



# THE MOTLEY FOOL®

To Educate, Amuse & Enrich

## Fool's School

### Bond Basics

Over the long run, stocks tend to perform much better than bonds. Still, it's good to understand bonds, and they can add some balance to a portfolio. Bonds are essentially long-term loans. If a company issues bonds, it's borrowing cash and promising to pay it back at a certain rate of interest.

Bonds sold by the U.S. government's Treasury Department are called "Treasuries." State and local governments issue "municipal bonds," while businesses issue "corporate bonds" (sometimes called corporate "paper"). Companies on less than solid ground offer high-interest-rate "junk" bonds to attract buyers. The rates are high because there's a higher risk of default.

Bond investors receive regular interest payments from the issuer at what is called the "coupon rate." For example, if you buy a \$1,000 bond with a coupon rate of 10 percent, you'll receive payments of \$100 per year. When the bond matures — after perhaps five, 10 or 30 years — you'll get

back your initial loan, called "par value." Most corporate bonds have a par value of \$1,000, while government bonds can run much higher.

Sometimes a company will "call" its bond, paying back the principal early. All bonds specify whether and how soon they can be called. Federal government bonds are never called.

Investors don't necessarily buy a bond at issue and hold to maturity. Bonds are often traded between investors, with their prices rising and falling in reaction to changing interest rates. For example, when rates fall, people bid up bond prices. If banks are offering 4 percent, a 6 percent bond starts looking good.

According to Jeremy Siegel's "Stocks for the Long Run" (McGraw-Hill, \$30), from 1926 through 2001, long-term government bonds returned an average of 5.3 percent per year, compared with 10.2 percent for the stock market. \$10,000 invested in bonds for 30 years would have grown to about \$47,000. In stocks, it would have topped \$180,000 — quite a difference. ■

## My Dumbest Investment

### Apple or McDonald's?

In January 1993, I decided to invest \$2,000 in McDonald's because I felt it would feed the world, eventually. But I then talked myself out of it and went with Apple because a friend recommended it and I'd just bought an Apple computer. The day I bought Apple was the last day it was ever that high! It immediately started falling, and I bailed out with an 82 percent loss. Meanwhile, McDonald's is feeding the world.

— Lori Grossman, St. Louis

**The Fool Responds:** Lori, you shared this story with us in 1999. You may be surprised by what has happened with the companies: Between January 1993 and now, McDonald's stock has averaged 12 percent annual growth, while Apple has averaged 14 percent. Both are solid market-beating performances, as the S&P 500 averaged just 7 percent in that period. The lesson here is to focus on the long term. You soon regretted buying Apple, but had anything changed about your expectations of the company's growth? Choose companies whose futures you believe in, after researching them and their numbers. ■



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 born 15 years ago as a printed financial newsletter sold by two brothers to friends and relatives. A year later I debuted online and became quite popular. I'm on a mission to improve people's lives, offering superior investment ideas. I produce or have produced scores of online articles weekly, along with video commentaries, a radio show, a weekly newspaper feature, more than a dozen published books and several investing newsletters. My discussion boards are vast and busy, and my CAPS service at <http://caps.fool.com> rates thousands of stocks for free. I throw parties on April 1. Who am I? ■

(Answer: *The Motley Fool*)



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

### The Gift of Stock

**Q** Can I give single shares of stock as holiday gifts? If so, how?

— D.Y., Lawrence, Kan.

**A** You sure can, and it's a gift idea that could transform your loved ones' financial futures.

You can buy one share of a stock as a gift at Web sites such as [www.registerstock.com](http://www.registerstock.com) and [www.oneshare.com](http://www.oneshare.com). It's not the smartest way to invest for yourself, though, as you may pay \$15 or more in fees to buy one \$30 share of stock (that would cost you 50 percent from the get-go). But if it's a gift, the recipient ends up with a \$30 stock that might be worth \$60 or much more one day.

When buying stock for yourself, take commissions and fees into account. Try to not pay more than 2 or 3 percent of an investment's value in fees. (For a \$500 investment, that would be \$10 or \$15.) Learn more about how to invest effectively with just a few dollars via direct investment plans or dividend reinvestment plans ("DRIPs") at [www.dripcentral.com](http://www.dripcentral.com) and [www.fool.com/School/DRIPs.htm](http://www.fool.com/School/DRIPs.htm).

**Q** Where can I find historical prices of a stock? I want to learn how much it traded for on a particular day some years ago.

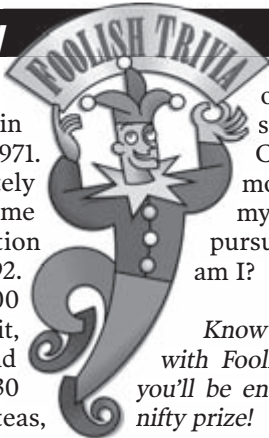
— O.M., Dover, N.H.

