

Investment Forum Program for Wednesday, October 17 at 11:30

Follow-Up: Since the discussion on Wal-Mart's warts at last week's session, the company has announced a better-than-expected earnings outlook. However, upon scrutiny, the good news coming out of Bentonville, Arkansas is based not on improved sales expectations, but rather on draconian cost cutting. This is probably not good news for the company's notoriously put-upon employees.

Knowing What You Don't Know: Just a few years ago, individual investors lost a great deal of money investing in information technology and telecom companies of which they had no understanding. It's beginning to happen again with alternative energy stocks. Be aware that the alternative energy sector is "energized" and it may be years or decades before long-term winners can be discerned. But, that inconvenient truth is not restraining Wall Street from touting such investments.

Keeping It Simple: There are many ways to simplify investing for those who do not wish to devote their lives to the activity. One way to work toward this objective is to invest in mutual funds rather than individual stocks. A further step can be achieved by consolidating all mutual funds with one provider. With this in mind, a half dozen T. Rowe Price managed funds that may be of interest to retirees will be described and discussed. They will include the following: Capital Appreciation (PRWCX), Equity Income (PRFDX), Growth Stock (PRGFX), Health Sciences (PRHSX), New Era (PRNEX), and Science and Technology (PRSCX).

Risk: Investing involves two interrelated factors, risk and reward. Reward is relatively easy to determine from current earnings, free cash flow, dividends, stock buy-backs, and estimates of how these metrics may grow in the foreseeable future. But, risk is difficult to quantify. Often it is more sensed than measured. Stocks are routinely assigned buy/hold/sell ratings. And, bonds are routinely assigned structured risk ratings. But, stocks that promise high reward may receive little scrutiny for risk. The forum is among the guilty parties here, as reward receives much more discussion than risk.

Extra Credit: For advanced placement students in the forum, additional topics of potential interest to retired investors can regularly be found posted on the forum's website at www.olligmu.org/~finforum/.