The Motley Fool

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Ask the Fool

Groupon Reversing?

Q I read that Groupon is considering a "reverse split." Is that good? *— T.D., Fairbanks, Alaska*

A Nope. Reverse splits are typically executed by struggling companies. Groupon fits that bill, with its stock recently trading around $0.83 per share, down from $26.11, where it closed on its first trading day in 2011.

In its last reported quarter, Groupon's revenue sank by 23%, more than was expected, and revenue has been shrinking for several years in a row now.

Stocks with shares trading for less than about $5 apiece are penny stocks, often volatile and risky, so Groupon's price doesn't look too good these days.

A reverse split is a way to artificially inflate a stock's price. If Groupon reverse-split 1-for-100, for example, a shareholder with 300 shares would suddenly have 3 shares — and if the stock price had been $1 before the reverse split, it would be proportionately higher post-split, at $100 per share. Notice that the value of the shareholder's stock doesn't change: 300 times $1 is $300, and 3 times $100 is also $300. It's just the stock price that has changed, looking "better" at $100 than it did at $1.

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Q Can you explain the "efficient market hypothesis"? *— C.G., Johnson City, Tennessee*

A The efficient market hypothesis, sometimes referred to as the efficient market theory, suggests that all (or most) available information is factored into the price of stocks. Therefore, various stocks can't be over- or undervalued, and investors can't outperform the overall market consistently due to their smarts and skills.

Critics of the hypothesis see the stock market as somewhat inefficient (with many investors acting on emotions, not data), and point to some very successful market-beating investors as proof.

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

Fool's School

Taxes Are Interesting!

The topic of taxes might seem dull, but your tax refund is surely interesting, and many facts about the world of taxes are interesting, too. Some can even save you some money. For example:

- The U.S. tax code is long: It topped 10 million words back in 2015, according to the Tax Foundation — about 2.4 million words in the federal Internal Revenue Code and another 7.7 million in federal tax regulations. (The instructions for Form 1040 and Form 1040-SR alone are more than 100 pages.)
- Preparing tax returns consumes a lot of time: The Taxpayer Advocate Service (TAS) estimates that "individuals and businesses spend about 6.1 billion hours a year complying with the filing requirements of the Internal Revenue Code."
- Standard deductions roughly doubled in 2018: That means simply taking the standard deduction, rather than itemizing deductions, is the right move for many more people now.
- Millions of Americans qualify to file their taxes for free: If your 2019 earnings are $69,000 or less, you can use tax-preparation software at no cost — for your federal tax return and possibly your state tax return, too. Learn more at **IRS.gov**.
- You're less likely than ever to be audited: Largely due to Congress cutting the IRS's budget repeatedly, audit rates have been falling. In fiscal 2019, only 0.45% of returns were audited, compared with about 2.5% back in the 1970s. You can reduce your chances of being audited by filing a legible and error-free return, accounting for all your income.
- You may be leaving lots of money on the table by not claiming credits or deductions available to you. Spend a little time looking into that — or use tax-prep software that will identify tax savings for you. For example, there are credits and deductions related to dependent children, adopting children, educational expenses, charitable contributions, medical expenses and more.

Learn more at **Fool.com/taxes**, **USA.gov** and **IRS.gov**.

My Dumbest Investment

Pulse Without a Pulse

My dumbest investment occurred in 2010, while I was still in college. I invested $700 in Pulse Beverage, a penny stock that's now worthless. I'm afraid to calculate what I would have instead if I'd invested that money in Amazon.com, Apple, some big banks or other more reputable companies over the past decade.

At least I've learned some good lessons: stay away from penny stocks, be patient and follow the smart. *— J.M., online*

The Fool Responds: It's good that you learned to avoid penny stocks while you're still young, as you only lost $700. If you were older and richer, you might have lost thousands of dollars, as many have done.