**A** Sometimes the company itself can tell you. Try giving its investor relations department a call. Another good resource is your public library, where librarians should be able to help you look up the price in newspaper archives or elsewhere. If you're online, it's much easier. Click over to <http://finance.yahoo.com>, type in the company's ticker symbol, and once you get its quote page, click on the "Historical Prices" link in the blue box on the left side of the page. ■

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

## Name That Company

I'm a top global brand, having begun with a handful of beans in Seattle's Pike Place Market in 1971. In 1991 I became the first privately owned U.S. company to let part-time workers participate in a stock option program. I went public in 1992. You'll find my more-than-10,000 retail locations in China, Kuwait, Indonesia, Switzerland, Peru and elsewhere. I offer more than 30 blends of coffee, along with teas,



other beverages, food-stuffs, music and more. Customers have loaded more than \$2.5 billion onto my cards. I was a first-mate pursuer of Moby-Dick. 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

### Kimberly-Clark

The recent earnings release by Kimberly-Clark (NYSE: KMB) is a classic illustration of price elasticity. Lower prices sell more goods, allowing a company to lower prices again — igniting a virtuous cycle.

But the cycle also works in reverse, as Kimberly-Clark has discovered. It recently hiked prices to cover higher commodity costs, but management may have taken it a bit too far. Consolidated prices in the third quarter were 4 percent higher, but case volume ran down 1 percent. What's worse, consumer tissue case volume declined 7 percent. Even toilet paper obeys the basic laws of economics.

This price elasticity game is nothing new to consumer products companies.

With the steep rise in commodity prices over the past year, many firms are exercising as much pricing power as they think their brands will bear.

Kimberly-Clark — whose brands include Kleenex and Huggies — still managed to make its estimated numbers for the third quarter. But management lowered fourth-quarter earnings projections, which promptly clobbered the stock.

It's true that the consumer products companies are a (relatively) safe investment during tough markets. Still, it's smart to be picky even among defensive plays. With choices such as Procter & Gamble and Colgate-Palmolive also trading close to 12-month lows, perhaps wait for Kimberly-Clark to get its pricing algorithms more finely tuned. ■

# Downtown parking garage under construction

Construction has begun on the new multi-level parking garage which is part of the new Lee County Justice Center complex. BSSW Architects Inc. designed the structure. It is one element in the massive multi-million dollar renovation and construction project for which the Southwest Florida architectural, planning and interior design firm is providing programming, master planning and design.

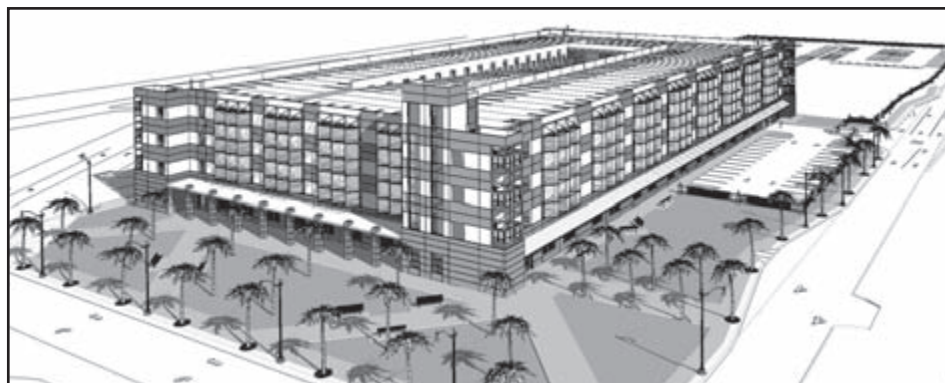
The five-level structure of approximately 59,000 square feet will provide covered parking for 830 cars and surface parking for an additional 270. The single-ramp, precast concrete facility will also house two county offices, with four more planned for the future. Stairwells in each corner and two elevators offer convenient access to the parking levels.

Bordered by Monroe Street to the west, Cottage Street to the east and Dr. Martin Luther King Jr. Blvd. to the north, the parking garage sports bicycle racks as well. Access lanes from all three arteries are planned. Extensive landscaping will provide a verdant buffer zone along Cottage Street and Dr. MLK Jr. Blvd. Live oaks, assorted palm tree species and Asiatic jasmine are the main ingredients in a landscaping mix that includes Indian hawthorn and cocoplum. Pedestrians can enjoy a rest on benches planned for the green zones.

"Moving Lee County employee parking services, as well as parking for Justice Center business, to the parking garage will free up several hundred spaces in the surrounding area for use by the general public," says Kevin M.

Williams, AIA. Mr. Williams is a principal at BSSW Architects and is the project architect; Jose S. Barcelona is the lead designer. Engineering for the project was provided by TKW Consulting Engineers, Walker Parking Consultants,

TLC Engineering for Architecture and McMahon Transportation Engineering and Planners. Landscape Architect is David M. Jones and Associates. The general contractor for the project is Target Builders Inc. ■



An artist's rendering of the new downtown Fort Myers parking garage that is now under construction.