

Invest Club Startup Guide



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Introduction

This e-book is designed to give you all the information about an investment club, including how to start one and keep it running successfully.

You'll be able to start your own investment club after you read this book and follow the steps outlined here. There are many investment clubs around the country that have been running for a long time. With a bit of work and planning you too can be part of a successful investment club.

After reading this book you'll learn the following:

- What an investment club is all about
- The excitement of investing
- Why you should start an investing club
- Personal reasons for starting an investment club
- Characteristics that should be present in both the investment club and its members
- The different types of investors
- How to find members for an investment club
- What to expect from the first meeting
- What types of officers to elect for the club
- Different types of business models
- How to register your investment club
- The importance of a mission statement
- The importance of an education program
- Types of brokers
- Types of investment software
- Resources for investment clubs
- The most active stocks today
- The meaning of stock symbols
- A glossary of investing terms

This book will get you up and investing in no time and can be used as a guideline for successfully starting your own investment club.

The important thing is to have fun investing and learning about the stock market with a group of people that share your interests.

What is an Investment Club?

The definition of an investment club is simple: a group of people who share an interest in the stock market pooling their resources into one large investment. Defining how an investment club works is more complicated.

In most cases the investment club will be registered as a partnership and the members of the club will make decisions together on what stocks they consider to be a good investment risk.

The majority of the time the investment decisions will be made after some research has been done regarding the stock that is under consideration. This will be discussed at length further in this book.

An important feature of an investment club is that the members are there to have fun as they invest their money and learn about the stock market. Making a profit isn't the only goal of the club and members are encouraged to have fun as they invest their money.

An investment club isn't for those people who are looking for a fast way to make some easy money. People who want a quick turn around are discouraged from joining an investment group and investing on their own.

A main feature of the investment group is to start to learn how to invest your money and to invest for a long term rather than a short one.

There are several things that you should keep in mind if you are thinking about starting an investment club or have an interest in joining one that already exists.

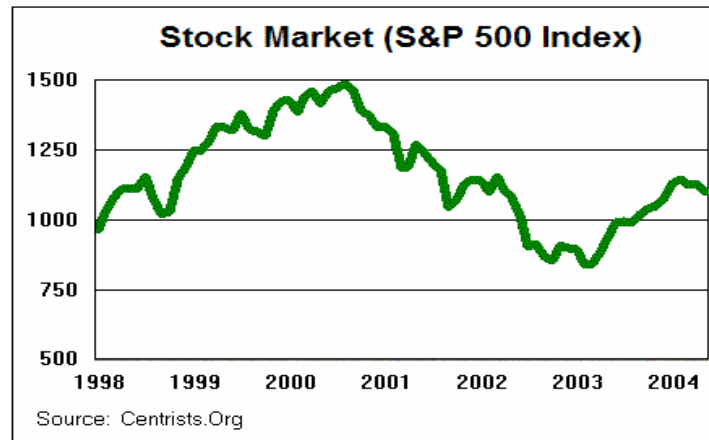
Make sure that you understand all the reasons why you should start an investment group and the requirements needed to be successful as a group.

The following is a list of important ideas and information that you should consider before starting your club:

- *Be realistic.* If you're starting an investment club to make a killing in the stock market, you'll most likely be very disappointed. The goal of an investment club is to learn more about the stock market and if you have dreams of becoming rich you'll be starting the club for the wrong reasons. Joining an investment club means joining for a long period of time.
- *Expect to be an amateur.* Starting an investment club doesn't mean that you have to be an expert on the stock market. In fact, an

investment club is ideal for a group of amateurs who want to learn about how the stock market works and what it can do for them. An investment club is a safe environment in which you can invest a little bit of money and not worry about losing a large amount of your hard earned dollars when something unexpected happens.

