(Approx. 1015 words)

I Was a Fool, So You Don't Have to Be

By David Kretchmar, Hardware Technician  
Sun City Summerlin Computer Club  
<https://www.scscc.club>

dkretch (at) gmail.com

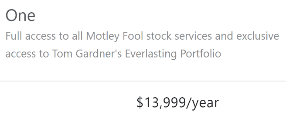
I don't necessarily think of myself as a fool, but I did a foolish thing a few years ago. I bit on one of Motley Fools' ubiquitous teaser internet ads promoting the best new emerging technology stocks that were about to "explode." I paid (I think) $29 to Motley Fool to get the names of the stocks. Motley Fool sent me the names of several mostly small and pink sheet stocks. Most pink sheet companies are highly speculative, have little or no earnings, and are low-priced penny stocks. For many pink sheet stocks, a price appreciation up to one penny would be wildly profitable, but well over 90% of these stocks appeared worthless.

I wonder if they are buying shares before they recommend them and running the shares up and then maybe even shorting them or just taking advantage of people willing to pay for their information. Their expertise seems to be selling themselves, not researching companies.

The Motley Fool's website is self-described as "A wide-ranging investment resource that intended to "educate, enrich, and amuse individual investors around the world." The site includes discussion boards, quotes, data, and of course, stock-picking advice. Many of the articles are voluntarily contributed by various individuals. Unfortunately, I suspect that many have taken a position in the stocks they are now pumping, not unlike the Motley Fools, with hopes of profitable dumping.

## Upsells

If you are not satisfied with the advice provided according to your original subscription, the Motley Fools will offer you "better" subscriptions, such as:



Or:

## A Foolish Website

I am not new to the stock market; I focused on security analysis in college and have been doing my own research for over 50 years. Almost everything I have seen from the Motley Fools is absolute garbage. I highly recommend not using their website for any information except maybe for the entertainment value of how foolish it is. Often there are contradicting opinions on the same stock on the same day!

There is way too much advertising on the Motley Fools subscription website. This site is without transparency and, therefore, of questionable value for investors. Suppose you want to be successful, and actually be one of the rare investors who make money relying on the advice of others. In that case, you need to receive information from people whose own investing/trading results you can clearly see. There are several dozen articles every day, and I believe no one could construct a good trading strategy based on the hundreds of stocks they say are "ready to explode."

The Motley Fool's subscription website is a mess of marketing. Most of the articles provide virtually no actionable information, except pitches for more expensive Motley Fool newsletters. Occasionally there is a well-written article that contains decent information, but this is rare.

To be fair, I do agree with their philosophy that a buy and hold strategy, not trading, is the path to real wealth accumulation. They deride ALL short-term trading dogmatically but make tons of picks, some work, others totally fail. Also, they advise not to bother trying to time the market; just spend time in the market holding your winners and trimming losers. So there – in this paragraph, I've reflected virtually all of the sound advice you are likely to glean from the Motley Fool website – and it was FREE!

## Can they do 5X better than the market?

It is inconceivable that The Motley Fool could beat the S&P 500 by over 500%, as they claim in their current advertising. Most professional money managers and advisors have difficulty equaling the performance of the market averages. Those who are considered investment geniuses, such as Peter Lynch and Warren Buffett, could beat the market by a few percentage points a year. Anyone able to beat the market averages by 500% would be able to amass great wealth investing and would not have to sell a tout service.

## Even the free offers are less than worthless

Almost every day, I see Motley Fool teaser articles on sites such as Yahoo Finance, and often the headline is misleading. The article provides just a superficial discussion of a stock. Usually, the article ends stating the stock discussed is OK (or bad), but the Motley Fools knows ten stocks that are better, which they will provide to you if you just furnish your email address. I have done this several times (providing my "junk" email address) and have never received the information the Motley Fools promised. Instead, they bombard my mail account with worthless spam. I suspect they also sold my email address since I also started receiving spam from unknown companies.

## The sports betting scam

When I worked as a Special Agent in a former life, I was involved in investigating an off-shore sports betting site. The owners of this site quickly discovered they could make more money selling gambling advice, also known as tout services, than from the bets themselves. The profit on sports bets was about 5 percent – (10% of losing bets), similar to on-shore bookies and casino sportsbooks.

Say Boston was playing New York, they would tell half their new subscribers (or potential subscribers) to bet on Boston, and the other half New York. After the game, half of their customers would feel their handicapping might be good, and the other half would probably quit. The subscribers who stayed would tell half of them to bet one side of a game and the other half to bet the other side. Again, half of their customers would think they were great, and the other half would have their doubts. After doing this once or twice again, they would have a smaller pool of customers who thought they were geniuses and would pay big bucks for their next tip.

## Conclusion

The Motley Fool and many other stock picking services operate similarly to the sports tout scam. But, at least they are no fools; only people who buy their services are.

