

## Ask the Fool

### Beware of Unproductive Cash

Q What's a "highly capitalized" company? — R.C., St. Augustine, Fla.

A It's one that's asset-heavy, overloaded with unproductive assets, such as cash. Lots of cash is generally good, but if it's just sitting around unused, that's not ideal. In fact, if a company has nothing better to do with the money, it might as well pay it out to shareholders as a dividend, or use it to buy back (and essentially retire) some shares.

The term might also suggest that the firm's market capitalization is too high. Market cap is the total price tag the market slaps on a company, calculated by multiplying the current share price by the total number of shares.

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Q How do I account for my shares of stock when I sell them, if they have been split 2-for-1? — H.E., Watertown, Wis.

A Let's say you bought 100 shares for \$10 each (initial cost: \$1,000) and they were trading at \$16 before the split, for a total value of \$1,600. You get two shares for each one you own, so after the split, you'll own 200 shares, worth half as much (\$8 each), for a total of ... \$1,600. See? Not much has changed, materially.

For tax purposes, though, the "cost basis" of your purchase, which was \$10 pre-split, is now halved, dropping to \$5. So if you sell now, your capital gain will be your \$1,600 in sale proceeds (less your brokerage commission cost), minus your \$1,000 purchase price (plus your commission cost). Including commission costs is legal and will reduce your taxable gain a little.

Lots of numbers get adjusted when splits happen — these include dividends per share, earnings per share, and other figures based on share count.

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



# The Motley Fool®

To Educate, Amuse & Enrich

## Fool's School

### Protect Your Financial Life

Identity thieves and other bandits are on the prowl. Don't make their jobs easier. The following tips, though not foolproof, can help ensure that your financial data is a whole lot safer.

(1) Instead of simply throwing them away, shred any documents with personal or financial information on them.

(2) Use a credit card with a small limit whenever you're wary of giving out your number — perhaps with some mail-order or online purchases.

(3) Require anyone who solicits you over the phone to first send their information by mail, so you can check its legitimacy. Or just hang up.

(4) Review your monthly statements. You may find fraudulent charges — or legitimate charges for services you no longer need.

(5) Safeguard your family's important documents in case of a disaster. Keep emergency supplies on hand, with copies of your important documents in sealed plastic bags. Keep



valuables in a fireproof safe. Store a set of your important papers in a safety deposit box (perhaps one outside your immediate vicinity). In one or two safe places, keep a copy of your household inventory, preferably on tape or disk.

(6) Choose your personal identification numbers and passwords wisely, avoiding ones a clever thief could figure out just by learning your birth date or your child's name. A combination of uppercase and lowercase letters, numbers and symbols is best.

(7) Make sure anyone asking for your Social Security number really needs it. Many businesses will accept alternative customer identification numbers if you ask. Don't print your Social Security number on checks.

(8) Opt out of all pre-approved credit card offers by calling 888-567-8688.

(9) Be vigilant while using the Internet. Independently verify the validity of any requests for personal information before you give out any of your sensitive data.

(10) Protect your computer's security. Use anti-virus software, spyware, firewalls and passwords to guard your privacy.



## Name That Company

I trace my history back to Hawaii in the mid-1800s, before it became the 50th state. I'm now the world's largest producer of fresh fruit and vegetables, raking in nearly \$7 billion annually. I also offer packaged and frozen fruits and veggies. I began with pineapples, helping turn them into Hawaii's second-largest industry (partly via recipes in women's magazines). At one point I was joined with Castle & Cooke, now a private real estate and resort enterprise. In 1911, I developed a machine to peel and core pineapples quickly, and in 1922, I bought the island of Lanai. 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

### Buy to Hold

The dumbest thing I ever did was to sell much of my portfolio at the bottom of the market in 2008, as I feared deeper drops. I later repurchased many of the same stocks at much higher prices. I can't believe I used to own Netflix at \$26 per share. What an idiot I was. I learned that all you need to know about buy and hold is the name itself. If it's a good company, buy it and hold it. — A.H., Denver

### The Fool Responds:

With Netflix recently trading around \$220, you did indeed lose some money. You succumbed to a common investing mistake — reacting to emotions such as fear or greed. It's good to remember that the stock market will indeed plunge (and soar) on occasion. If you're in stocks for the long term, as long as your companies are healthy and growing, just hang on.

Buying and holding has made many people wealthy, but it's best to buy *to* hold, hoping to own a company for many years, but keeping an eye on it, too, for any signs of lasting trouble.



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 was born in a California garage in 1945, and my first products were picture frames. Today I'm the world's biggest designer and vendor of toys. My brands and licensed names include Matchbox, American Girl, ello, Radica, Little People, See 'n Say, Max Steel, View-Master, Scrabble, Othello, Magic 8 Ball, Blokus, Polly Pocket, Outburst, Uno, and more. My Barbie debuted in 1959 and my Hot Wheels in 1968. I bought Fisher-Price in 1993 and Tyco Toys in 1997, and sold The Learning Company in 2000. I'm working with THQ to develop video games based on my toys. Who am I? (Answer: Mattel)



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

### Trouble for Coinstar

Coinstar (Nasdaq: CSTR) shares took a hit last month, after delivering ho-hum financial results and a weak outlook. The company makes money with its self-service coin-counting machines business, but its once-juicy Redbox DVD-rental kiosk model is starting to become unhinged.

You won't see it right away. Profits from continuing operations in the fourth quarter nearly doubled while revenue climbed 31 percent. This doesn't sound like a fading company at all, until you realize where it was and where it thought it was going.

Coinstar's Redbox business grew by 99 percent in 2009, with consolidated revenue climbing a cheer-worthy 50 percent. The deceleration is beginning, and it's not going to get any better in the near term.

This is a transitory technology. Digital is the future. It doesn't matter that Coinstar's been doubling the size of some of its kiosks, adding Blu-ray titles or video games. More than half of the content consumed by rival Netflix subscribers is streaming. Optical disc sales — Blu-ray or otherwise — stink. (Netflix is a "Motley Fool Stock Advisor" selection.)

DVDs will remain appealing for years, but streaming video seems to be taking over. Coinstar is making moves to add that capability to its arsenal, but is it too late? Unless it can reverse its trajectory, the handwriting is on the wall.

