



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Declining Earnings

Shareholders can be a company's biggest fans and most forgiving critics — but that can cost us. Consider: Which of the following stocks is expected to post lower earnings this fiscal year — Microsoft, Target, Carnival or Adobe Systems?

It can't be Microsoft, right? (Microsoft is a Motley Fool Inside Value recommendation.) It must be profiting greatly as the global computing population grows. Target? No way. The "cheap chic" message is resonating well these days, as department-store shoppers trade down to more affordable fashions. Carnival is the top dog in the cruising industry, a travel niche growing as bigger and better boats are christened. Adobe is the leader in desktop publishing software, with several ubiquitous brands such as Photoshop, Acrobat and Flash.

Well, it was a trick question. The correct answer is all of the above. Microsoft is struggling through a slowdown of Vista orders, as users wait for the company's new operating system. Target is being challenged by more upscale chains playing

the value card. Carnival is benefiting from lower fuel prices this summer, but weak discretionary income is forcing it to discount cabins to fill its ships. Adobe's showing signs of cracking, blaming recent shortcomings on the environment for its creative and knowledge-worker businesses.

It's up to you to determine whether you're looking at a temporary stumble or the beginning of a gradual decline in relevance. In 2005, Circuit City was the country's second-largest consumer electronics chain, growing in reach and rejecting its second buyout offer in three years. But its earnings were going away. And earlier this year, so did Circuit City, in the mother of all liquidations.

Now that's unlikely to happen with the four stocks above, but you never know where one bad step backward will lead. So keep a close eye on any of your companies that have declining earnings. Because if earnings continue to fall, so will stock prices. Don't forgive your stocks all the way to zero.

OOPS DEPT.: We recently wrote that McDonald's has been paying dividends since 1937. Make that 1976. ■

My Dumbest Investment

Fish Oil and Web sites

During the tech bubble, I bought shares of Zapata, a company known for selling fish oil. It announced it would be purchasing Internet sites. The stock went crazy, and I bought in. This is an example of the craziness that was going on. How dumb is that? Buying a fish oil company that was going to acquire Web sites? After unloading many stocks after the bubble burst, I had more than \$35,000 in losses that are slowly being used to offset income.

— *Primo, online*

The Fool Responds: That was indeed a time of investing euphoria and "irrational exuberance." Zapata was an animal byproducts company that also made sausage casings. It would appear that, like many investors of the day, Zapata didn't want to be left out of the skyrocketing prices of many Internet-related companies. Selling after a bubble bursts isn't always the best thing to do, as many fallen firms will recover, eventually. It's best to recognize bubbles early and to get out early. Learn more in John Kenneth Galbraith's book "A Short History of Financial Euphoria" (Penguin, \$14). ■



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 1807, I once published Washington Irving, Edgar Allan Poe and Herman Melville. I'm no Johnny-come-lately. More successful than a hapless coyote, I publish scientific, technical, medical, professional and scholarly journals, encyclopedias, books and more. I've published the works of more than 350 Nobel laureates. My brands include For Dummies, Frommer's, Betty Crocker, Pillsbury, CliffsNotes, Webster's New World, J.K. Lasser, Jossey-Bass, Pfeiffer and Sybex. Subjects I cover include business, technology, architecture, culinary arts, psychology, education, travel, health, religion, consumer reference and pets. Based in New Jersey, I rake in more than \$1.6 billion annually. Who am I? ■

(Answer: *John Wiley & Sons*)



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*.

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

Social Security Pay

Q How can I learn what Social Security might pay me in retirement
— JJ, Knoxville, Tenn.

A The Social Security Administration (SSA) regularly mails out a record of your earnings history along with estimates of the benefits you may qualify for now or later. If you haven't seen yours, you can submit Form SSA-7004, "Request for Social Security Statement." You'll find an electronic version of this form online at the SSA Web site at www.ssa.gov (look under "Forms"), or call the SSA at 800-772-1213.

Get more guidance on how to retire well at www.fool.com/retirement/index.aspx.

Q How can I put money into mutual funds and individual companies?
— R.B., West Palm Beach, Fla.

A You can invest in most mutual funds either through an account you set up at a brokerage, and/or through the mutual fund's parent company (such as Vanguard or T. Rowe Price). Some funds have small minimum initial investment requirements, such as \$500 (compared with \$10,000 or more for other funds). A good place to look up mutual fund track records, fees and phone numbers is www.morningstar.com. Remember that index funds such as ones that track the S&P 500 are the best funds for many of us. Learn more at www.indexfunds.com and www.fool.com/mutualfunds/mutualfunds.htm.

