



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Wisdom From Omaha

Here are some words of wisdom from superinvestors Warren Buffett and Charlie Munger from their recent Berkshire Hathaway annual meeting. They're paraphrased:

On trying to time the market: We don't try to pick bottoms. Sitting around and not doing something sensible (such as buying an attractively priced stock) because you think there might be a better price later doesn't make sense. Picking bottoms is not our game — it's impossible.

On retailers today: The recent drop in consumer spending and its effect on the retailing, manufacturing and services industries could last quite a long time. I would not look for any quick rebound.

On stock repurchases: I think 90 percent of the repurchase activity I've seen in last five years didn't benefit shareholders — I think it's because management thought it was the right thing to do and investor relations said to do it. We will never buy our stock at a silly price. Much of corporate America has done that over the years.

On the role of stock prices: Why would anybody sell Wells Fargo at \$9 per share when they bought it at \$25? People with stocks let a price tell them how they should feel about the company instead of looking at the business. (Remember that a stock's price doesn't tell you everything. If a stock's price falls, ask yourself if the company is really worth less, and if you think it will earn less money in the future. Often, the answer is no.)

On the future: There are always a lot of things wrong with the world, but it's the only world we've got. Over time people will live better and better in this country. We have a system that works, that unleashes human potential. Our economy is sputtering right now, but your kids will live better than you live.

Learn more in Buffett's letters to shareholders at www.berkshirehathaway.com and in Alice Schroeder's book, "The Snowball: Warren Buffett and the Business of Life" (Bantam, \$35) and Roger Lowenstein's, "Buffett: The Making of an American Capitalist" (Random House, \$19). ■

My Dumbest Investment

Killed by Fine Print

The dumbest mistake I ever made was in the late 1960s, when I was 40ish. I deposited money each month into an annuity for my retirement. Later I decided that I could do better elsewhere — but I didn't consult the microscopic fine print. Withdrawing early, I got back about \$9,000 of my invested \$21,000 and almost had to retire right then due to shock or death on the spot. I learned my lesson: Read now or pay later.

— Mel Vickery, Sierra Vista, Ariz.

The Fool Responds: That's a good lesson. It's also smart to steer clear of variable annuities, as they have many disadvantages. For example, they typically sport high fees, can tie up your money for a long time, carry steep early withdrawal penalties, and your withdrawals will be taxed as ordinary income and won't enjoy the usually lower capital gains rate. A better option for some people is the fixed, or income, annuity. With that, you pay a set sum and receive guaranteed payments for the rest of your life. Learn more at www.fool.com/retirement/annuities/annuities.htm or in "Annuities For Dummies" (For Dummies, \$22) by Kerry Pechter. ■



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

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? ■

(Answer: Revlon)



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

Evaluating a Company

QHow should I examine the financials of a company in which I'm thinking of investing?

— R.D., Dover, N.H.

AThere are many numbers to look at and a bunch you can crunch. The more you learn, the more confidence you'll have in your decision to buy or not buy.

On the balance sheet, if inventory levels or accounts receivable are growing faster than sales, that's a worrisome sign. So is a rising debt level with high interest rates. Examine the statement of cash flows to see how cash is being generated.

Generally, you want to see most cash coming from ongoing operations — products or services sold — and not from the issuance of debt or stock or the sale of property.

Look at a company's profit margins (gross, operating and net). Higher margins suggest that a firm has a proprietary brand or technology it can charge more for. They often indicate a higher-quality company.

You could also examine return on equity and return on assets, comparing a company with its competitors. See which firm is generating more earnings for each dollar invested in the business. Check previous years' numbers, too, to see whether the trends are positive.

Learn more in "The Motley Fool Investment Workbook" by David and Tom Gardner (Fireside, \$14) and "Reading Financial Reports for Dummies" by Lita Epstein (For Dummies, \$22).

QWhat should someone who knows nothing about stocks read to learn to invest?

— S.T., Davenport, Iowa

AFirst, don't invest anything until you're comfortable with what you're doing. Investing books by Peter Lynch are great for beginners, as are the www.betterinvesting.org and www.fool.com Web sites. When you're ready to open a brokerage account, visit www.broker.fool.com for more info.

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

Name That Company

I'm one of the world's largest hotel companies, with names such as Sheraton, St. Regis, Le Meridien, Aloft, The Luxury Collection, Westin, Four Points and W. I own, lease, manage or franchise more than 900 properties with more than 280,000 rooms in more than 90 nations. I also develop, own and operate vacation ownership resorts, marketing and selling ownership interests to customers, along with providing



financing. I introduced my popular Westin "Heavenly Bed" in 1999 and launched my environmentally friendly "element" hotel chain in 2006. I employ more than 140,000 people, and my ticker symbol can scald. 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

'Say on Pay' Rejected

For all the complaining that we do about executive pay, it might come as a surprise that investors recently rejected two out of the three "say on pay" proposals at pharmaceutical companies' annual meetings. Shareholders at both Johnson & Johnson and Abbott Labs rejected the idea, and Pfizer's investors just barely passed the resolution.

Investors may have figured that the proposals, which give shareholders only an advisory role, don't have enough teeth. There are other ways to get shareholder opinions. Amgen and Prudential Financial have been gathering opinions online, for example, while other companies, such as Home Depot, have met with shareholders

individually or in groups.

Of course, investors have always had a voice: their sell button. Don't like the pay that the board is bestowing on the CEO? Just sell and move on. Or vote out the board members. Remember, shareholders own the company, and the board is supposed to act on their behalf.

"Say on pay" sounds good, but an advisory role really isn't worth very much. It would be a good start for investors to be able to trust managements to increase shareholder value, and for boards to pay executives appropriately. If that's not occurring, however, it's sometimes best to move on.

(Home Depot and Pfizer are Motley Fool Inside Value recommendations and Johnson & Johnson is an Income Investor pick.) ■

BUSINESS BRIEFS

Bulletproof Business event set for 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 leaders restore morale, increase sales, enhance service and improve profitability.

Seminar topics include: leading peo-

ple 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. ■

Free resume writing workshop on June 6

People who have recently lost their job, are looking for a new job, or are just trying to keep their resume up-to-date should take advantage of the free resume writing workshop to be hosted by Rasmussen College on Saturday, June 6, from noon to 3 p.m.

Attendees will learn how to write and format a resume properly, how to highlight strengths, and how to use a resume to secure a new career. Career placement professionals will lead the workshop and give tips and tricks to attendees on finding jobs and getting hired.

Computers will be available for job seekers to use to create their resumes. People will also be able to use the Internet on the campus to search for available positions.

"As the unemployment rate rises and as

the economy continues to get worse, Rasmussen College wants to be a tool for our communities to use in order to survive and grow despite this recession," said Rasmussen College's director of career services, Tami Hanson. "Our first step is to help people fine tune their resumes because they are so important to the job search process. Next, we will hold another one of our national career fairs."

The National Career Fair will take place on Thursday, June 11, from 2:30 to 5:30 p.m. For more information, visit <http://www.rasmussen.edu/careerfairweek/>.

People who cannot come to a campus can take the workshop online Tuesday, June 9, at 5 p.m. and 6:30 p.m. ■