

Members Should Share a Unity of Purpose

Four Keys to a Successful Investment Club

by Doug Gerlach, ICLUBcentral

It's a sad fact that not every investment club that is formed will be successful. But that doesn't mean success is outside your grasp.

Here are my four key principles to which all clubs should adhere if they wish for a profitable and pleasurable investment club experience.

1. Agree on an Investing Approach and Stick to It.

Members of successful clubs share a unity of purpose and a consistent methodology regarding how they'll invest in the market. If some members in a club want to pursue short-term



strategies and others prefer the buy-and-hold approach, the resulting discord will doom that club to failure. Likewise, if some members wish to invest in mutual funds or exchange-traded funds and others prefer to invest only in stocks, the club may find it hard to reach a consensus when it comes time to make investing decisions.

All members should understand and abide by the club's approach to investing. New members should be indoctrinated right away into the club's chosen investment policies. I suggest that clubs formalize their investment methodology in an

The Clubhouse

Continued from page 17

Investment Policy Statement document that includes the club's objectives and line of attack with respect to its portfolio. This way, there will be no confusion if a member suggests a divergent path.

2. Think and Act Long-Term.

A long-term, buy-and-hold philosophy — planning to own every stock for five years or more — has proven to be the best approach for investment clubs because it suits the monthly meeting schedule that most clubs employ. Even as today's investors are under constant barrage from news and information, both online and via mobile apps and smartphones, it

doesn't change the fact that little of this increased "information" is useful to long-term-oriented investors. It's merely noise that can disorient you and cause you to act unnecessarily. BetterInvesting's long-term approach is successful even in today's volatile market because it doesn't require being tethered to your computer during market hours. Let the short-term market players try to make sense out of meaningless information, and keep your club's focus on the long-term potential of your holdings.

Even in an online club, it can be difficult (if not impossible) to manage a short-term investing strategy, where decisions to buy or sell stocks need to be made

very quickly. That said, a "buy and hold" mindset doesn't mean "buy and never sell" or "buy and forget." Constant vigilance is required to ensure that stocks in the club's portfolio are on the right track.

One irony about the emphasis on a long-term investing approach for clubs is that the average new club exists only for four years before closing up shop. As a result, many clubs never get the chance to experience the gains that come from investing with a five-year horizon.

3. Use Your Computer to Run Your Club and Analyze Stocks.

Of course, as the president of ICLUBcentral, I'm committed to making software and tools for

investors and investment clubs. Many clubs report that their first "investment" is a subscription to myICLUB.com! But plenty of investors don't remember what it was like before Toolkit and Club Accounting software arrived on the scene — when Stock Selection Guides were filled out on paper with colored pencils and rulers, and when keeping the club's books required a cumbersome collection of paper spreadsheets. The advent of the Internet provided even more resources for investment clubs to research stocks and manage their club operations. E-mail is a great way to communicate with fellow club members, whether your club meets online or off. More recent developments such as Skype, online chat and cloud-



I'M COUNTING ON YOU!

**DON'T DISCUSS:
TROOP MOVEMENTS
SHIP SAILINGS - WAR EQUIPMENT**

Informing others of the benefits of BetterInvesting membership could have serious consequences.

Having access to a Barron's subscription for **\$59** (regular price \$239) provides a critical advantage in investing knowledge that you must keep to yourself!

Go to <http://www.betterinvesting.org/Members/Tools/SpecialPrograms> to learn more.

Continued from page 18

based storage, allow your club members to become more efficient and better-managed — which in turn will help to make you better investors.

4. **Always Remember That Education Is Key.**

Clubs that operate with the primary goal of educating their members about investing will find that profits naturally follow.

Even the most experienced, longest-standing clubs are con-

“Clubs that operate with the primary goal of educating their members about investing will find that profits naturally follow.”

stantly striving to learn more about the markets and investing.

A regular program of investor education at each club meeting will help all your club members

to become more knowledgeable about stocks and industries and the market in general. BetterInvesting's local chapters provide terrific programs that can help your members to become smarter investors, and the online webinars sponsored

by BetterInvesting (*see page 3*) and ICLUBcentral (*go to www.iclub.com*) are a great way for all investors to expand their investing intelligence. **B**