



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Know When to Sell

It's important to think things through before buying a stock, but you need to think about when to sell it, too. Otherwise, you might end up holding onto a stinker for far too long.

Don't sell just because a stock or the market is falling, or you've heard some rumors about the company, or someone tells you to sell. Do consider selling:

- If you can't remember why you bought it in the first place.
- If you don't know what the company does or how it makes its money.
- If the reason you bought a stock is no longer valid. Maybe the CEO has changed, for example, or the company is moving in a new direction that doesn't seem too promising.
- If the stock has become significantly overvalued relative to your target price. If you bought shares of Boeing at \$50 per share and it's now trading around \$85, well above your target price of \$65, you might sell. Consider the tax conse-

quences, though. If you expect the stock to hit \$100 in a few years, you might want to just hang on.

- If you find a much more attractive place to invest your money. If your calculations suggest that a holding is now fairly valued and another stock appears to be undervalued by 50 percent, you stand to gain more in the other stock. Again, consider tax effects.

- If a stock is your only holding. Portfolios should be diversified, but not too diversified. For many people, eight to 15 stocks is about right. If one holding grows to represent more than, say, 20 to 30 percent of your portfolio, consider selling some of it.

- If you'll need that money within a few years. Any greenbacks you'll need in three to five (or 10) years should be in a less volatile place than stocks, such as a money market fund or CD.

- If you're only hanging on for emotional reasons. ■

My Dumbest Investment

A Past of Cattle Futures

Back in the early 1990s, when I was in my 20s and trying speculative market ventures, a co-worker was receiving calls from a futures broker in Chicago. He said I should try it out. So I sent in \$3,000. My money was put into cattle futures, and I saw my investment go to about \$6,000! Within a few months, though, I suddenly had lost everything and then some — I owed them another \$2,000. The happy ending here is that ultimately, I managed to lose only everything I invested.

— S. Smith, Pittsburgh

The Fool Responds: Investing in commodities can be very risky. One danger with them is that you can get sunk by leverage, investing with a lot of borrowed money. If things go your way, you might make great returns. But if they don't, you can end up owing much more than you invested. This is how many people have been wiped out by commodities. Know that many investors do very well without ever investing in commodities — you don't need to resort to pork bellies and soybeans. ■



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 started out in aircraft in the 1930s. Today I'm a global security giant that rakes in nearly \$34 billion yearly, offering aerospace, electronics, information systems, shipbuilding and technical services. Based in Los Angeles, I produce spacecraft, laser systems and nuclear-powered submarines, among many other things. My acquisitions over the years have included Westinghouse Defense Electronics, Logicon, Teledyne Ryan Aeronautical, Litton Industries, Newport News Shipbuilding and TRW. My products have included the N-3PB patrol bomber of 1940, the F6F Hellcat of 1944, the F-5 supersonic fighter of 1959, and the B-2 stealth bomber. Who am I? ■

(Answer: Northrop Grumman)



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

Bulls and Bears, Oh My!

Q What do the terms "bull" and "bear" mean?

— T.R., Escondido, Calif.

A You're a bull, or "bullish," on a particular stock or the market if you expect it to go up. A "bear" is pessimistic, expecting a drop in the near future. No one really knows for sure what the market will do in the short term. But in the long run it has tended to go up, so we're long-term bulls. Over many decades, the stock market has averaged about 10 percent per year — and that's despite market crashes, world wars and the Great Depression.

Q Does a company get our money when we buy stocks through a brokerage?

— H.W., Erie, Pa.

A Not really. Stocks are a little like trading cards. When a company like Topps sells a pack of gum with cards in it, Topps gets its money from the buyer. But after that, the cards may be traded between many owners, going up and down in value, with Topps never getting a penny more.

When a company first issues shares of its stock, in an initial public offering (IPO), it collects its money for them, based on their estimated value at the time. After that, the shares are typically traded on major exchanges.

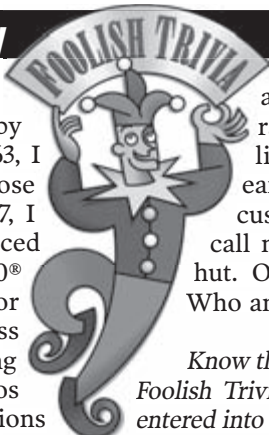
The buyers and sellers exchange money, and middlemen such as brokerages take a cut, but money doesn't flow to the company. In fact, if the company pays a dividend, it will be paying out part of its income to shareholders each year.

