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

Investing for the Long Term

Q I've heard that you should invest in stocks for the long term. Just how long is that? — *A.P., online*

A Well, for tax purposes, you should aim to hang on for at least a year and a day, so that any gains qualify for the long-term capital gains rate, which is currently 15 percent for most of us. (Short-term gains, from holdings of one year or less, are taxed at your ordinary income rate.)

In general, though, aim to hold on for at least several years, if not many years — as long as the company remains healthy and growing at a good clip, and as long as its stock hasn't gotten way ahead of itself. Many fortunes have been built by people who invested in various companies for decades.

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Q Where can I find out when a company's recent stock splits were? I'd also like to see a chart that shows me how the stock performed after its splits. — *F.R., Tampa, Fla.*

A A good source is the horse's mouth. Call the company's investor relations department and ask. If you're online, head to **http://finance.yahoo.com**, enter the company's ticker symbol, and click "get quotes." Then choose "Basic Chart" in the blue box on the left. Right under the chart and above more data you'll find a list of recent splits. For lists of past and upcoming splits, visit **http://biz.yahoo.com/c/s.html**.

Just don't give stock splits undue importance. Suddenly owning more shares can be exciting, but it's not too meaningful. Pre-split, you might have owned 100 shares priced at $50 per share (total value: $5,000). Post-split, your 200 shares are worth about $25 each, for a total of … $5,000. Not much has changed.

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

Fool's School

High Returns

How can we ordinary investors find the next great blockbuster stocks? It's not impossible. Train your eyes to spot innovative companies breaking the rules in their industries, and you'll increase your odds dramatically. Investing in great companies early in their high-growth stages and then holding them for a long time can provide the highest possible returns.

We call those companies Rule Breakers. Motley Fool co-founder David Gardner has outlined several signs of potential Rule Breakers. Here are a few:

Sign No. 1: The top dog and first mover in an important, emerging industry. Think of America Online in the early 1990s, for example. These companies come from emerging industries — like biotechnology today or e-commerce a few years back — because it's unlikely that the railroad or meat-packing industries will be rapid growers.

Sign No. 2: Sustainable advantage gained through business momentum, patent protection, visionary leadership or inept competitors. Can the company protect the advantage it obtained from its first-mover status?

Sign No. 3: Strong past price appreciation. Sometimes, the best investments appear overvalued. You can buy into companies after they've doubled, or quadrupled, and still make huge profits.

Sign No. 4: Good management and smart backing. This is the most important attribute — and sometimes the most difficult to get right. Seek visionary leaders and look into a company's backers, too. If the best venture capital firms are behind a firm, maybe you should be, too.

Sign No. 5: Strong consumer appeal. Rule Breaking companies provide products or services that improve the quality of people's lives — perhaps by delivering movie DVDs to their door or by offering surgical robotic equipment.

Investing in the right Rule Breakers can deliver a bonanza to your portfolio. This is aggressive investing, though, as many contenders will flame out. So don't park more than a modest portion of your assets in these companies.

Learn more and see our picks in our Rule Breakers newsletter, where our analysts search for tomorrow's great growth stocks. Try it for free at **www.rulebreakers.fool.com**.

My Dumbest Investment

Good Idea Not Enough

My dumbest investment happened when I got a tip from a friend about a manufacturer of imaging equipment that had developed a way to detect breast cancer without having to compress a woman's breast (as is done in today's mammography machines). I'm not a woman, but that sure seemed like a welcome development. The bottom line is that the last time I checked, my $3,000 investment was worth less than $4. — *L.M.B., Maiden, N.C.*

The Fool Responds: It's easy to get excited by companies with revolutionary products, such as cures for cancer, or hints of great profits, such as via discoveries of gold. You have to look more closely at these companies, though. A good idea isn't enough. Does the firm have enough cash to start making and selling the product? Will it be priced affordably? Is it healthy, paying its bills and collecting its accounts receivable? Can a competitor quickly materialize and steal profits? Does the miracle cure or gold mine really exist, or is there merely the hope of it? Is management talented and trustworthy? These questions and others are critical to assess before you invest.

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

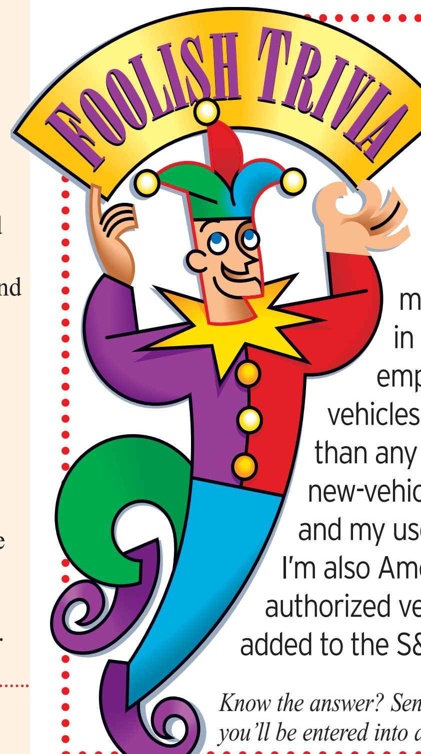
Caterpillar Signs

Global giants such as heavy equipment maker Caterpillar (NYSE: CAT) can offer clues about the health — or lack thereof — of the U.S. and global economies.

Caterpillar recently reported some bad and not-so-bad quarterly results. It earned $404 million in its third quarter, down 53 percent from last year's levels. As you'd expect, the decline was due primarily to a reduction in volume. On the flip side, however, Caterpillar benefited from cost reductions, a smaller employee base (17,000 fewer workers than last year), and a lower effective tax rate, among other things.

During the company's conference call, management noted that "Over the past year, we have seen an extraordinarily steep drop in demand in the industries we serve." Yes, that does sound ominous. But looking ahead, CEO Jim Owens observed, "We are seeing encouraging signs that indicate a recovery may be under way." For 2009, management is now forecasting higher profits, and for 2010, it anticipates sales and revenues improving by 10 percent to 25 percent from the mid-point of 2009 expectations.

To keep your finger on the pulse of the global economy, watch Caterpillar and other industrial bellwethers, such as Dow Chemical and Ingersoll-Rand, closely. And if you'd like to profit from our eventual economic recovery, consider adding Caterpillar to your watch list.



Name That Company

I trace my roots back to the mid-1990s, when I was known as Republic Industries. Today, based in Fort Lauderdale, Fla., I'm America's largest automotive retailer, with more than 250 new-vehicle franchises in 15 states and more than 15,000 employees. I've sold more than 7 million vehicles (under 37 different brands), more than any other auto retailer. In 2008, my new-vehicle sales totaled almost $8 billion, and my used-vehicle sales topped $3 billion. I'm also America's largest provider of factory-authorized vehicle parts and services. I was added to the S&P 500 index in 2003. 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 born in 1846 (more than 160 years ago!) when two New Englanders prepared baking soda for commercial distribution. My flagship brand name evokes limbs and tools. In 1986, more than 100 tons of it were used to clean 99 years of coal tar off the Statue of Liberty. Based in New Jersey, I'm involved in specialty chemicals, animal nutrition, and consumer products such as cleansers and home pregnancy tests. My brands include Lambert Kay, Nice'n Fluffy, Xtra, Arrid, Nair, Trojan, Pepsodent, Mentadent, Oxi Clean, Orange Glo, Kaboom and First Response. My annual sales top $2 billion. Who am I? (Answer: Church & Dwight)

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.)