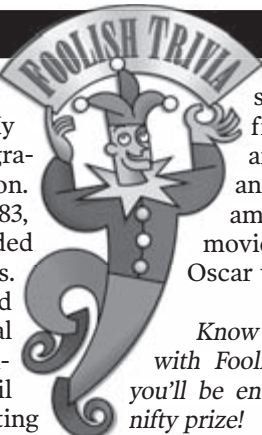
To open a brokerage account, first choose one that suits your needs. Then fill out an application and mail it in with a check. Through it, you can buy and sell shares of stocks, mutual funds and more. For guidance on finding a good brokerage, visit www.broker.fool.com.

Finally, consider using dividend reinvestment plans ("DRIPs"), which let you invest in companies with as little as \$50 or less per month. Learn more at www.fool.com/School/DRIPs.htm and www.dripinvestor.com.

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

Name That Company

My history can be traced back to 1881's Eastman Dry Plate Co. My founder aimed to simplify photography with low-cost mass production. After introducing film in rolls in 1883, he offered a \$25 camera pre-loaded with enough film for 100 exposures. By 1900, my popular Brownie sold for a mere dollar. Today, with annual sales topping \$9 billion, I offer digital cameras, inkjet printers, retail printing kiosks, commercial printing



software, photographic film, photographic paper and processing chemicals, and photofinishing services, among other things. Every movie that won a "Best Picture" Oscar was shot on my film. ■

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

Is Palm a Poor Stock?

In The Motley Fool's 135,000-member CAPS community, stocks are rated on a scale of one to five stars, based on member ratings. One-star ratings are the CAPS' equivalent of a flashing red warning beacon.

Palm (Nasdaq: PALM), known originally for its Palm Pilot and later its Treo, sports that dreaded one-star rating. Although the company was an awe-inspiring pioneer of the mobile technology market during the Internet boom, it fell on hard times after the bubble burst. It has since found itself on the losing end of competition with foes such as Research In Motion and Apple.

Since December, Palm's stock has absolutely been on fire, multiplying in value

more than eight times. The CAPS community, however, has not budged from its one-star rating. So what gives?

Well, CAPS member "SpoilsofWar" gave the stock a thumbs-down, saying that the company is "running on fumes even if the Pre (phone) is a hit." Member "SBeren" suggested that consumers will find the Pre too expensive compared with competitor offerings. Member "fmahnke" said that the stock's valuation "defies belief." More bullish, member "SreeRama" praised the company's product pipeline and management, and suggested that the company might be an acquisition target.

Visit our CAPS community at <http://CAPS.Fool.com> to read more opinions and offer your own. ■

BUSINESS BRIEFS

Sales training on tap this fall through Carew International

Carew International, a leader in sales training and development, offers open enrollment to its popular Dimensions of Professional Selling sales training Oct. 21-23 at the Sanibel Harbour Resort in Fort Myers. DPS is an industry standard for improving sales skills, and Carew International's most popular sales development program.

Dimensions of Professional Selling is a 2½-day training program designed to improve the planning, communication and selling skills necessary to boost closing rates and current business relationships. The workshop combines both interpersonal and functional skills for a customized and strategic approach to meet each participant's specific challenges and opportunities.

Carew International specializes in customized training programs to support company-wide development initiatives. Open enrollment training seminars such as the upcoming program in Fort Myers allow individuals from a variety of industries and organizations to participate and experience Carew's training first hand. For more information, call Tony Bowne at (513) 621-0229 or tony.bowne@carew.com or visit www.carew.com.

Carew International is a leader in training and development; specializing in comprehensive, proven programs for excellence in sales, sales management, negotiations and customer service. For more than 30 years, Carew has served clients worldwide. The company is headquartered in Cincinnati. ■

Wilson Creative Group to handle advertising for Bell Tower Shops

Bell Tower Shops, an upscale Fort Myers shopping center, has assigned its advertising needs to Wilson Creative Group, a full-service marketing firm based in Naples.

Wilson Creative Group has been assigned to implement re-branding elements essential to the Bell Tower Shops' recently announced renovation.

"We are thrilled to be affiliated Bell Tower Shops, a true Southwest Florida landmark for nearly 30 years," said Wilson Creative Group president and creative director Peggy Wilson. "We are

confident that we will contribute to a fresh, new marketing program."

The marketing firm's immediate focus



will be promotion of the center's summer event series, which began June 1.

Bell Tower Shops is an open-air lifestyle center, located at U.S. 41 and Daniels Parkway, with 40 retailers, including Saks Fifth Avenue and The Fresh Market, nine restaurants and Bell Tower 20 Regal Cinemas. ■