- *Amount of money to invest.* Don't think that you need a lot of money for investment purposes to start an investment club. The opposite is in fact true: you don't need to have a lot of money to invest to start an investment club. You can set a minimal fee for each month's contribution that fits into your budget. You'll have the chance to determine what the minimum monthly contribution should be each month when you have your first meeting of the investment club.
- *Combined investment money.* On your own you may not have enough money to invest in the stock market in a way in which you may be able to realize a profit. However, when you combine your investment dollars with the dollars of others in the club you'll have a significant amount of money to invest in the stocks that you've been watching and think may be successful. Keep in mind that just as there is strength in numbers there is also a shared sense of security when you're not investing alone.
- *Diplomacy.* One thing that you should keep in mind is that your voice will be part of the larger group and you may not always have a say in which stocks you want to invest in. If you're unable to sit back and let another decision take the place of something that you would rather see, then an investment club might not be for you. You'll need to have the ability to let the majority rule whenever a decision is made.
- *Learning experience.* You should be prepared to be satisfied to never realize a profit from the stock market. One of the important goals and features of an investment club is that you benefit from the learning experience of being with other people with the same interests in the stock market. If you never make a penny you should still be pleased with your participation as part of an investment group.



Starting your own investment club will be a pleasurable, and perhaps profitable, way to spend time with other people that share the same investment passion that you do.

You'll be able to learn about the stock market in a safe and secure environment with other people that understand your fascination with the stock market.

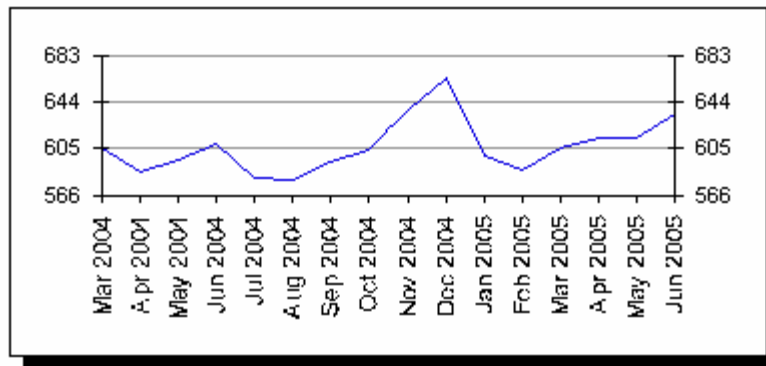
The Thrill of Investing

Investing in the stock market is a fun and exciting way to learn more about financing and more about investing your money successfully. When you start watching the stock market you'll see stock prices fall drastically overnight or jump madly into a crazy arc of profit.

This thrill can be exciting and fun but you need to determine if this type of risk taking with your hard earned money is something that you want to participate in or watch from afar.

You have to be very aware of the fact that you could lose the money that you've invested overnight. If your goal for your finances is to save money safely so that you can retire, then maybe you need to put your money into a savings account and watch it grow slowly.

However, if you're willing to take risks so that your money has the potential to increase fast and in large amounts, then you have the perfect personality for someone who should be part of an investment club.



People who are part of an investment club are willing to take chances so that they can make a profit, enjoying the entire process of the stock market and checking each day to see how their stocks have done overnight.

But they are also sane and rational when it comes to their money, wanting to retire with a nice sized nest egg as a cushion.

Investing in the stock market is one way that you can make large sums of money while having fun doing so.

When you invest in the stock market you need to be prepared to have some periods of time where you're operating at a loss. During those periods when the stock market is slow you're probably better off putting your money into a savings account in the bank.

But if you're patient and ride out the slow times of the stock market you'll come back with a bang and make more of a profit than if you had actually put your money into a savings account.

When you're part of an investment club you're combining your money with other investors who patiently wait through the slow periods of the market for your investment profits to pick up again.

There are several good reasons why investing in the stock market is both wise and profitable:

- You have the chance for much better results and profits than when you invest your money in annuity savings or into the bank. Your money will be much more "liquid", meaning that you have the ability to move it around in the stock market which you might not be able to do if you lock your money into a savings account. This doesn't mean that you want to constantly buy and sell your stock. It does, however, mean that you'll have more control over where your money

goes, what you do with it, and how much of it you want to invest into the stock market.

