

INVESTING WITH FRIENDS: TAKING THE FIRST STEPS TO START A NEW CLUB



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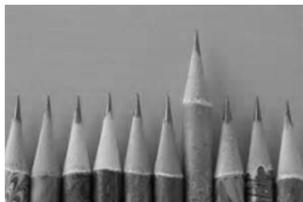
FORMING AN INVESTMENT CLUB IS AN
ONGOING PROCESS WHICH CAN BE
BROKEN DOWN INTO A SERIES OF STEPS

*This class will describe
some of the most
important preliminary
steps to take to help
get started.*



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**You'll need a
leader!**

Sometimes there's a small group of
committed folks that can help lead but one
person needs to co-ordinate.



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The first step is to identify potential members. Don't be afraid to pull together a diverse group.

- Work friends
- Neighbors
- Social Friends
- Relatives
- Friends of Friends

You'll need to identify at least ten people to attend your first *preliminary* meeting.



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As you create this list keep in mind who might be a good Treasurer for the club.

Be careful that your group doesn't get too large and that the people you've invited have a genuine interest in learning about investing.



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This is a good time to find out if you're geographically near a local BetterInvesting chapter.

The information is on our website (www.betterinvesting.org) under chapters and also appears in the back of any BetterInvesting magazine.

Finding help might be just a phone call away!

It's always great to find a local resource person!



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Have your first meeting in a private home, a library conference room, a church, a local school or anywhere else you can secure meeting space. Avoid a restaurant, however, and avoid serving food during the meeting.



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Don't be afraid to have refreshments prior to the meeting or after the meeting. Beverages during the meeting are always appreciated as well.



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Before you actually start the meeting, find someone to take notes about what you accomplish and especially about what is assigned to various people.



A sign-up sheet to capture names, emails and phone numbers of those attending the meeting is also invaluable!

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Prepare an agenda and have a copy for each attendee.



Start with introductions, a little about each person and a brief description of why you've gathered.

Set a business-like tone.



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Make it clear you will be forming a legal partnership, bound by written rules and procedures. Make it clear that everyone's money is pooled for investment but that anyone can leave the partnership at any time and take his/her money according to withdrawal rules spelled out in the rules.



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STOP EARLY TO ASK FOR QUESTIONS.



IF YOU CAN'T ANSWER A QUESTION, PROMISE TO FIND THE ANSWER AND HAVE IT FOR THE NEXT MEETING.



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Make sure the agenda includes:

- Choosing a name
- Club name registration
- Accounting software
- Importance of EIN number
- Discussion of possible brokers
- Need for a bank or credit union account
- Sample Partnership Agreement and Operating Policies
- Capital Contributions
- Meeting Date
- BetterInvesting membership and member benefits

Let's examine each of these points.

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CLUB NAME AND REGISTRATION

After choosing a name for the partnership it must be registered. Find out where to register a partnership name from your local county clerk. Many times it can be done online.

Names can be whimsical or serious...Mid-Michigan Model Club, Sitting on Our Assets, HER (stands for High Estrogen Required), Flint Women's IC, Midland Jayvestors, Money Managers, Street Smarts, Women Who Count and countless other examples.

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ACCOUNTING SOFTWARE

A club's financial records are kept using software written specifically for investment clubs.

BetterInvesting through its ICLUB subsidiary markets Club Accounting software which handles day-to-day operation as well as club taxes.

Finding a responsible treasurer is a key task in starting an investment club. I'd recommend finding an assistant as well. The treasurer's job can take about an hour per month.

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EIN NUMBER

EIN stands for Employee Identification Number and is assigned for tax purposes by the IRS. You can apply for a number online once you know your partnership name.

You'll be sending a complete financial report to the IRS each year and distributing K-1 forms to each member each year outlining dividends and capital gains they have earned.

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BROKER ACCOUNT

Many Choices:

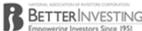
- Folio Investing
- Firstrate
- Scottrade
- TD Ameritrade
- Charles Schwab
- Edward Jones
- Fidelity
- Etc.

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BROKER ACCOUNT (CON'T)

Choose a broker based on what's important to you.

- Checking
- ACH transfers
- Local Offices
- Fee Structure
- Research Services
- Reliability
- Transparency
- Etc.

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BANK OR CREDIT UNION ACCOUNT

Issues to consider:

- Do we need one
- Transparency
- Fees
- Accessibility for Treasurer
- Type of account

Fees are usually considerably lower at a local credit union. Many CUs have very easy-to-meet rules as to who may join.



PARTNERSHIP AGREEMENT

Have a copy of a sample Partnership Agreement for each person. Do not spend time at the first meeting reading and trying to interpret each paragraph. Answer general questions about the agreement, assure them it has been tested and let them know that prolonged debate about the agreement can doom a club from the beginning.



PARTNERSHIP AGREEMENT (CON'T)

My recommendations:

- Focus on Officers and their duties
- Have everyone read Withdrawal sections
- Ask members to live with the sample for six months to a year before they begin to amend.

*You want to begin education and investing ASAP!
You do not want to spend months on your PA.*



CAPITAL CONTRIBUTION

The accounting software can handle contributions of any size. That means that each partner is free to make any size capital contribution at any meeting. I recommend setting a minimum capital contribution and then allowing partners to add to that amount if they wish. A typical capital contribution is \$50 per month.

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MEETING DATE

Choose a date for regular meetings like the second Tuesday of the month.

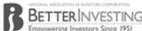
Here's another potential stumbling block if the group is large. Keep reminding yourself that, as leader, you can't please everyone!

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BETTERINVESTING

Before the meeting, obtain free materials from BetterInvesting that detail dues and member benefits. Especially mention the access to free beginning investing classes available to all members.

If you can get a projector, laptop and internet connection you might want to show everyone the website and the wealth of available resources.

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Take a deep breath and remember you can ask for help. Contact either Carol or me and we'll answer your questions and help you in whatever way we can to set up a new club.



Once you get through your first preliminary meeting, schedule a second preliminary meeting in about a month. Let everyone know that the first official club meeting will be in two months.

Folks that attend the second meeting are indicating a real interest and will probably join the new club.

Make it clear that new potential partners are welcome at the second meeting.

Tasks have been identified during this first meeting. Ask for volunteers to get some of them accomplished by the next meeting.

- Find out where to register the club name and make it happen*
- Get an EIN number for the club*
- Gather information about brokers (2 or more volunteers)*
- Investigate possible banks or credit unions to use for deposits*
- Find out if you have a "techie" in the group*
- Look for a meeting place*
- ...and more!*

Try to have a job assignment for each attendee.

AND FINALLY . . . TRY TO COMPLETE THE MEETING IN 1.5 TO 2 HOURS!



NOTE:
Don't try to do everything by yourself. Ask for help!





OUR NEXT PRESENTATION WILL COVER THE SECOND PRELIMINARY MEETING AS WELL AS THE FIRST OFFICIAL MEETING OF THE NEW CLUB.

USE THESE FREE RESOURCES TO GET STARTED!

**Start Your Investment Club
the BetterInvesting Way**

As the nation's largest nonprofit organization dedicated to empowering investors, BetterInvesting has taught millions of everyday people how to invest successfully together.



Get Your Investment Club Started Today

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First Name

Last Name

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Zip Code

Get Started

www.betterinvesting.org/clubs




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**Let a BetterInvesting volunteer help you
get your club started.**

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TIME FOR QUESTIONS

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