

10 STEPS

TO FORMING AN INVESTMENT CLUB

For more than 60 years, BetterInvesting has helped more than 5 million people learn how to become successful investors by following simple, commonsense principles. An investment club can provide the foundation of investment education by allowing you to learn and invest in a supportive group setting. Here's how to get on the right path in forming an investment club.

1. Invite Potential Members to an Initial Meeting

Invite people you know who may be interested. And ask them to invite people they know. Start with friends, family, neighbors and co-workers.

2. Hold the Initial Organizational Meeting

At this meeting you can introduce others to the idea of an investment club. Once you've verified the interest of prospective members, it will probably take two or more of these organizational meetings to deal with the steps below, laying the groundwork for your club before the first official monthly meeting.

3. Join BetterInvesting

Registering the club and its members with BetterInvesting is the easiest step. Thousands upon thousands of investment clubs have found the education, tools and resources provided by BetterInvesting to be invaluable. Indeed, brokers with years of experience with investment clubs point out that their most consistently successful clubs have been ones that make full use of BetterInvesting's tools and services.

4. Create a Legal Structure

The legal document says you're not just fooling around. BetterInvesting members can download a sample General Partnership Agreement. In choosing between two possible forms for the club — corporation or partnership — the Mutual Investment Club of Detroit, one of the first modern investment clubs that helped found BetterInvesting, considered five questions that led it to become a partnership.

5. Develop Operating Procedures

These are the detailed workings of the club, which should be customized to meet the needs of the members. This document, which covers rules and regulations such as the officers' duties and time of meetings, might require multiple drafts over several months. The procedures might be revised over time. The club will also want to elect officers, starting with the president, vice president, secretary and treasurer. You might consider choosing the treasurer first, as this is such a critical role in club operations. The officers' duties will be later laid out in the club's operations procedures. Once officers are installed, the club's organization will move along at a faster pace.

6. Open Bank and Brokerage Accounts

Your club will need both. In some cases there's no need for a bank account, because many brokers provide the ability to write checks against a money market account in any denomination. Many clubs start with two accounts and then may eliminate the bank checking account to simplify operations. This step includes registering the club with the IRS and obtaining an Employer Identification Number (EIN).

7. Establish Club Accounting Procedures

When sharing funds to make investment decisions as a partnership, the club will need to have club accounting procedures in place. Club accounting software and online tools and resources make much of the accounting process easier.

8. Begin Holding Monthly Meetings

Clubs that conduct well-run, organized meetings are on a smoother path to lasting success. Employing Robert's Rules of Orders will provide the necessary structure. The monthly agenda should include regular stock discussion and consideration of portfolio actions. Having monthly meetings also reinforces the idea of regular investing.

9. Establish the Education Program

One of the most valuable aspects of investment clubs is the education they can provide. In developing the education program, consider education for all levels of investing experience within your club. Create a list of topics, regular resources and potential guest speakers.

10. Apply the BetterInvesting Methodology

When studying potential and current investments, use BetterInvesting's tools to find quality companies whose stock is selling at reasonable prices. The tools are designed to help investors from all walks of life follow commonsense principles in building wealth. All club members should become adept at using them.

Explore More Resources at
www.BetterInvesting.org

