

Ask the Fool

Some Low Yields Are OK

QI own some stocks that have dividend yields of 2 to 5 percent, and others with yields of 10 percent or more. Since all the companies seem sound, why shouldn't I move all the money into the higher-dividend ones? — *C.R., online*

A You should keep your money focused on your best ideas. But there's more to a company than its yield. For example, one yield might be 10 percent, but the company might be growing very slowly. Another might offer a 3 percent dividend, while growing more briskly and hiking its dividend regularly and significantly.

QI have about \$4,000 I'd like to invest in something. I would like to set up a Roth IRA, but I want to pull the money out whenever I need to without paying a penalty. What should I do? — *G.H., online*

A Well, remember that you shouldn't invest any money you'll need within a few years in stocks, as they can be rather volatile in the short run. So stick with investments such as CDs or money market funds for short-term money.

While Roth IRAs are terrific for most of us, you're expected to leave your money to grow in them for at least five years and to not begin withdrawing your earnings until age 59 1/2. Otherwise, a 10 percent early withdrawal penalty fee may apply. Glean additional details at www.fool.com/retirement/ira/index.aspx.

Alternatively, you might want to simply open a regular brokerage account for investments that are not tax-advantaged, where you can withdraw funds at will. Learn more at www.broker.fool.com. Don't dismiss the Roth too quickly, though — its tax benefit can be very powerful, though, as long as you can leave the money to grow.

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



The Motley Fool®

To Educate, Amuse & Enrich

Fool's School

The Danger Lurking in Your Portfolio

Your portfolio may be less diversified, and therefore more at-risk, than you think.

Mutual funds can be terrific, conveniently parking you in dozens or hundreds of stocks. But having a bunch of funds in your portfolio won't automatically make you more diversified. If you own too many of the same general type of mutual fund, you'll likely have a more concentrated portfolio than you think — and possibly some big gaps in your asset allocation.

For example, consider these three different funds: The Vanguard US Growth Fund (ticker: VWUSX) invests in U.S. companies with promising growth prospects. The Fidelity Select Technology Fund (FSPTX) focuses on the technology sector. The California Investment Nasdaq 100 Index (NASDX) is an index fund tracking the performance of the Nasdaq 100. It may seem that each of these funds would serve a different purpose in a portfolio.

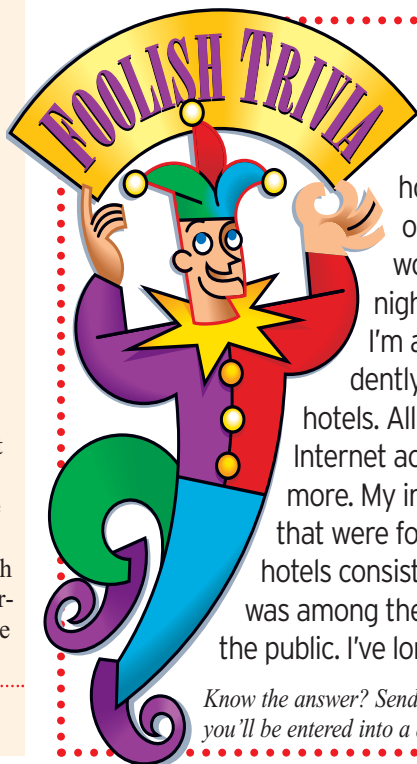
But when you look closely at each

one's top five holdings, you'll notice something peculiar: There's a lot of overlap. Last time we checked, Apple, Qualcomm and Google were in all three, while Hewlett-Packard, Microsoft and Gilead Sciences were in two. (Google, Apple and Microsoft have been recommended in Motley Fool investment newsletters.)

Of course, more experienced investors might realize that the Nasdaq is made up largely of technology stocks and that most tech stocks fall into the growth category. And of course, the Vanguard fund has plenty of non-tech companies further down the list. But without checking your holdings, you may end up with a false sense of security — when in reality, you're dangerously overinvested in technology or some other sectors.

Similarly, you'll find that the top holdings in many large-cap stock funds closely resemble those of the S&P 500 index — which is problematic, if you're paying 1 to 2 percent per year for a managed fund when you could be paying a tenth of that for an S&P 500 index fund.

Luckily, once you start looking, it's not difficult to get plenty of information about mutual funds. Perhaps start by looking up funds of interest at Morningstar.com.



Name That Company

Founded in 1946 and based in Phoenix, I'm the world's largest hotel chain, with around 4,000 hotels offering more than 300,000 rooms worldwide to roughly 400,000 guests nightly. Not a publicly traded company, I'm a nonprofit association of independently owned and operated for-profit hotels. All my locations offer free high-speed Internet access, free local phone calls and more. My international division features hotels that were formerly castles built by Napoleon or hotels consisting of homes for rent. My founder was among the first to advertise hotels directly to the public. I've long worn a crown. 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!

My Dumbest Investment

Ignore Drunk Cousins

My first foray into participating in the stock market led to my dumbest investment. I listened to a drunk cousin at a wedding reception and his hot tip to "buy Global Crossing." Well, six months and \$10,000 dollars later, those shares were worthless. — *S.A., online*

The Fool Responds: Listening to drunk cousins hasn't made many people rich. Unfortunately, many beginning investors jump into stocks without educating themselves first. It can be smart to "pretend invest" for a while first, setting up a mock portfolio and watching to see how your picks do and how you react to their moves. (Do you get greedy? Panicky? Bored?)

Then consider entering the market gradually, or at least spreading your money across a handful of stocks or funds to start. Remember also that there's no shame in simply putting all or most of your long-term money in a simple, low-cost S&P 500 index fund and then leaving it alone for a decade or two. Or pick your own stocks and funds — after learning more, perhaps in Motley Fool or Morningstar books and Web sites (www.Fool.com, www.Morningstar.com).



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

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? (Answer: AutoNation)



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.

The Motley Fool Take

Lockheed Tackles Its Pension

Lockheed Martin (NYSE: LMT) recently reported healthy third-quarter results, with sales up 5 percent over last year, an 8 percent improvement in earnings per share, an impressive 35 percent rise in operating cash flow, and even some modest backlog growth. So why did the stock slump on the news? Simple: pensions.

While many companies fret about pension shortfalls and look to transition employees to 401(k)s instead, Lockheed plans to shore up its pension fund, injecting \$1 billion into it this year and a further \$1.4 billion in 2010. Combined, the twin injections will eat up quite a bit of Lockheed's yearly cash production.

Wall Street isn't thrilled with the idea, but Lockheed Martin employees are probably pretty proud of their company today. As other corporations shirk or slash their pension obligations, Lockheed's paying up in full — and seemingly making a smart investment in employee satisfaction.

Given that stocks are trading some 30 percent below their pre-crash highs, even after the market's recent rebound, this isn't a bad time to patch a hole in pension shortfalls.

Doing so might secure the fund's future while other companies with less courage only delay inevitable shareholder pains. Then again, at the tail end of last year, Lockheed had arguably the largest pension headache of any American company, so maybe this is just the start of Lockheed's pension pain.