- When you invest in the stock market you'll have diversity with your savings and money that you get from other sources, such as inherited money, insurance, real estate, or your business ventures. If you have extra money that isn't spoken for by bills and other expenses you'll want to think about investing your money.
- You have the ability to realize some dreams in your life that you may not be able to meet if you didn't have the profit that you can make from investing. Playing the stock market means taking some of your dreams and making them a reality.
- You'll become much more knowledgeable about the investing and business environment. If you already have an interest in money investing then being part of an investment club is a great way to obtain more knowledge and share your similar interests with other people. You'll be able to meet on a regular basis with people who are learning about the stock market right beside you.
- When you invest in the stock market you're taking your finances into your own control. You're not counting on the government for your future financial requirements.

Being part of an investment club is exciting and fun. Making profit along the way is a great bonus and will encourage you even further.

Always keep in mind that you may never see a substantial profit for many years. This shouldn't discourage you, but rather it should inspire you as you do something that interests you.

Reasons For Starting a Club

Now that you know the thrill and excitement that investing in the stock market can bring to your life you'll want to know some of the reasons why people start investment clubs. These reasons include:

- *Combined investment knowledge.* When you work with a group of people who have a similar interest in the stock market you'll be able to have a huge amount of combined knowledge working in your favor. Even those complete newcomers to the stock market will have a valued opinion and pieces of information that when you add it all together equals a lot of thinking power. So long as you have a plan of diplomacy you'll be able to make decisions about where you're going to invest your money in such a way as the choice is of the majority and is based on a great deal of thought. If you're unable to

take direction from a group of people that you're working with then an investment club may not be for you.

- *Personal risk is low.* Even though the money that your club has to invest can be quite large, your own personal contribution can be very minimal. This way you're not risking a lot of your money while you learn how the stock market works. You can still make some great investments but your loss factor will be manageable for you. Keep in mind that when your club makes a profit, no matter how small, the amount must be distributed throughout the membership.
- *More room for profit.* Recent studies of investment clubs show that when a group of people make investment decisions after a series of discussions and debates, the potential for profit is greater than when individuals make their own decisions about where and how to invest their money.
- *Similar interests.* Members of an investment club enjoy getting together on a regular basis to discuss the investment market and to learn more about a subject that greatly interests them.
- *Invest regularly.* Investment clubs have the ability to invest in the stock market even when the market is dropping or is slow. Because the money is spread out among a group of members the room for huge personal loss doesn't exist.
- *Reinvest.* Since most members are part of an investment club for fun, and to learn more about the stock market, there will be more room for reinvesting the gains and dividends that are earned from successful investments. When you invest on your own you won't be as willing to part with earned investment money and reinvest everything that you gain.
- *Spread out investments.* When you're investing with a group of people you can diversify your investments and not limit yourself to just one or two market choices.

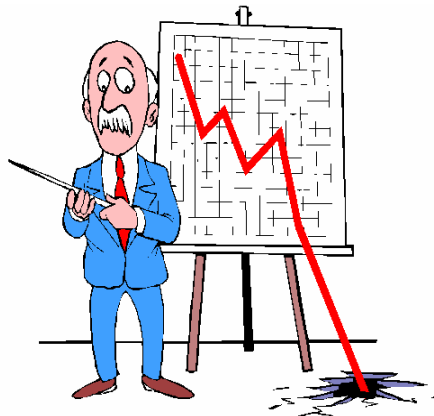
There are many other reasons why it's mutually beneficial for people to join together in an investment club. The main reason is that people have a genuine interest in sharing their investment experience and knowledge with others with the same interests.

Personal Reasons For Joining an Investment Club

There are personal reasons that you'll want to start or join an investment club. You'll finally have the opportunity to play the stock market in a safe environment that is low risk and lets you learn more about a subject that greatly interests you.

Personal reasons for joining an investment club include:

- *Confidence.* You may feel safer and more secure when you learn about the investment world with a group of other people with similar interests.



