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

Patience a Good Trait for Investors

Q Why should I invest in stocks if all my stock picks go down with the market? If I expect another big market drop, shouldn't I get out? *— Jack, online*

A You should invest in stocks only if you understand and accept that their value will fluctuate over time, sometimes swooning or surging sharply.

Over the long haul, if you've bought stocks at undervalued prices, they should approach or exceed their intrinsic value. But that can take time, and patience is a key trait of most successful investors. The intrinsic value of healthy, growing companies will also rise over time.

Think twice about exiting the market in anticipation of a drop, as no one knows exactly when the market will plunge or soar. You don't want to be sitting on the sidelines for months or years, missing out on gains.

That said, if you feel sure that any holding is very overvalued, selling is often the smart thing to do.

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Q I am a novice at investing, and I recently experienced something I don't understand. I placed a buy order for a stock before the market opened. The stock had closed at $102 the previous day, so I bid roughly that. But it opened at $105 and kept rising. What's the deal? How can a stock open at more than its closing price? *— S.K., online*

A Demand can build up for a stock overnight, due to a positive news report or other factors. This will have buyers willing to pay more for it and sellers thus selling it for more.

At any given moment, a stock's price reflects the last price at which someone was willing to buy it and someone was willing to sell it.

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

Fool's School

Time to Get Started

Have you run across statements like this? "If you had invested $10,000 in company ABC years ago, you would have $X today." Of course, X is always a large number like $500,000 or $1 million. That can be rather depressing, when you don't have $10,000 to invest all at once.

Don't despair. We know of one fellow who turned a measly $220 investment in food-distribution giant Sysco into $57,000. Granted, it took him 27 years, but what an X! On average, he earned about 23 percent per year.

Back when he made that investment, he paid a very large commission, as brokers charged a lot at the time and they also charged more for trades involving fewer shares than a "round lot" of 100. Those large commissions tended to keep small investors, with only a few hundred dollars to invest at a time, locked out. After all, it doesn't make much sense to pay $100 or more to invest $500.

Today, though, many discount brokers such as TD Ameritrade, E*Trade, ShareBuilder or Scottrade will charge you less than $10 per trade and no longer charge extra for buying less than a round lot. It can cost the same, whether you buy 17 shares or 1,500.

Better still, maintenance fees for low-balance accounts are a thing of the past at many brokerages, and many have direct deposit plans, letting you plunk a portion of your paycheck directly into your account. Learn what different brokers have to offer at **www.broker.fool.com**.

So forget the $10,000. Just $500 invested in tech company Research In Motion 10 years ago would be worth $7,450 today — a beautiful annual return of 31 percent. An investment in biotech enterprise Celgene would have become almost $13,000!

That's a road to riches — starting with just a few hundred dollars and combining it with time. Anyone can do that. Even if you've just retired, given the longer life expectancies today, it certainly can't hurt to start. In other words, *get started*.

Learn more at **www.fool.com/investing**.

My Dumbest Investment

Gone to the Dogs

When I was a junior at the Air Force Academy, I made about $300 a month. My brother, also a cadet, was a math major. After visiting the local greyhound racing track, we figured that if we could box five dogs (out of eight in the race), eliminating three that would not finish in the top three, we could make a lot of money. We figured if we could win the first race or two that we'd be home free. I could not attend the day he went, so I gave him my monthly pay and off he went. Not only did we not win every race, I had zero dollars left over when he returned. We did manage to win 12 of 15 races, but the pots were too small to cover our bet ($240 per race to box five dogs). Nowadays I stick to good mutual funds and strong stocks and bonds, and shy away from racetracks. *— W.H., online*

The Fool Responds: That's smart, because the odds are in your favor when you invest in solid stocks, bonds and funds over the long haul.

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

Don't Discount Oracle

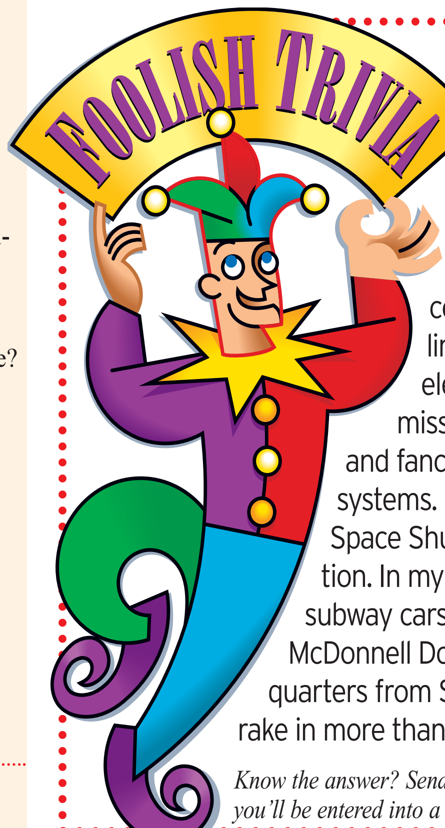
Some investors are abandoning database software giant Oracle (Nasdaq: ORCL), following what looks like a sobering fiscal-first-quarter earnings report. That's probably a big mistake.

OK, Oracle's $5.1 billion in revenue was a little shy of Wall Street's projected $5.2 billion. And new license revenue declined 17 percent year over year. Mix in increasing competition from SAP, Microsoft and IBM, and a stink-eyed European Commission, which isn't yet ready to release Sun Microsystems into Larry Ellison's hands, and it's tough to know exactly where Oracle's short-term growth will come from.

And yet, even with all that, Oracle produced more than $3.6 billion in free cash flow (FCF) during the quarter, and $8.5 billion over the trailing 12 months. Oracle's stock trades for just under 13 times FCF, below its recent cash flow growth rates. (Its trailing cash flow has grown 14 percent over the past year, for reference.)

It's true that Oracle doesn't appear very discounted at these levels, but buying it invests you in one of technology's most durable businesses, led by an experienced management team that's buying a key catalyst — Sun Microsystem's hardware and software business — at a fair price.

Oracle stock may not be cheap, but it sure seems to be as good a long-term value as you'll find in the tech sector.



Name That Company

Not long after the Wright brothers took flight in 1903, my founder turned a shipyard into an airplane factory. Today I'm the world's top aerospace company, making commercial jetliners, military aircraft, rotorcraft, electronic and defense systems, missiles, satellites, launch vehicles, and fancy information and communication systems. I also serve NASA, operating the Space Shuttle and International Space Station. In my past, I've made furniture, boats, subway cars and wind turbines. I merged with McDonnell Douglas in 1997. I moved my headquarters from Seattle to Chicago in 2001, and I rake in more than $60 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!

LAST WEEK'S TRIVIA ANSWER

I was founded in 1910 by a Nebraska teenager who moved to Kansas City, Mo., with two shoeboxes full of postcards. I produced my first Valentine in 1913, and today I crank out 18,000 new and redesigned greeting cards and related products per year. My cards come in 30 languages and are sold in 100 nations. Since 1951, my dramatic television series has won more than 75 Emmy awards. I have nearly 15,000 employees worldwide. My brands include Crayola and Silly Putty. I rake in more than $4 billion annually, and I'm privately held. Who am I? (Answer: Hallmark)

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.)