The Motley Fool®

To Educate, Amuse & Enrich

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

Footnotes and Tulips

Q Is it OK to just read a company's filings without reading the footnotes, too? *— M.S., Tucson, Ariz.*

A If you skip the footnotes, you might miss some red flags (or green ones). At **www.footnoted.org**, Michelle Leder offers a fascinating education on footnotes. She recently reviewed the "worst footnotes" of 2009, citing Martha Stewart getting $3 million to stay at her company, Chesapeake Energy disclosing that it spent $12 million buying its CEO's antique map collection, and Freddie Mac giving its new CFO a $2 million signing bonus (among other things), after taking in more than $50 billion in government aid. (Chesapeake Energy is a Motley Fool Inside Value recommendation and the Fool owns shares of it.) This is good stuff to know about companies that may interest you.

Less exciting are the useful details you'll also find in footnotes, such as the specific interest rates that a company is paying on its debt. You might not worry so much about a 3 percent obligation versus an 8 percent one.

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Q Why do I occasionally see tulips mentioned in my financial reading? *— D.J., Dalton, Ga.*

A They're references to the great "tulipmania" phenomenon that took Holland by storm in the mid-1600s. It's one of the first documented cases of a speculative investing frenzy. Incredibly, people were taking out loans on their homes in order to buy tulip bulbs. Prices soared to the modern-day equivalent of tens of thousands of dollars per bulb. Eventually, the proverbial bubble burst, wiping out many investors. The easiest way to avoid "tulipmania" is to avoid borrowing money to invest — and to be wary of stocks that seem to have soared beyond reason. (Check out the new Tulipmania board game at bouldergames.com or **www.funagain.com**.)

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

Fool's School

Too Old for Stocks?

As you get older, it seems that no one wants you to have any fun. After a lifetime of investing experience, and after you've gotten familiar with dozens of companies that have served you well, financial planners may tell you to bid farewell to those trusty stocks — even blue chips.

Sure, there's some logic there — as the recent bear market made perfectly clear. After all, when you're young, you can afford to take some big risks. Even if your investments do badly at first, you can wait for them to recover.

As you approach or enter retirement, you no longer have the luxury of weathering long downturns in stocks. You need that money now for your living expenses. You don't want to have to sell at very low prices just to pay your bills.

There's one big problem with reducing stock exposure as you get older: Although falling stock prices may seem like the biggest danger — especially now — people face other risks, too, as they approach retirement.

Even if your portfolio is adequate to cover your costs when you're just about to retire, there's the threat of inflation. With a $1 million portfolio invested entirely in ultra-safe Treasury bills, you won't even earn $10,000 in a year, thanks to rock-bottom interest rates. Moreover, the value of your principal will stay locked at that $1 million mark, and it won't be long before rising costs eat away at its purchasing power.

Stocks, on the other hand, can offer not only prices that rise over time, but also rising dividends. Companies such as ExxonMobil, Abbott Labs and McDonald's have a long history of increasing their dividends regularly, providing extra income that can help seniors keep up with inflation — even when the stocks themselves suffer temporary drops.

Retirees with substantial nest eggs may choose to sell some of their stocks every year to supplement their retirement income. So don't dismiss stocks — look into whether they can still serve you well.

My Dumbest Investment

From $5,000 to $5

I bought shares of Pacific Ethanol because I read that Bill Gates did. It turns out that Bill Gates is a lousy investor. It was my worst and best investment. It was the worst because my $5,000 turned into $5. (No, I never sold — I kept waiting for a comeback.) It was the best because I learned some lessons of a lifetime: Don't buy on speculation of future earnings. Don't buy nascent companies with zero history of making money in rough times. Don't buy because someone else does. *— C. Adams, West Chester, Pa.*

The Fool Responds: Whether it's Uncle Morty or Bill Gates who has you looking at a particular stock, always do your own thinking. Remember that even great investors get some decisions wrong. It's also smart to favor companies with respectable track records — or, heck, great track records. A terrific idea or product isn't enough — you need growing profits, little or manageable debt, competitive advantages, smart management and more. Visit us at **http://boards.Fool.com or http://CAPS.Fool.com** and see what thousands of investors think about various stocks.