- *Starting out.* If you've always wanted to invest in the stock market but been reluctant to lose large sums of money because you don't know what you're doing, then an investment club is great for you since you can be part of a large investment team.
- *Low investments.* If you only have a small amount of money to invest each month, such as \$25 to \$60 dollars, then an investment club is perfect for you. You can invest small amounts of money into the larger combined total of the entire club.
- *Investing education.* If you've always wanted to learn more about investing in the stock market, but you keep putting your interest aside, an investment club is a great way to inspire you to attend meetings and learn more about how to invest.
- *Socializing.* Getting together with a group of people with similar interests is an enjoyable way to learn about something that you've always wanted to be knowledgeable about.
- *Inspiration.* When you can safely work with people with similar interests you'll be inspired to take chances and learn as much as you can about investing.

There are many other personal reasons why you should start or join an investment club. The main thing is that you want to invest some of your money in a way that is fun and educational.

Requirements of a Successful Investment Club

For an investment club to be successful there are several requirements which need to be in place so that the club runs and functions smoothly. When a group of people come together with similar interests they need to have certain conditions that are met and basic rules that are followed.

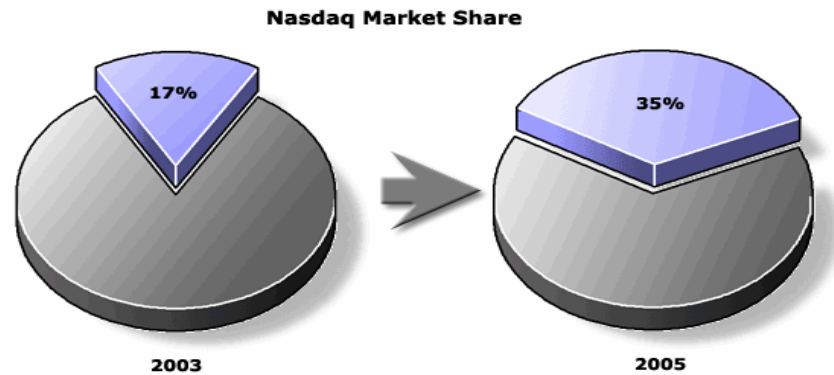
Each member of the club needs to be certain of the expectations and needs to have some simple attributes that are met.

Some of these requirements are:

- *Investment goals.* Each member of the group needs to have the same goal in mind and the same methods of achieving that goal. If some members of the group are only interested in making a profit, instead of learning more about investing and the details involved, there will be a divided set of goals. All members of the club should have the same philosophy about investing.
- *Long term goals.* Members of the club should be clear on what the long term goals of the club are all about. There should be an understanding established of what amount of the profits that are realized from investments are going to be held and which amount is going to be reinvested immediately back into the stock market. There should be an equal amount of growth and stability that is agreed upon.
- *Organized communication.* Club members should communicate on a regular basis. Part of the experience of starting an investment club is getting together to enjoy similar interests and goals.
- *Mandatory meetings.* It's important that members of the group are able to attend all meetings. When there are decisions that need to be made about ongoing investments and future investments it's important that all members are part of the decision process. If the group decision is held up because some members don't attend regularly the endeavors of the investment group are jeopardized.
- *Stock decisions.* Before any stock is purchased or sold it will be required that all members of the investment club are part of the study of these stocks and part of the final decision.
- *Internet access.* Members of the investment club will want to have computers with Internet access so that they can keep track of the market from their homes and so that they can communicate with

other members on a frequent basis. The importance of good communication between members of the group can't be stressed enough.

- **Accountability checkpoints.** It will be very important that the investment club have checkpoints in place that account for all investments, profits, losses, and other money issues. These checkpoints should be readily available for all members of the club to read at point in time.



An investment club needs to run smoothly with a great amount of reliability and confidence among its members. When all members of the club expect and meet the same requirements everyone works together in a way that induces success and, hopefully, some profitability.

Types of Investors

There are different styles and types of investors that exist in the stock market. Investors use the stock market to build their investment portfolio so that they can see a long term profit that takes place over a long period of time.

Someone who is just using the stock market to make money quickly for a short period of time is called a “trader”. Members of an investment group fall into the first category: they are in the investment market for the long haul.

There are different types of investors that use different methods to analyze the market and the market conditions.

