



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Lotteries in Perspective

The lottery can offer harmless fun — or financial ruin.

As Brigham Young University math professor Tyler Jarvis once pointed out: "The chances of winning the California Lotto Jackpot are approximately one in 18 million. If you have to drive 10 miles to buy this ticket, you are three times more likely to be killed in an automobile accident on the way than to win the jackpot." He added that if you stood all the losers of this lottery in a line, it would be 6,800 miles long, more than the distance from Manhattan to Tokyo. Here's another way to think about it: If you bought 50 tickets per week, you ought to win once every 6,923 years. So you should have won by now — if you'd started playing around 5000 B.C.

McMaster University professor Fred Hoppe asked this question: "Would you pay \$1 to bet on 24 'heads' in a row? The chances of that happening, as anyone who flips coins knows, is virtually impossible." Yet millions play lotteries, pin-

ning hopes on similar odds. Hoppe has explained that if you spend \$25 on lottery tickets each week for 20 years (total: \$26,000), you can expect to lose \$13,000. The Gambling Free Tennessee Alliance reported that "If a person bought 100 \$1 lottery tickets every week for his entire adult life from age 18 to 75, that \$296,400 investment will still only give him less than one chance in 100 of hitting the jackpot."

Payout rates for lotteries stink. Lotteries often keep about 50 percent of gambled money, while slot machines keep 5 to 25 percent, roulette games keep 5 percent, and horse racing keeps 13 to 17 percent.

The biggest lottery losers are the poor, who are much more likely to play the lottery, heavily, than wealthier folks. As many have quipped, lotteries are "a tax on people who aren't good at math."

Don't buy more than occasional tickets for fun. As humorist Fran Lebowitz has reportedly noted, "I figure you have the same chance of winning the lottery whether you play or not." ■

My Dumbest Investment Broker and Broker

In 1984, my wife and I had saved \$15,000 and wanted to invest. At a big brokerage, we were mighty impressed with our broker's three-piece suit and the photo on his desk of his loving wife and children. He convinced us to invest \$5,000 in a limited real estate partnership, \$5,000 in a gas and oil company, and \$5,000 in his company's aggressive-growth mutual fund. Well, in less than seven years, the first two investments went bankrupt. Imagine if he had just recommended blue-chip stocks. We've since invested in Hewlett-Packard and IBM.

— Joe Yarborough, Tampa, Fla.

The Fool Responds: This is a good reminder that not all brokers are brilliant or are working in your best interest. (Many earn commissions by getting you to invest in this or that, or by getting you to trade frequently.) Many blue chips can be hard to beat. Hewlett-Packard has averaged about 10 percent per year over the past 20 years, and a market-trouncing 3 percent over the past decade. IBM has grown more slowly, but has still grown, beating the market. ■



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 trace my roots back to a British soapmaker in the 1890s. Today I'm a global food and hygiene leader. I'm the world's largest ice cream maker, with U.S. brands that include Ben & Jerry's and Breyers. Some of my 400 brands include Axe, Bertolli, Caress, Country Crock, Degree, Dove, Hellmann's, Klondike, Knorr, Lipton, Popsicle, Promise, Q-Tips, Skippy, Slim-Fast, Suave, Sunsilk and Vaseline. Around the world, someone chooses one of my products 160 million times a day. I raked in almost \$10 billion in sales in 2007 and employ nearly 180,000 people in 100 countries. Who am I? ■

(Unilever)



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

The Forced Selling Snowball

Q What's "forced selling"? — T.W., Panama City, Fla.

A You'll hear about forced selling these days because the many big drops in the stock market that we've seen recently suggest that it's going on. Plus, once it starts, it tends to snowball.

Imagine that you own shares of a mutual fund, and it has fallen in value by 30 percent, as has happened with some funds lately. In many cases, it's best to just hang on, waiting for a recovery — at least as long as you still have faith in the managers. But many shareholders will bail out, in fear or anger. When they do, the managers have to sell off some of the fund's holdings in order to generate the cash needed for withdrawals. With many funds thus selling lots of stocks, that sends the price of the stocks downward. This then causes more investors to sell, putting further pressure on stocks. Ironically, at a time when many fund managers see bargains galore, they're forced to sell, not buy.

