



# THE MOTLEY FOOL®

To Educate, Amuse & Enrich

## Fool's School

### Year-End Tax Planning

Tend to your taxes before the year ends, and you can save a bundle.

Be tax-efficient with your charitable giving. If possible, contribute appreciated stock, not cash, to your favorite charities. With shares held for more than a year, you'll avoid paying tax on the appreciation, and you'll still be able to deduct the full value of the stock. Call your favorite nonprofit, and the folks there will probably be able to help you with this. (If you're looking for a new favorite charity, visit [www.foolanthropy.com](http://www.foolanthropy.com).)

Review your capital gains and losses. If you're looking at substantial gains on which you'll be taxed in the coming year, you might want to sell some stock for a loss to offset some gains.

If you believe your tax bracket next year will be no higher than this year, you're itemizing your deductions and you won't be bothered by any alternative minimum tax issues, consider making your state and/or local tax payments before the end of this year. You're going

to owe the money anyway, so if you pay now, you can take the federal tax deduction this year instead of next.

See whether your employer-sponsored retirement plan permits you to make "catch-up" contributions at the end of the year if your contribution level to date is less than the maximum allowed. (Learn more about 401(k) plans at [www.fool.com/money/401k/401k.htm](http://www.fool.com/money/401k/401k.htm) and [www.401khelpcenter.com](http://www.401khelpcenter.com).)

Don't overlook valuable credits. If you pay someone to care for your child under age 13 so that you can work, you might be eligible for the Child and Dependent Care Credit. The Child Tax Credit can save you \$1,000 per qualifying child under the age of 17. The Hope Credit offers savings of up to \$1,650 per student for qualified tuition and fees paid by or for the student. The Lifetime Learning Credit offers up to \$2,000. If you've recently adopted a child, you may be able to enjoy a credit of up to \$11,650.

For much more tax information, head to [www.irs.gov](http://www.irs.gov), [www.fairmark.com](http://www.fairmark.com) and [www.fool.com/taxes](http://www.fool.com/taxes). ■

## My Dumbest Investment

### A High-Yield Chase

I screened for stocks, looking only for high-yield. I ignored business fundamentals, research and market conditions. Along came a 12 percent yield — woo-hoo! The stock also appeared to be on sale after a price dip. Turns out it was a good company but a horrible time to buy it. (It's a short-term commercial real estate lender.) Which sectors have been hard-hit lately? Finance and real estate — and I invested in a company that combined both. The stock has now fallen by some 50 percent. What did I learn? One, yield is only part of the picture. Two, hold a real estate investment trust (REIT) in a tax-protected Roth IRA or traditional IRA, where high-yielders can do so much better.

— M.S., Durango, Colo.

**The Fool Responds:** Right you are — you always need to examine many aspects of a company, not just one, such as yield or profit margins or revenue growth. It's also smart to park investments that pay hefty dividends in tax-advantaged accounts, to delay (or avoid altogether, via the Roth) paying taxes on them. ■



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

You may not know my name, but I'm a multinational holding company with subsidiaries making high-performance coatings, sealants and specialty chemicals, primarily for maintenance and improvement. I rake in more than \$3 billion yearly. I've posted 60 consecutive years of record results, issued 11 stock splits since 1975, and completed more than 100 acquisitions in the last 40 years. I've also upped my annual cash dividend for 34 years in a row. My brand names include Zinsser, Rust-Oleum, DAP, DIF, Bondex, Plastic Wood, Varathane, Testors, Day-Glo, Dryvit, Carboline, Euco, Fibergrate and Stonhard, among others. Who am I? ■

(Answer: RPM)



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

### Beware the Naked Calls

Q What are "naked calls"?

— F.J., Keene, N.H.

A They represent an investment strategy using options. Remember that there are two main kinds of options: "calls" and "puts." Owning a call gives you the right to buy a set number of shares, at a set price, within a certain period of time (often just a few months). For this right, you pay a price premium. Puts give you the right to sell shares.

You sell (or "write") naked calls when you don't own the underlying stock. It's risky because if the stock soars, you may have to buy it at the new high price in order to deliver it to whomever bought the call you sold. You can potentially lose a lot. Of course, if the stock doesn't pass the "strike price" before the option expires, you simply pocket the price of the option. That's why people write naked calls.

With the much more conservative covered-calls strategy, you sell a call only when you own the underlying stock and are willing to part with it, if need be. You can't lose money on the arrangement.

If the stock soars and someone exercises the option you sold them, you don't have to buy the shares at the new high price — you already own them and can hand them over, still having pocketed the price of the option. Of course, you may end up wishing you still owned the stock, if it keeps soaring.

Q What are "basis points"?

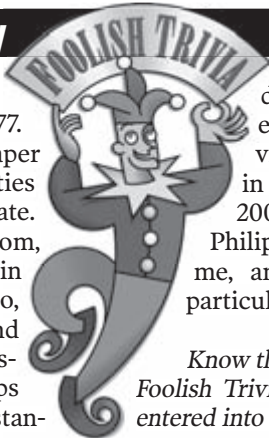
— T.R., Morganton, N.C.