These three methods of analyzing the market are:

- **Technical analysis.** This method of analysis is used by a “momentum” investor. Technical analysis looks at the price

fluctuations that occur in the stock market. The investor bases the decision to buy or sell on what he feels the price will do next.

- *Fundamental analysis #1.* Fundamental analysis is used by the “growth” investor. This type of analysis decides if a certain company is a good investment based on the earnings of the company, growth sales, and margins of profit.
- *Fundamental analysis #2.* A “value” investor uses this type of analysis. This method of analysis is similar to the analysis that a growth investor uses but is slightly different. A value investor takes a close look at those companies in the stock market that have a low value. The investor looks at stocks that are currently cheap and low but that have the potential to make a good comeback.

Most investment clubs use the fundamental method of analysis to make most of their investing decisions.

They find companies that are listed on the stock market that show good growth, profit, and earnings but that are still cheap to buy and haven’t yet reached their potential.

Members of the investment club buy this stock and hold on to it for several years so long as the fundamentals, as listed previously, continue to hold strong. This type of investment strategy is called “buy and hold”.

Getting an Investment Club Started

Step 1 - Finding Members

Once you have the basic information gathered together about why you should start an investment club, and the requirements that members should have, you’re ready to take the first step towards officially starting your investment club.

You’ll need to find members to join your club and you can achieve in this a number of ways.

If you have one or two friends who have shown a mutual interest in the stock market or bond market you can approach them to join your investment club.

You can find other people who are interested in joining in your club by advertising in the newspaper or by posting notices on community bulletin boards.

The important thing to remember is that you want to attract people who have an interest in learning more about the stock market while they invest small amounts of money.

You shouldn't be too concerned if the majority of the people who have expressed an interest in joining your club are all new to the stock market. In fact, this can be a good thing that your club is composed of people who have no real expertise in the market.

People who have prior experience with the stock market may quickly become frustrated dealing with amateurs.

Don't be too worried about being part of a group of people that have no experience since there are many resources that are available to help you learn about investing and the process that you need to follow.

Prior to your first meeting with those people interested in joining your investment group you should provide them with information about the club. This includes letting them know what the club is going to be about and how it should be run.

Step 2 - The First Meeting

When you meet for the first time there are several things that you'll need to discuss. Let everyone have the opportunity to add their input into the meeting so that all opinions are taken into account.

Make sure that you schedule a large amount of time for this first meeting so that you have plenty of time to talk about all of the following issues:

- *Common interest of the stock market.* Make sure that all of you have the same interest in starting an investment club. You want to make certain that you're all the same page about the club is all about.
- *Organization.* Discuss the exact details of how the club is going to be run. At this time you can talk about the goals of your club administration and how you plan to achieve this organization.
- *Commitment.* All members should be aware of the commitment level that is required to participate in an investing club. This reaffirming that there is a seriousness to be a member of the club will give anyone who has second thoughts a chance to decline being a member.
- *Reading material.* There should be a listing of material about investing that everyone should read to become more familiar with

investing techniques and definitions. At the time of the next meeting members can start to discuss the finer points of investing.

- *Strategy of investing.* There should be a mutual agreement about what investing style your club is going to focus on. Take a vote if the group is divided about any investing issues. Since this is still the first meeting any member that is in serious disagreement about the decisions made at this first meeting has a chance to decline being a member. Members should agree that this is long term commitment and if their goal is to get rich in a year or two and then leave the club it goes against the goal of the investment club.
- *Monthly contribution.* Members should come to a mutual agreement upon how much money they are each going to contribute each month. Keep in mind that you can make changes to the minimum amount policy at a later date. Many clubs start out with small contributions of anywhere from \$25 to \$60 dollars. This money is used for the club's administrative fees as well as a contribution into the investment fund.

The initial first meeting is a great way to clear the air and start to establish some basic guidelines for the way your investment club is going to be run and what your goals are going to be.

You'll want to make sure that the majority of the members are thinking the same way.

