



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

When to Panic

Many investors panic when the stock market (or sometimes just one stock) heads south. They get anxious, wondering whether they should follow the crowd and bail out. That's often the worst thing to do, though. Bad times can be good times to buy. As Warren Buffett has quipped, "Be greedy when others are fearful, but be very fearful when others are greedy."

Sometimes it does make sense to panic, though — such as:

- When you don't know why you own what you own. If you have no clue why you bought shares of Farm Dogs Inc. (ticker: BINGO), you'll have trouble determining when to sell. If BINGO shares plunge, it might be due to a fleeting problem, in which case you should hang on, or it might be due to some serious trouble. An informed investor should have a good handle on her investments.
- When you don't understand the long-term upward trend of the market.

From decade to decade, stocks in great companies and the market as a whole tend to rise in value. To keep your blood pressure down during market slumps, remember this.

- When you have a short time horizon. If your moolah is invested in stocks for just a few months, then you can begin hyperventilating right now. As we've seen recently, anything can happen in the short term. Even stock in wonderful companies can temporarily plunge. Any money you expect to need within the next five (if not 10) years should be out of stocks and perhaps in CDs or money market funds. Learn more at www.fool.com/savings and www.bankrate.com.
- When you haven't learned that it's the percentage of the market drop that counts, not the points. A 100-point drop was a big deal when the Dow was at 1,000. But when it's at 10,000, 100 points is just 1 percent. (Of course, recent drops have been very meaningful.)

Read up on investing at www.fool.com and elsewhere. The more you learn, the less you'll panic. ■

My Dumbest Investment

Bad Timing

My dumbest investment was rolling over an IRA from one mutual fund (Kemper Technology) to another (Brandywine) just before Kemper's year-end dividend of \$2 per share was declared. My first mistake was bad timing, and the second was transferring the entire amount instead of the minimum that Brandywine required.

— Betty Whitehead, Jacksonville, Ill.

The Fool Responds: Moving your money wasn't such a bad mistake. The Kemper fund, now known as the DWS Technology A fund, doesn't look more attractive than Brandywine. For one thing, it sports a sales load of 5.75 percent, meaning it will lop off \$575 of a \$10,000 investment on day one. Brandywine is a no-load fund, with a market-beating 10-year average annual gain of 7.4 percent, compared to just 1.4 percent for the DWS fund. Your timing was indeed regrettable, though. Always make sure you're not due to receive a dividend payment soon, before you sell out of a fund. You can always just call the fund company and ask. To research mutual funds and their records and fees, among other things, click over to Morningstar.com. ■



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

Founded in 1912, I'm based in Maine, where more than 400 of my (often outdoory) products are manufactured. I rake in about \$1.5 billion each year and process some 50,000 orders per day, shipping more than 15 million packages annually. (I've shipped more than 200,000 on a single day.) I'm known for my catalogs, but I've been opening stores around the country lately, some internationally. My flagship store is open 24 hours a day, 365 days per year, and draws 3 million people yearly. You can't buy stock in me, because I'm a private company. Who am I? ■

(Answer: L.L. Bean)



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

Concentration Matters

Q At what point does a portfolio have too many shares of one stock?

— G.R., Mobile, Ala.

A First, think in terms of total value, not number of shares. You might have 2,000 shares of one stock, worth a total of \$4,000, and 100 shares of another stock, worth \$7,000. Focus on the percentage of your portfolio that each stock represents.

If one of your holdings represents 50 percent of your entire portfolio, for example, that's too much risk for most people. If anything happens to that one holding, your portfolio will take a big hit. If you hold too many stocks, though, and your biggest holding represents just 2 percent of your portfolio, that's not ideal, either. If that stock doubles or triples, its overall effect will be small.

For most people, eight to 15 stocks is a good number of holdings to aim for. You want some diversification, but you don't want more companies than you can follow. When one holding grows to become too big a chunk of your portfolio — perhaps 15 to 30 percent — consider selling off some of it.

Q I own stock in several companies. One has lost value, one is about the same after 10 years, and a few have done well. I need to pay my son's college tuition now, so which stocks do I sell first?

