The Motley Fool®

To Educate, Amuse & Enrich™

Ask the Fool

What If the Stock Market Drops?

Q If the stock market falls by, say, 500 points, would that be cause for great concern? — *K.T., Rochester, Minnesota*

A Focus on percentages, not points. On Oct. 19, 1987 — "Black Monday" — the Dow Jones Industrial Average plunged 508 points in a single day, from about 2,247 to around 1,739. That was a 22.6% decrease — a significant drop, indeed. (The S&P 500 fell 20.4% that day.) But 38 years later, the Dow has grown considerably; it was recently nearly 49,000. If it were to fall by 500 points today, that would be a drop of only about 1%. And a 22.6% drop today would be around 11,000 points!

The market is always going up or down by a little or a lot, and big drops are not that uncommon. Indeed, the S&P 500 pulls back by 10% or more about every other year, on average, and by 20% or more about every seven years. It has always recovered eventually and gone on to hit new highs. As long as you're a long-term investor, not keeping money in stocks that you might need within the next five or 10 years, you will likely do fine riding out any downswings.

Better still, market downturns can be excellent times to go shopping for great stocks that are suddenly priced very attractively.

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Q How can I learn about insurance? — *W.G., Greensburg, Pennsylvania*

A You can learn a bunch from the Insurance Information Institute at **iii.org/insurance-basics**, and from the National Association of Insurance Commissioners at **NAIC.org/consumer**. Books such as "Insurance for Dummies" by Jack Hungelmann can also be helpful.

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

Fool's School

Learn the Signs of Scams

The Pew Research Center has reported that "73% of U.S. adults have experienced some kind of online scam or attack, and these are common across age groups. Most get scam calls, texts and emails at least weekly." Meanwhile, the FBI has reported that scammers stole a record $16.6 billion in 2024. Wow.

To protect yourself, learn some of the signs of scams. Here are some red flags:

- Financial temptation: If an email, text or phone call suggests you can collect a significant sum just by doing something easy, that's suspicious.
- An urgent request: If you're contacted by someone identifying themselves as a family member or friend experiencing an emergency and needing money right now, beware. (Some recent scams even use artificial intelligence to mimic a familiar voice.)
- Contact you did not request: Many emails, phone calls or texts requesting information can really seem to be from a trusted company, organization or even a government agency, but they're often just good fakes. They'll seek your personal details or a payment, but don't fall for it. Don't click any links or call the given phone number. If you think it might be real, look up the organization and contact it through official channels.
- A request to help transfer money between other parties: This is a common scam, and it will likely just transfer money from you to a scammer.
- A request for a wire transfer of money: You might be asked to transfer money from your own account. Be careful — once you wire money to someone, you probably can't get it back.

Be suspicious of any communication that's pressing you to act quickly, or that's trying to scare you with threats. Never give out your personal data or pay up-front for a promised prize or reward. Remember that any proposition that sounds too good to be true probably is. You can shrink your chances of getting scammed by getting on the National Do Not Call Registry. Go to **DoNotCall.gov** or call 888-382-1222.

My Smartest Investment

Following a Great Role Model

My smartest investment move was watching my mother, who modeled making sound financial decisions and who also invested in the stock market. She watched "Wall Street Week" religiously on Friday nights. She invested herself, which was unusual for a married woman at the time, and she let me invest via a custodial account when I was relatively young. I followed her lead, invested what I could and added along the way. When IRAs became available, I made sure to contribute to one each year.

I now have a sizable portfolio. There have been ups and downs, but the trend has always been upward. It has been fun to learn and to watch business shows just like my mother and to see my money grow over the years. My advice is to start early, add as much as you can and don't remove anything for any reason. There's no place like the American stock market. — *B.L., via email*

The Fool Responds: What a wonderful story! Not all of us were fortunate enough to have financially savvy parents, but we can still start investing as soon as possible. And if we're parents, we can get our kids interested in managing money well and in investing. A great way to do so is by example, as your mother did.

(Do you have a smart or regrettable investment move to share with us? Email it to TMFShare@fool.com.)

The Motley Fool Take

Adobe Building

Adobe's (Nasdaq: ADBE) stock has been struggling mightily in recent months, falling by more than 20% this year. It hasn't been trading at such low levels since 2023. This presents an opportunity for long-term investors to buy into a leading tech company.

Why has the stock fallen? Well, artificial intelligence (AI) is making it easier for anyone to be a photo editor these days, even without advanced skills, and that can make it difficult for Adobe to convince consumers that its premium-priced software is worth subscribing to now.

But Adobe has flexibility to adjust pricing and offer promotions to win over customers — its gross profit margin is close to 90%, giving it plenty of room to maneuver on price while still ensuring it posts strong earnings numbers. Adobe has also enhanced its applications with AI, and that has helped boost its sales.

Despite these concerns, the business hasn't been performing badly. Its report for the third quarter (which ended Aug. 29) showed revenue growing 11% year over year and net income increasing by 5%.

While there is some risk with the stock, its valuation looks compelling, with its recent forward-looking price-to-earnings (P/E) ratio of 15. That builds in a healthy margin of safety. The business may face challenges, but by no means is it in a dire situation. (The Motley Fool owns shares of and recommends Adobe stock and options.)

Name That Company

I trace my roots back to 2005, when a few friends in Brooklyn, New York, decided to launch an online marketplace for handcrafted and vintage items. They chose a nonsense name they later claimed was based on the Latin for "what if." I went public in 2015, valued at $1.8 billion. Today, with a recent market value topping $5 billion, I boast more than 100 million listings for sale, 8.1 million active sellers, 95.5 million active buyers, and around 2,400 employees. My gross merchandise sales for 2024 were $12.6 billion, up sharply from $1.9 billion in 2014. 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 roots back to 1938, when I was launched in Korea as a grocery trading and exporting business. I later expanded into textiles, banking, insurance, energy and, in 1969, into electronics. Today, my electronics business is my flagship subsidiary, employing more than 260,000 people as of late 2024, and operating in 76 countries. Under my overall umbrella, you'll find hotels and resorts; biotechnology and a medical center; shipbuilding; asset management; fashion; televisions, OLED displays, watches, refrigerators and dishwashers; and much more. My name means "three stars." Who am I? (Answer: Samsung Group)

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