A Basis points are 1/100ths of a percentage point. So if you hear, say, that some interest rate is down 50 basis points, that means it's down half a percentage point. ■

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

## Name That Company

I'm a large media and education company, founded in 1877. Along with the flagship newspaper that bears my name, my properties include *Newsweek* magazine, *Slate.com*, *BudgetTravel.com*, *Sprig.com*, *CourseAdvisor*, television stations in Detroit, Houston, Miami, Orlando, San Antonio and Jacksonville, and the Cable ONE cable television system. I also own Kaplan, which helps students prepare for a variety of stan-



dardized tests, among other educational and career services. (Kaplan alone raked in more than \$2 billion in 2007.) There's a popular John Philip Sousa march named after me, and Richard Nixon didn't particularly like 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

### The Little Garmin That Could

With global-positioning product specialist Garmin's (Nasdaq: GRMN) recent earnings report, the company showed some real progress. First and foremost, it exceeded expectations, with revenues climbing 19 percent, led by strong 35 percent growth in the firm's second-largest GPS segment, outdoor/fitness. Meanwhile, the flagship automotive/mobile unit grew by 21 percent.

As expected, however, profit margin pressures continued to squeeze profits on those sales. But here's the good news about falling margins — by taking the hit, Garmin's made real progress in working down its inventories. Up 125 percent year

over year at the end of the second quarter, they're now down to a still-too-high, but less frightening 42 percent increase for the third quarter. And management is planning further reductions, possibly putting an end to its inventory glut in as little time as three months.

And the story could get even better. Slowing its inventory pileup helped Garmin generate \$202 million in free cash flow, bringing the company's rolling tally up to around \$500 million. That gives it a price-to-free-cash-flow ratio of approximately 9, versus predicted growth of 14 percent per year. If free cash flow continues to swell through further inventory liquidation in the fourth quarter, its valuation could get more attractive still. ■

## BUSINESS BRIEFS

### Commercial real estate

► **Woodyard & Associates, LLC** announced the following transactions:

J. Garth & Associates Property Management leased office space for one year from Pinebrook Pine, LLC, 12995 S. Cleveland Ave, Suite 54, Fort Myers. Steve Wood of Woodyard & Associates, LLC negotiated the transaction.

Joyce Deleppo, d/b/a The Little Red Schoolhouse, renewed the lease for 1,595 square feet of retail space for three years from Pinebrook Pine, LLC, 12995 S. Cleveland Ave, Suite 140, Fort Myers. Steve Wood and Todd Holman of Woodyard & Associates, LLC negotiated the transaction.

Tervis Tumbler Company renewed its

lease for retail space for three years from Pinebrook Pine, LLC, 12995 S. Cleveland Ave, Suite 139A, Fort Myers. Steve Wood and Todd Holman of Woodyard & Associates, LLC negotiated the transaction.

► **The Boback Commercial Group, RE/MAX Edge** has moved to 8890 Salrose Lane, Suite 104, Fort Myers. The 6,000-square-foot suite is located on Daniels Parkway about one mile west of Interstate 75. The telephone number is 466-7770.

► **CB Richard Ellis**, Fort Myers-Naples announced the following transactions:

Dale and Sheila Phillips purchased two industrial condominium units at 1750 J & C Blvd. Naples, from Gulf Sun Development Corp. for \$423,000. Bob Vigliotti of CB Richard Ellis, Fort Myers-Naples

represented the seller and Dave Wallace of Premier Properties represented the buyer.

Gilman Ciocia, Inc leased 1,300 square feet at The Esterra Professional Center, located at 6231 Estero Blvd. Fort Myers Beach, from Sunstream, Inc. Nicole Fontaine and Enn Luthringer of CB Richard Ellis, Fort Myers-Naples brokered the transaction.

Old Naples Bay leased 893 square feet at Dockside Boardwalk, 1100 6th Ave., Naples, from Dockside Realty Trust. Bill Young, Larry Foster and Dan O'Berski of CB Richard Ellis, Fort Myers-Naples brokered the transaction.

Six Degrees Exhibitions leased 635 square feet at Dockside Boardwalk, 1100 6th Ave., Naples, from Dockside Realty Trust. Bill Young of CB Richard Ellis, Fort Myers-Naples brokered the transaction.

### Commercial design

**SchenkelShultz Architecture of Fort Myers** has designed St. Lucie County Public Schools' newly-completed \$74 million, 344,331-square-foot Fort Pierce Central High School in Fort Pierce. The replacement high school was designed to accommodate 2,500 students and includes: small-scale learning communities with 150-300 students per academic community; media center and learning technology center; art, band and music facilities; and a decentralized administrative suite. Career education components include nursing and allied health, automotive technology, culinary arts, computer-aided design technology, computer design and programming, early childhood education and engineering robotics. James A. Cummings, Inc. served as construction manager. ■