What would $700 have grown to from 2010 to 2020 in some other stocks? Well, it would have topped $9,000 and $7,000 in Amazon.com and Apple, respectively, and in either Citigroup or Bank of America stock, it would have grown to more than $1,700. (These examples all reflect any dividends being reinvested.) Simply parking that $700 in a low-fee S&P 500 index fund, without having to study or keep up with any stocks, would have left you with shares worth around $2,000.

Pulse Beverage, which at one point was selling fruit-flavored drinks, more recently announced plans to launch CBD-infused drinks. It's best to avoid penny stocks — but if you must consider one, at least research it deeply, and skeptically, before buying.

The Motley Fool Take

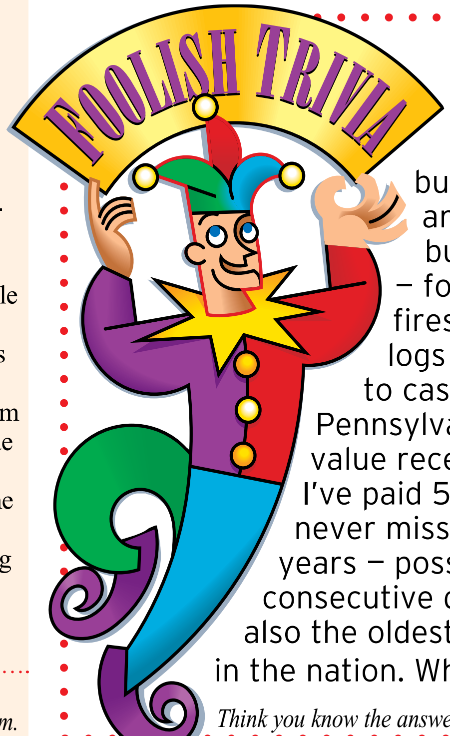
A Healthy Stock for Unhealthy Times

Looking to invest in these turbulent times and worried about the effect of the COVID-19 epidemic on business? Consider CVS Health (NYSE: CVS), which has been in a slump in part due to uncertainty about health care's future, given pushes for single-payer systems or expanded Medicare. There are several possible catalysts for its further growth. For starters, the COVID-19 scare may lead to increased foot traffic in its stores. The company is planning to open 1,500 HealthHUB health clinics around the country by 2021. And pharmacy revenue might be rising, due to increased illness, with pharmacy sales offering fatter profit margins than sales in the rest of the drugstore.

Meanwhile, CVS Health's 2018 acquisition of health insurer Aetna should continue to pay dividends. Health scares tend to provide a wake-up call to the uninsured to become insured.

CVS Health's fourth-quarter revenue of $66.9 billion was up 22% year over year, and management is optimistic for 2020.

On top of all that, shares have been attractively priced recently, down more than 20% from their 52-week high, and with a price-to-earnings (P/E) ratio in the low teens — when the five-year average P/E ratio is 19. Even better, there's a tasty dividend that recently yielded 3.7%. (The Motley Fool has recommended CVS Health.)



Name That Company

I trace my roots way back to 1816, when some businessmen met in a tavern and formed a company to build a public water supply – for homes and for fighting fires. I first used bored-out logs as pipes, later switching to cast iron. Still based in York, Pennsylvania, I sported a market value recently around $500 million. I've paid 596 consecutive dividends, never missing one in more than 200 years – possibly the longest record of consecutive dividends in the U.S. I'm also the oldest publicly traded company in the nation. Who am I?

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

LAST WEEK'S TRIVIA ANSWER

Five men founded me in Two Harbors, Minnesota, in 1902, aiming to mine for a mineral used in sandpaper. The floor of my first factory collapsed under the weight of the raw materials it held. My early products included waterproof sandpaper and masking tape. I debuted cellophane tape in 1930, and by the 1950s I offered fabric protectors, magnetic recording tape and a copier. In 1980 I launched slightly sticky note papers, which created a new office-product category. I've received more than 100,000 patents, employ more than 95,000 people and rake in about $32 billion annually. Who am I? (Answer: 3M)

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.