Meanwhile, other investors, big and small, have bought stocks "on margin," meaning with borrowed money. If those stocks fall sharply, they need to put in more money, or sell. And many sell, further exacerbating the problem.

Q Are there some Web sites where I can learn about companies engaging in shenanigans?

— K.N., Greensboro, N.C.

A There sure are. Click over to www.footnoted.org to learn about surprising information buried in financial reports, www.fundalarm.com for mutual fund shenanigans, and www.thecorporatelibrary.com for insights on how well companies govern themselves. Our Fool writers have also been known to uncover some shenanigans — you can check out our recent articles at www.fool.com/foolwatch. ■

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

Name That Company

I was founded in 1868 on a salt dome island in Louisiana by a guy who made a sauce out of peppers from Mexico or Central America and French wine vinegar. Legend has it that he first packaged the product in used perfume bottles. In 1892, he founded a bird colony on the island to protect egrets that were being killed for their decorative feathers. He soon added plant life, and today his famed



Jungle Gardens and Bird City attract visitors from all over the world. Each of my 2-ounce red bottles contains at least 720 drops. 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

Applied Materials

Shares of semiconductor equipment-maker Applied Materials (Nasdaq: AMAT) have been bouncing around lately, even after the company delivered some good news.

At the headline level, you'd be hard-pressed to call the company's fiscal 2008 anything but a poor performance. Sales plummeted 16 percent for the year. The operating margin shed around 8 percentage points to end at 16.4 percent. And the diluted earnings per share plunged about 42 percent.

But consider this: In the final quarter of Applied Materials' fiscal year, sales amounted to just \$2.04 billion. But the company took in new orders of \$2.21 billion. The backlog of work to be done now stands at \$4.85 billion

— 33 percent higher than at the end of the last fiscal year, implying future sales growth.

Furthermore, heading into fiscal 2009, Applied Materials' CEO promised to "implement further cost-reduction actions" that could produce annual savings of as much as \$400 million — thus answering the unvoiced rhetorical question: What goes great with better sales? Improved profit margins.

Need we say it? Trading with a price-to-earnings (P/E) ratio of around 12, with analysts predicting 10 percent long-term profit growth over the next half decade and backlog trends supporting these growth predictions, Applied Materials looks cheap. If you're still skittish, add it to your watch list and consider buying it on a further drop. ■

BUSINESS NEWS

Sanibel jewelers earn certification

Lily & Co. Jewelers' associates Donna Indresano, Kim Devito, Kalliopi Alvarez and Holly McIntosh have received their diamond and gemstone certification.

The Diamond Council of America offers the certification. This not-for-

profit organization provides the professional jeweler with an opportunity to earn a certification in diamonds and gemstones through distance education, and gives salespeople the knowledge and training necessary to make them

successful.

"We feel that offering our customers the best level of service available is the only way to do business," said co-owner Dan Schuyler. "Certifications like those offered by DCA ensure that our sales associates are both professional and knowledgeable, guaranteeing that our clients get the best quality of gemstones for their money."

Lily & Co. is Sanibel's only jewelry gallery, combining fine jewelry and an art gallery in one location. ■



Law firm changes name

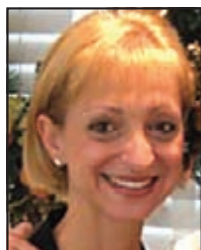
Attorneys at the law firm of Roosa, Sutton, Burandt, Adamski, & Grossman LLP are changing their name. Two of the firm's attorneys, Richard Roosa and Larry Sutton, will begin semi-retirement and will no longer be part of the law firm. The new name of the practice will be Burandt, Adamski, & Grossman, LLP. The law firm offers a broad range of legal advice and services, including personal injury, probate and estates, real estate, business, litigation and family and marriage law. ■



Indresano



Devito



Alvarez



McIntosh