20th Annual Power Broker Report & Survey. RE/MAX Realty Group ranked #413 in closed transaction sides in the "Power Broker Report," which identifies and ranks America's largest residential real estate brokerage companies by transaction sides and sales volume.

## Lee building permit activity light

During April, **Lee County Community Development** issued permits for 47 single-family homes valued at \$17.5 million to be built in unincorporated Lee County, Bonita Springs and Fort Myers Beach.

The number of permits matches the 47 issued for single-family homes in March and is lower than the 262 issued in April 2007.

There were 22 multi-family units permitted in April, down from 24 the previous month and 158 in April 2007.

Permits were issued for 6 new commercial buildings valued at \$5.5 million, down from \$6.4 million the previous month and \$27.2 million in April 2007.

Lee County Community Development oversees planning, zoning, development, and building services, environmental review, building inspection and code enforcement for the unincorporated areas of the county, and permitting services for Bonita Springs and Fort Myers Beach. ■