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

Inexpensive Trading

Q What do brokerages charge for trading stocks? *— K.M., Goshen, Ind.*

A Traditional "full-service" brokerages such as Morgan Stanley Smith Barney have been known to charge hundreds of dollars to buy or sell some stocks. Meanwhile, the "discount" brokers of yesteryear, such as Schwab, Fidelity, TD Ameritrade, E*TRADE and Scottrade, have grown to resemble their full-service brethren in many ways, offering stock research, banking services, financial planning and more. Their commissions are different, though, typically around $10 or less per trade.

Don't just focus on commission costs, though, when seeking a brokerage, especially if you don't trade often. Learn more about how to choose the best one for yourself at **www.broker.fool.com**.

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Q What does "float" refer to in the insurance world? *— S.B., Houston*

A Warren Buffett, who heads insurance giant Berkshire Hathaway, explained it well in his 1997 letter to shareholders:

"(F)loat is money we hold but don't own. In an insurance operation, float arises because premiums are received before losses are paid, an interval that sometimes extends over many years. During that time, the insurer invests the money. Typically, this pleasant activity carries with it a downside: The premiums that an insurer takes in usually do not cover the losses and expenses it eventually must pay. That leaves it running an 'underwriting loss,' which is the cost of float. An insurance business has value if its cost of float over time is less than the cost the company would otherwise incur to obtain funds. But the business is a lemon if its cost of float is higher than market rates for money."

Learn more about the fascinating insurance world from the industry itself at **www.iii.org**.

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

Fool's School

Lessons From Poker

Investing is serious business, not a game. Still, oddly enough, there are useful lessons we can draw from poker.

Lesson 1: You don't have to play every hand. One of the quickest ways to make your chip stack disappear in poker is to blindly play every hand dealt to you. Waiting for a long-shot hand will usually disappoint you, while waiting for something like a pair of kings gives you a much better chance of seeing a return on the money you're wagering.

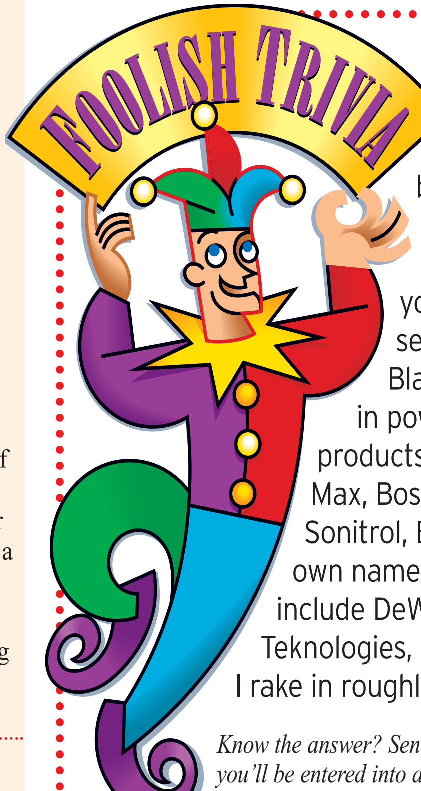
In investing, you'll usually do better investing in solid and predictable performers that you can buy for a good price, rather than investing in shaky long shots. Sure, the long shots might deliver a bonanza return — but they probably won't. Seek great, growing companies at attractive prices.

Lesson 2: Play your cards right. Listen to Kenny Rogers: You got to know when to hold 'em and when to fold 'em. In both poker and investing, you're faced with continually changing information. The best poker players and investors are those who not only make the most accurate analysis of the available information, but use that analysis to make good decisions.

Think of IBM. After being a blockbuster performer in its early years, the company seemed sleepy a few years ago, operating in the mature PC and mainframe markets. But it retooled itself, offering higher-margin software and services. Those who saw its potential and invested in it have been rewarded.

Lesson 3: Be choosy with your "all-in" moments. Top-notch poker players have run through a lot of mental math to determine that the odds are heavily in their favor before they make a big bet. If your all-in investing moments are restricted to times when the market is trading near or below its long-term average valuation, then you can shift the odds of market-beating returns further in your favor. It's rarely smart to go all-in on a single stock, though — diversify away that risk.

So wait for the best investment opportunities — be convinced that the odds are in your favor.



Name That Company

I was born in 1843 in Connecticut, making iron door bolts and more. Today, I'm a worldwide supplier of tools for industrial, construction and do-it-yourself use, as well as commercial security offerings. I'm merging with Black & Decker, the global specialist in power tools, hardware and fastening products. My brand names include Fat-Max, Bostitch, Facom, Proto, Mac Tools, Sonitrol, Best and Vidmar, as well as my own name, and Black & Decker's names include DeWalt, Porter-Cable, Emhart Teknologies, Kwikset, Baldwin and Price Pfister. I rake in roughly $4 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!

My Dumbest Investment

Value Lost in Storage

I rode EMC, the electronic storage giant, from 1995 until 2001. I should have sold, but I held on, believing that the company's storage business would be immune from the dot-com losses. The stock went from around $90 to about $17, and I lost about $300,000. Lesson learned. *— Bob, online*

The Fool Responds: Remember, Bob, that your 1995 purchase price was likely in the $2 range, split-adjusted, so you still came out ahead if you sold at $17, increasing your investment's value sixfold or more. It's true that had you sold at the top you would have made much more, but we can never know when a stock is at a peak. Still, many could have avoided losses in the dot-com implosion if they stopped to investigate whether their companies had grown overvalued. In 2000, near its peak, EMC's market cap was north of $225 billion and ahead of IBM. Today EMC is around $35 billion, while IBM's value is around $165 billion. If you had not been sure of its value back then, you might have sold at least some of your shares, to lock in some gains.

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

Unilever's Back

Global consumer-goods giant Unilever (NYSE: UL) seems to have gotten its store back in order, thanks to innovation, pricing adjustments and ad spending.

In a difficult 2009, Unilever saw its volume grow. This was accompanied by broad-based market-share gains that, notably, accelerated throughout the year. Results in developing and emerging markets (roughly half its business) were particularly strong.

Volume, arguably the most direct measure of how consumers respond to a company's products, is critical. When CEO Paul Polman took over in early 2009, he made revitalizing Unilever's then-ailing volumes a priority. That operations have turned around accordingly suggests that he's pulling all the right levers. Currency challenges and higher pension costs have put pressure on earnings, though, and Unilever expects 2010 to be tough.

Consider, however, that Unilever can boost results simply by focusing on internal matters. Polman is committed to driving executive performance while reducing costs and increasing cash flow. So far, he has executed this brilliantly. Also, management has earmarked 1 billion to 2 billion euros per year for bolt-on acquisitions, which means that the recent purchase of Sara Lee's personal-care brands is likely the beginning of mergers and acquisitions. Unilever is worth looking into.

LAST WEEK'S TRIVIA ANSWER

Headquartered near Dallas in a 13-story pink granite building, I was launched in 1963 with $5,000. I'm a premier direct seller of skin care products and cosmetics, with annual sales topping $2 billion. My independent sales force is composed of more than 2 million people in more than 35 nations. My founder used the Golden Rule as her guiding philosophy and encouraged employees and sales force members to prioritize their lives: God first, family second, career third. (She wrote several best-sellers, too.) Some of my top salespeople travel in something that Bruce Springsteen has sung about. Who am I? (Answer: Mary Kay)

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.)