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!

The Motley Fool Take

P&G's Tricky Task

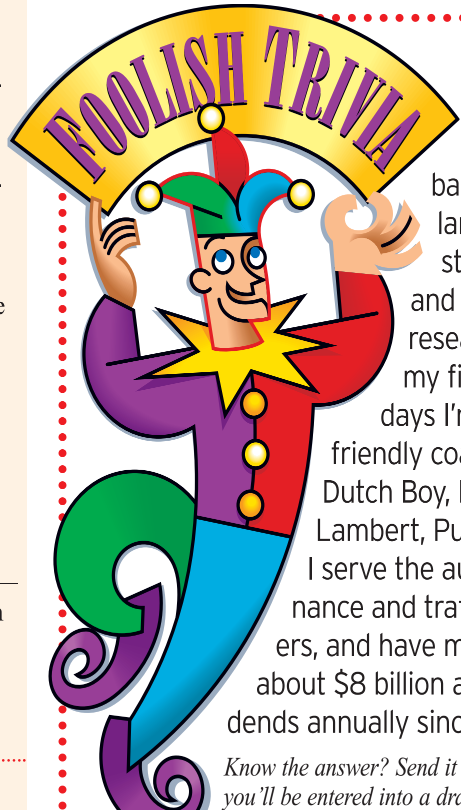
Recession-smacked Procter & Gamble (NYSE: PG) lowered prices on roughly 10 percent of its products last year. Now it's trying to squeeze more sales out of its most popular brands — but that move could flop badly.

Consider its Olay skin-care brand, which raked in nearly $3 billion in fiscal 2009. The company is reportedly planning to roll out a wrinkle-fighting body wash next month in Olay's Total Effects line, which currently consists exclusively of facial products.

Given Olay's history as a facial treatment, why lose that focus? Well, it's cheaper and faster to extend established brands into new categories than to build a fresh brand from scratch. But offering too many products under the same brand can confuse consumers and dilute the brand.

It's also risky to introduce value-oriented versions of traditionally premium brands, as the company has done with Pampers and Tide. In order for that to succeed, shoppers must believe the premium product is still worth the extra cost while also viewing the value version as a step up from the store brand. That's a tricky task.

P&G plans to introduce 30 percent more new products this year versus last, so in all seriousness, investors should keep an eye on the consumer reception. (Procter & Gamble is a Motley Fool Income Investor pick and The Motley Fool owns shares of it, too.)



Name That Company

My slogan is "Cover the Earth." Founded in 1866 and based in Cleveland, I'm America's largest specialty retailer of paint, stains, coatings, wall coverings and sundry items. I patented a resealable tin can in 1877 and paid my first dividend in 1885. These days I'm developing environmentally friendly coatings. My brand names include Dutch Boy, Krylon, Dupli-Color, Pratt & Lambert, Purdy, Thompson's and Minwax. I serve the automotive, industrial maintenance and traffic paint markets, among others, and have more than 3,300 stores. I rake in about $8 billion annually, and I've increased dividends annually since 1979. 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!

LAST WEEK'S TRIVIA ANSWER

I was founded in New York City in 1892. Early customers buying my outdoor gear included Teddy Roosevelt and Amelia Earhart. By the early 1900s I was selling clothing for women and men. Over the years I've offered golf lessons, a kennel, hot air balloons, falconry equipment, hip flasks during prohibition and much more. I filed for bankruptcy protection in 1977, was bought by The Limited in 1988, and was spun off in 1998 as an independent company. I operate more than 1,000 stores today, branded with my name or the Hollister, RUEHL or Gilly Hicks names. Who am I? (Answer: Abercrombie & Fitch)

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.*

(EDITORS: For editorial questions, contact Greg Melvin at gmelvin@amuniversal.com.)