



# THE MOTLEY FOOL®

To Educate, Amuse & Enrich

## Fool's School

### The Omaha Perspective

In early May, more than 30,000 Berkshire Hathaway shareholders descended on Omaha, Neb., to listen to Chairman (and superinvestor) Warren Buffett and his partner, Charlie Munger, answer questions for five hours. Here are some snippets, paraphrased:

**On the dollar's outlook:** It's unpredictable, but I guarantee the dollar will buy less in 10 to 20 years. No one knows exactly what will happen, but you can bet on inflation. We've always had inflation, though — the trick is to avoid runaway inflation.

**On executive compensation:** In our experience, boards of directors have relatively little effect on compensation. CEOs have managed to be an important determinant of their own compensation arrangements. CEOs appoint the compensation committees and they look for cocker spaniels, not Dobermans. Boards have done very little thinking about how to best pay executives and motivate them to not do the wrong thing.

**On their reaction to the market downturn:** It isn't as dramatic as the 1973-1974 downturn

was. I'm going to be buying investments for the rest of my life. I would much rather pay half of X dollars than X dollars. I like lower prices. I realize that's not the way everyone feels. It just makes sense that when things are on sale you should be more excited about them. If stocks are down 40 percent on average, they're obviously more attractively priced than before.

**On what young people should learn about investing:** It's important to know how to value a business and to know how to judge the markets. You can disregard modern portfolio theory and many things they teach in business school. Know and stay within your circle of competence. Start small and learn as you go along. It's good to learn about accounting principles. The market is there to serve you. You don't need a high IQ, but rather an emotional stability and inner peace about the decisions you have made.

We'll offer a few more nuggets next week. In the meantime, you'd do well to read some of Buffett's educational letters to shareholders at [www.berkshirehathaway.com](http://www.berkshirehathaway.com). ■

## My Smartest Investment

### Stock Takes Flight

After losing money on investments made on my broker's advice, I started using Value Line. In December 1974, Value Line predicted earnings of \$2 in 1975 for an aircraft company. The company faced some challenges, but I bought 200 shares at \$3.50 for \$700. The company earned \$1.29 instead of \$2, but the stock doubled. I held on another year, and it doubled again. I sold in 1978 for \$15.33 per share (and should have hung on longer).

— R. Weber, Lancaster, Pa.

**The Fool Responds:** Companies facing challenges have often been beaten down and can turn out to be great or regrettable buys. You were smart to do your own homework, examining the company's financial performance and gathering other data via Value Line. These days there's much more information available about companies — on financial Web sites such as Yahoo! Finance, Google Finance, AOL Money & Finance and at Fool.com, too, as well as online discussion boards, companies' own Web sites and elsewhere. It's important to do your own homework when investing, and that's gotten a lot easier in recent years. ■



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 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? ■

(Answer: RadioShack)



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

### Cash Matters

Q Is it good to see a lot of cash on a company's balance sheet?

— N.B., Dalton, Ga.

A It depends. Firms with gobs of cash can act quickly when opportunities arise. But many successful companies purposefully maintain cash balances near zero. They use their money to buy back shares (essentially retiring them) and acquire other companies, among other things. If they suddenly need some cash, they draw on lines of credit.

You might be surprised at just how much cash some companies have in their coffers. As of December 2008, for example, General Electric had more than \$48 billion in cash and cash equivalents. Around the same time, ExxonMobil, Wal-Mart, McDonald's and Home Depot had around \$30 billion, \$7 billion, \$2 billion and \$500 million, respectively. Different companies manage their cash in different ways, with varying degrees of success.

Q I'm saving to buy my first home within three years. How should I invest the money in order to get the maximum return on it?

— D.C., Muskegon, Mich.

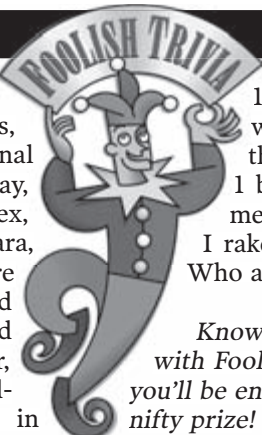
A Well, the stock market is often best for long-term investment appreciation, but it should be off-limits. In the short run, the stock market can go up — or down, as 2008 reminded us. In the long run, it has averaged about 10 percent per year, but even that's an average, not a guarantee.