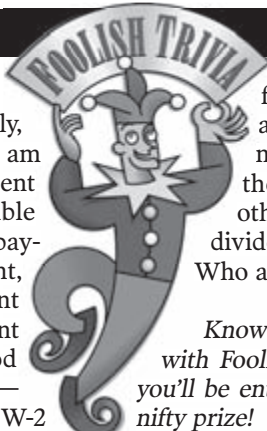
— H.H., Tulsa, Okla.

A First, forget how the stocks have done in the past. What matters is each company's future. Try ranking them by how much confidence you have in their health and growth prospects. Sell the ones in which you have the least faith. Your money should always be concentrated on your best ideas. ■

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

Name That Company

Founded in 1949 and based in New Jersey, I rake in nearly \$9 billion annually, serve some 585,000 clients and am one of the world's top independent computing services firms. I enable employers to outsource their payroll, tax regulation management, benefits administration, retirement plans, online recruiting, employment screening and more. (There's a good chance I prepare your paychecks — I prepare more than 50 million W-2



forms per year.) I also help auto and truck dealers and manufacturers manage their information, among other things. I've hiked my dividend for 30 years in a row. 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

A Flake of Comfort

Who would have thought Cheerios could be more profitable than investment banking? While the overall market plunged 4 percent in a single day recently, General Mills (NYSE: GIS) served up a solid quarterly earnings report.

But while net sales grew by 14 percent, earnings dropped by 3.6 percent. The gross profit margin dropped by 1 percentage point, too, as the cost of goods sold exploded by 20.3 percent.

Commodity prices are pinching margins. In response, management is hiking prices, while expecting increased earnings. With a forward price-to-earnings (P/E) ratio around 18.5, the stock price

might appear steep, but the company has spent more than \$500 million repurchasing shares, suggesting that General Mills might just be sitting at an attractive price.

Food companies are becoming more attractive to many investors, offering reliable revenue growth and palatable earnings through a challenging commodity market. General Mills has averaged 11 percent annual gains over the past five years, with a dividend yield recently around 2.5 percent.

Of course, it's important to pick your foodies wisely. Some, such as ConAgra, are struggling to keep up with commodity increases. General Mills may not be glamorous, but it is delivering the comfort-food satisfaction that weary investors are craving in this crazy market. ■

BUSINESS BRIEFS

Allyn awarded government contract

Fort Myers-based Allyn International Services, Inc. has been awarded a contract for transportation management services by the Department of Homeland Security. The contract is for one year.

Allyn will be managing a total of 64 full truckloads from Dallas, Texas. Of those loads, 52 will be shipped to Lees Summit, Mo. and 12 will be shipped to Harrisburg, Va. Allyn will partner with J.B. Hunt Transport Services for transportation of the shipments.

"As the prime contractor for this assignment, Allyn will be responsible for overall transport management including on-time pick up and delivery," said



Michael Smyers, Allyn business development manager.

In May 2006, Allyn received a 20-year contract to provide federal government agencies with logistics services. This is the second time that Allyn has been awarded a contract for transportation management services.

Allyn has offices in North America, Europe and Asia with its headquarters locations in Fort Myers, Shanghai, China, and Prague, Czech Republic. ■

Land Institute seeking award nominees

The Urban Land Institute Southwest Florida District Council is seeking nominations for the 2009 Pathfinder Award.

The Pathfinder Award is presented annually to individuals located within Charlotte, Collier, Lee and Hendry counties who give back to the community through involvement in the political arena, environmental issues, building consensus, promoting regional cooperation, preserving biodiversity, enhancing natural resources or any other significant contributions that enhance the overall quality of life in Southwest Florida.

Past recipients of the Pathfinder Award have included state and local lawmakers, development industry leaders, engineers and land planners, and marketing professionals.

ULI members are encouraged to nominate area individuals who have advanced the ULI mission to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Recognition will be based solely upon an individual's contributions, achievements and influence that best exemplify the standards and goals of ULI. To encourage a wide range of nominations, four leadership categories have been identified: Policy and Practice, Community Focus, Education, and Ethics and Principles.

To receive a nomination form, please contact Heather A. Francis, ULI district council coordinator, at HAFrancis@aol.com. The deadline for entries is Dec. 1. ■