

VENTURA COUNTY
 STAR

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If you've resolved to spend less, here's how to invest those savings

West Coast Asset Management, a private independent money manager in Ventura, shares tips on how to make the most out of your dollar in 2005.

No. 2 on the list of most-popular New Year's resolutions is "spending less money," according to the Marist College Institute for Public Opinion. But what's the best way to take the money you saved and invest it for your future? Here are 10 ways to help you do just that:

1. Invest in businesses you understand.

Be wary of investing your



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money in companies you don't know. Take note of companies you see every day — and especially those that you see more of today than yesterday.

2. Pay attention to cash flow.

Follow the cash as if you were monitoring your own finances. As we've seen in the past few years, earnings can be deceiving. Compare cash flow to earnings and consider where the money is going, such as dividends, stock repurchases and new investments.

3. Look at the balance sheet.

Consider the enterprise value (market capitalization plus debt, minus cash) of a company — not just its stock price. Tangible assets such as real estate, cash and investments provide downside

protection in uncertain markets.

4. Understand competitive advantage.

Prudent investors should always be looking across the street to see what their competitors are doing. Look for companies with high barriers to entry, product differentiation, low-cost structures and patent protection.

5. Consider inventory.

A toy store with its shelves full on Dec. 26 might be entertaining for youngsters, but investors beware. Pay attention to inventory

turnover and product life cycles. Companies that specialize in the ever-changing world of technology are especially prone to write-downs.

6. Look for recurring revenues.

The more the merrier. As Gillette investor Warren Buffett famously said, "I sleep well at night knowing that 2 billion people will awaken in the morning and shave."

7. Pay attention at the pump.

Rising oil and natural gas

See ORFALEA on D5

It pays to be observant and patient when investing

ORFALEA

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prices result in higher cost of goods sold. This results in lower profits for companies who cannot pass these costs on to their consumers.

8. Observe company insiders.

Pay attention to top executives who are purchasing or selling company stock on the open market. These insiders are close to the business, and this can be an

indication of where the company is headed.

9. Don't be afraid to sell.

Know when to hold 'em and know when to fold 'em. Waiting for a stock to get back to a certain price can be a costly mistake. Consider taking the tax loss and moving on to better opportunities. If you are confident in an investment and its price gets cheaper, consider doubling down.

10. Be patient.

Don't invest just to invest. Wall Street is neither rational

nor logical toward the stock market. Patient investors should be prepared to take advantage of opportunities as they arise.

— Lance Helfert and Kinko's Inc. founder Paul Orfalea are the co-founders of West Coast Asset Management Inc., a private independent money manager in Ventura. Orfalea sold his interest in Kinko's two years ago. Atticus Lowe, an analyst at the firm, contributed to this column. Please e-mail questions to info@wcaminc.com. The

principals of the firm or their clients may own shares in the companies they write about.