Don't risk money you'll need within three to five (or even seven) years in stocks, or you may end up able to afford only a corrugated aluminum shack. Short-term scratch should be kept in a safe place, such as CDs or money market funds, to protect your principal. Learn more about short-term savings at [www.fool.com/savings](http://www.fool.com/savings) and [www.bankrate.com](http://www.bankrate.com).

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

## Name That Company

Founded in 1932 to sell nail enamel, I'm a titan in cosmetics, skin care, fragrance and personal care. My brands — such as Almay, ColorStay, New Complexion, Flex, Flair, Fire & Ice, Jean Nate, Ciara, Enjoli, Jontue and Ultima II — are known worldwide. During World War II, I made first-aid kits and dye markers for the Navy. Later, I introduced manicure and pedicure tools. Charlie, introduced in



1973, quickly became the world's top fragrance. In the 1990s, I became the No. 1 brand in mass color cosmetics. Based in Manhattan, I rake in \$1.3 billion annually. 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

### DirecTV Grows

Think consumers are reining in entertainment spending now that times are tough? Think again.

DirecTV (Nasdaq: DTV) gained 460,000 net new subscribers in its latest quarter, on 7 percent year-over-year revenue growth. Consumers must be scaling back on other expenses, while signing up for TV programming packages. Earnings per share fell 38 percent due to heavy investment in promotional offers to recruit new customers — but that should pay off in time.

The same story is playing out elsewhere. Comcast lost 2 percent of its standard cable customers since last year, but more than made up for that with 8 percent growth in its digital

cable customer base. Verizon's FiOS service, the newest, smallest and most high-tech kid on the block, is growing by leaps and bounds.

Throw in healthy growth for video rental expert Netflix (a Motley Fool Stock Advisor pick), and it looks like many Americans are trying to beat the blues with a heavy dose of mindless entertainment. (We'll see whether these gains will be sustainable when the good times start to roll again. By then, many customers may stick around simply because they enjoy the service.)

Investors can take heart that those who sign up for on-demand services, triple-play package deals, high-definition programming and other fancy extras tend to stay around longer, and that's where the growth happens to be these days. ■

## BUSINESS BRIEFS

### Collins & Dupont wins award for brochure

Collins & Dupont, a Southwest Florida design firm, won two print excellence awards from the Printing Industries Association.

The brochure won two awards at the regional level, a Gold Award in the Specialty Finishing/Combination of Techniques category and a People's Choice Award. Gold Awards are given to the pieces judged to be the best in each of 30 categories and the People's Choice award is given to the piece receiving the most peer votes. Printing Industries of America has more than 10,000 members throughout North America in the world. ■

### Lee County Bar Association meets

The next luncheon meeting of the Lee County Bar Association will be held at 11:45 a.m. on June 19 at The Edison Restaurant, 3583 McGregor Blvd., Fort Myers. The meeting will feature keynote speaker Jeff Zbar, presenting "Technology for Remote Access." The luncheon will be preceded by a free, continuing legal education program for attorneys and paralegals at 10:30 a.m. on "E-Filing for Attorneys," presented by Clerk of the Courts Charlie Green. The luncheon is open to the public by advance reservation only. RSVP to [info@leebar.org](mailto:info@leebar.org) or call 334-0047. Cost is \$20 for members and \$25 for others. ■

### Presstige adds value to print services

Presstige Printing will offer complimentary design with any new print order on products such as postcards, pocket folders and tri-fold brochures through Sept. 30. Customers are asked to supply a logo and written text with each new order.

The company recently added a digital press to its printing tools to maximize efficiency. The press is the only one of its kind in Southwest Florida.

Established more than 25 years ago, the company offers large format offset printing, aqueous coating, die cutting, green products and bindery capabilities. Call 949-8518 or visit [www.presstigeprinting.com](http://www.presstigeprinting.com) for more information. ■

### Southwest Florida International Airport reports April traffic

Southwest Florida International Airport reported that 849,815 passengers traveled through the terminal in April, an increase of 1.8 percent over last year. Year-to-date, passenger traffic is down 2.7 percent over the same period last year.

AirTran carried the most passengers, with 143,457 traveling in and out of Fort Myers. Other carriers in the top five were JetBlue (121,753), Delta (92,283), Southwest (90,188) and Continental (81,299) ■