Companies do occasionally execute "secondary" offerings of stock, collecting money when those new shares are released into the market. But after that, the shares once more are simply traded between investors.

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

Name That Company

I was born in 1919 in Fort Worth, Texas, and began by selling leather shoe parts. In 1963, I bought an electronics chain whose name I took as my own. In 1977, I introduced the first mass-produced personal computer: the TRS-80® microcomputer. Today I'm a major retailer of name-brand wireless communication products, along with all kinds of gadgets, gizmos and gifts. With 6,000-plus locations



and 35,000 employees, I rake in more than \$4 billion annually and have earned high marks for my customer service. You might call me a wireless transmitter hut. Or a broadcast bungalow. 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

Solid Freeport

Freeport-McMoRan Copper and Gold (NYSE: FCX), the world's largest publicly traded copper producer, took a 96 percent earnings hit in its March quarter over last year. Nevertheless, improving copper prices are leading to higher share values.

For the quarter, copper sales reached 1 billion pounds, up from 911 million pounds a year ago. And sales of 545,000 ounces of gold far outstripped the 280,000 ounces sold in the first quarter of 2008. But economic conditions chopped Freeport's molybdenum volume in half, to 10 million pounds, as the average realized molybdenum price plummeted to \$11.52 a pound, from above \$30.

Freeport CEO Richard Adkerson has expressed confidence that demand for copper from China is "clearly sustainable," noting that China is building a new infrastructure, including transportation and power facilities and housing, all of which need copper.

Freeport's share price has fluctuated dramatically during the past year, from about \$125 in May 2008 to below \$20 in December, and recently near \$40. But with its geographic diversity and strong asset base, Freeport is a solid company, which should benefit from commodities demand from developing nations and an eventual global economic recovery. It deserves continued monitoring by those with a yen for metals and mining. ■

BUSINESS BRIEFS

Bulletproof Business event June 11

The News-Press Bulletproof Business event, focusing on "Running a No Nonsense Business in a Senseless Economy," will take place on June 11 from 7:30 to 11 a.m. at the Harborside Event Center in the Fort Myers River District.

Led by Chuck E. Cheese creator and best selling author Gene Landrum, Ph.D., and dynamic business and sales expert Scott Robertson of The Umbrella Group, the seminar will offer practical, actionable strategies to help business



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leaders restore morale, increase sales, enhance service and improve profitability.

Seminar topics include: leading people in tough times; how to create a positive energy in the workplace; how to conduct a strategic audit of your business; improving employee engagement; seven steps to breakthrough sales; how to implement a more effective sales strategy; how to overcome the salesperson stigmatism; and how to benchmark sales performance and improve customer satisfaction.

Tickets for the seminar are \$99 and are available at www.bulletproofbusiness2009.com. Premium placement tables of eight are available for \$750. A continental breakfast will be provided at 7:30 a.m. The program will begin at 8 a.m. ■

Development changes focus of REIS meeting

The Florida Legislature has just passed a number of bills that change growth management practices and development regulation. At the same time, economic conditions are hindering infrastructure projects and causing concurrency moratoria throughout the state. All of these factors affect the way real estate development will take place as the state emerges from the downturn in the real estate market. The changes, challenges and options available to the real estate industry will be discussed by land-use attorney Ron Weaver at the June 9 meeting of the Real Estate Investment Society.

Mr. Weaver will review legislative actions and issues affecting business growth and real estate development. He is also expected to present options for securing land use entitlements and planning development under the changing regulatory and market conditions. Mr. Weaver is a partner in the Tampa law firm Stearns Weaver Miller and frequently lectures and publishes articles on Florida's growth management laws and land use regulations.

The meeting will begin promptly at 11:45 a.m. on Tuesday, June 9, in the Osprey Room at Pelican Preserve's Clubhouse on Treeline Avenue at Colonial Boulevard. Admission is \$25 for members and \$35 for guests, which includes lunch. Reservations are required by June 3 and may be made at the REIS Web site: www.reis-swfl.org. ■