The Motley Fool

To Educate, Amuse & Enrich™

Ask the Fool

Dividend Cuts

Q Do companies reduce their dividends? *— G.P., Erie, Pennsylvania*

A They aim to never do so, as that would disappoint shareholders and suggest business weakness. Still, sometimes companies do reduce or eliminate dividends. In 2009, when our economy was struggling due to the credit crisis, General Electric slashed its payout by 68 percent. (It has since been hiking it, but it's not yet back to previous levels.) Today many energy companies are struggling because of the low price of oil. ConocoPhillips recently cut its payout by 66 percent.

Of course, many companies (especially young or fast-growing ones) pay little or no dividend, preferring to reinvest most of their earnings to help themselves grow. For example, Amazon, Facebook, Priceline and Tesla Motors pay no dividend, while FedEx, Humana, Southwest Airlines, Activision Blizzard and Visa pay modest ones.

Including healthy dividend payers in your portfolio is a smart move, though. Between 1930 and 2014, dividends accounted for roughly 40 percent of the total return of the S&P 500 index. Dividend payers tend to hold up better in weak markets, too.

To see a list of dividend-paying stocks we recommend, try our Motley Fool Income Investor newsletter for free at **fool.com/shop/newsletters**.

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Q What's the "efficient market theory"? *— F.F., Opelika, Alabama*

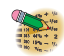
A It suggests that all available information about a stock is known and factored into its price, so we shouldn't be able to find undervalued or overvalued stocks. There are strong and weak forms of this theory, and many just dismiss it. It's not unreasonable to view the market as generally efficient, but with occasional inefficiencies that investors can take advantage of. Learn more in Burton Malkiel's "A Random Walk Down Wall Street" (W.W. Norton, $20).

Want more information about stocks? Send us an email to foolnews@fool.com.

Fool's School

Ready for Retirement?

We usually think of being ready for retirement as meaning that we have accumulated a big-enough nest egg — but being emotionally ready for it is important, too.



Even if you don't particularly like what you do to earn a living, your job provides structure to your week and daily social interactions. When that goes away, many people experience a sense of loss, particularly in the early days of retirement. That loss can be felt acutely, particularly by people who were in high-influence professions. There's a loss of responsibility, routine, and a place to go to when you get up in the morning.

And then there's the loss of relationships — or at least the built-in, day-to-day interactions with colleagues that most of us take for granted. Anticipating the potential side effects of retirement can help you adjust. Here are some suggestions:

(1) Plan how you're going to spend your time. Make a list of things you want to do and activities to enjoy. If you think you'd like working a little in retirement, look into how you might do that.

(2) Make new friends and keep the old ones. Don't let yourself become isolated. Make an effort to plan meals or activities with friends. And seek new buddies, too, through hobbies, social groups and so on.

(3) Find a purpose to fulfill your sense of contributing to society. For many people, a key determinant of a happier retirement is having a purpose. Volunteering can keep you busy, socially active and feeling useful.

(4) Discuss with your spouse how you can avoid driving each other crazy. Suddenly being together 24/7 can be stressful, so prepare to work at finding a balance between being together and being apart that suits you both. Discuss activities you'd enjoy doing together and on your own.

Avoid feelings of isolation and emptiness and a lack of direction in retirement by having people to talk to, places to go and important work to do.

My Dumbest Investment

Con-dumb-iniums

Six years ago I came into some money, smack dab in the middle of the Great Recession. Since the stock market had tanked and my experience had never been good there, I bought two condominiums. It seemed a very secure investment, as I'd always done well in real estate. Maintenance expenses were paid through an assessment, so I wouldn't have to worry about them, both units were new, and I thought demand would be great.

How wrong I was. The condo owners are at the mercy of the condo association, and there is little one can do about that. The people "managing" the property often don't seek competitive bids or audit the bills they receive. They don't always aim to keep expenses down, passing bills along to the condo owners, with the result that the assessment fees keep going up.

Within two years, the fees I paid nearly doubled and the value of my properties fell significantly. I got out as quickly as I could to save what I had left. *— J.H., via email*

The Fool Responds: Many condominium owners are happy, but you're not alone in your criticisms. Before buying a condo, it's smart to ask a lot of questions of residents in the complex. Stocks may not have seemed appealing back in 2010, but they've rebounded considerably since then. When others have panicked and sold is often a great time to buy.

The Motley Fool Take

Furniture Profits

Sometimes the greatest finds are gems you've never heard of before. Kimball International (Nasdaq: KBAL), a manufacturer of office and hospitality furniture that's sold under the National, Kimball Office and Kimball Hospitality brands, could be just the cheap growth stock you're looking for.

In Kimball's last quarterly earnings report, revenue grew by 8 percent, administrative expenses dropped 5 percent and adjusted operating income exploded higher by 145 percent. CEO Bob Schneider attributed much of the success to the company's employees, as well as new office-furniture innovations, adding that hospitality revenue would have seen a 27 percent increase if not for a large special order that's being recognized over multiple quarters.

Kimball is benefiting from businesses having relatively easy access to cheap capital, which is allowing them to take on debt and expand. This expansion means new equipment and furnishings. Kimball's hospitality segment also benefits from Americans having more income at their disposal. Hotels have witnessed a successful rebound from their Great Recession lows, and many are looking to increase their capacity. This bodes well for Kimball.

Although Kimball can be lumped in with a wide swath of cyclical companies dependent on economic growth to drive sales and profits higher, its dividend, which recently yielded 2 percent, $26 million in net cash and growing profit margins make it a promising candidate for investors seeking growth and value.

Name That Company

I trace my roots back to the 1969 founding of the DMG real estate investment trust. I was one of the first North American companies to embrace the Japanese principles of kaizen, which support continuous improvement. Among many other activities, my microscopes reveal life at 100 nanometers in three dimensions, my dental diagnostics spot decay as it forms, my disinfection technologies treat billions of gallons of water daily, and my transaction systems offer consumers speed and security. I rake in more than $20 billion annually, and I'm named after a tributary of Montana's Flathead River. Who am I?

Think you know the answer? We'll announce it in next week's edition.

LAST WEEK'S TRIVIA ANSWER

I trace my history back to 1885, when Albert Butz patented a furnace regulator and alarm. His business was bought out and eventually merged with a heat generator company. I introduced my iconic round thermostat in 1953. I was bought by AlliedSignal in 1999, but kept my name. Today I'm an industrial giant with a market value recently topping $80 billion and an endearing ticker symbol. I employ 127,000-plus people and specialize in aerospace products and services; control technologies for buildings, homes and industry; turbochargers; and performance materials. About 50 percent of my offerings deliver energy efficiency. Who am I? (Answer: Honeywell)

Want to Invest? Email us at fool@fool.com, and we'll send you some tips to start investing. Sorry, we can't provide individual financial advice.