There are several other administrative issues that you'll want to discuss at your first meeting. These administrative issues include:

- *Meeting times.* All members should agree on (1) the days and time that you're going to meet (most investment clubs meet once each month), (2) the place that you're going to meet, (3) the length of the meetings (most meetings last about two to three hours), (4) the organizational format that each meeting is going to take.
- *Number of members.* Agree on the size of the investment club. Studies show that a good size for an investment club is approximately 12 to 15 members. When you limit the size of the club to this many members you're still small enough to hold meetings in member's homes.
- *Meeting place.* You might want to come up with alternative meeting places, such as local library or café, to use as an alternative meeting choice.
- *Club name.* You'll want to come up with a name for your investment club. You don't need to make this decision on your first meeting but members should come to the next meeting ready with several ideas to share for a club name.

Once you've agreed on all of the above issues you're ready for your second meeting where you'll be taking care of more of the finer points of investing, such as legal details and tax issues.

To prepare for some of the more detailed information and decisions that you're going to have to make you should assign tasks to members to come prepared to the next meeting with the following information and data:

- partnership agreement forms
- information for preparing a mission statement
- banking information
- legal forms, such as tax information
- information about forming a partnership
- local bylaws about investing
- broker information
- accounting information
- investing information and articles
- a listing of current members, including phone numbers and addresses

When attention is paid to all of the above details your investment club will be off to a good start.

Delegating duties is a great way to involve all members and to get tasks completed in a timely fashion.

Step 3 - Election of Officers

When the time arrives for the second meeting of your investment club you'll want to finalize some decisions that have to do with the way your club is run and organized.

You'll want to determine some of the responsibilities that need to be met and what officers are going to be elected to handle those responsibilities.

All positions should be clearly defined so that members can be elected to these positions. Keep in mind that all members of the club will have responsibilities but when you elect officers you'll have certain positions filled where members have a particular duty and task.

Most investment clubs will have the following officers:

- *President.* The president can also be known as the presiding partner. The president is the one who decides when the next meeting is going to take place (usually done with a mutual vote but made official by

the president), presides over the meetings, and plans activities (usually done with a mutual decision by other members).

- *Vice president.* The vice president can also be known as the assistant presiding partner. The vice president is the member that stands in when the president is absent or needs help with presidential duties. The vice president is often the one who plans some of the educational information that is provided to the club at meetings.
- *Treasurer.* The treasurer is also known as the financial partner. The treasurer is the one who deals with the brokerage firm and does the buying and the selling of stock. The treasurer also is responsible for keeping accurate records of the financial holdings of the club, the financial contributions of each of the members, and any other records that concern themselves with money and financial matters.
- *Secretary.* The secretary is also known as the recording partner. The secretary is responsible for keeping the minutes of each meeting. The secretary also lets other members know of any upcoming meetings. If a member misses a meeting the secretary is the one who passes the minutes of the last meeting to the absent member so that everyone is kept up to date of all meeting decisions.
- *Education officer.* Many clubs have what is known as an education officer. This member of the club is responsible for organizing educational activities such as guest speakers, reading materials, field trips, and presentations that have to do with investing.

When you elect members to fill the above positions you're simply making sure that your club is run in an organized and efficient way.



Tips For the Second Meeting

After your first meeting has been a success you'll want to make sure that certain things have been completed for the second meeting.

These tasks include:

- *Registering your investment clubs business entity with the state.* This includes the name of your investment club. When the paperwork returns, the newly elected Secretary of your investment club should make sure that the paperwork is filed and that members of the club have access to the information.
- *Tax ID Number.* This is the time to file the information that is required to obtain a Tax ID Number. The newly elected treasurer will now be able to open up a banking checking account for your club as well open a brokerage account. If your investment club hasn't decided on what brokerage to use this task will have to be delayed until a later date.
- *Education program.* The vice president, or the education officer, should be planning the first education program that you're going to start learning.
- *Accounting.* The newly elected treasurer should have the accounting system set up by the time your second meeting rolls around.
- *Software programs.* If your investment club is going to use other types of software to keep track of stocks, profits, expenses, and other administrative information the newly hired secretary can purchase this software and have it installed. Remember to keep in mind that if more than one member of your club is going to use the software program on their computer that you'll have to purchase multiple copies of the software or buy multiple licenses for more than one user.
- *Copies of last minutes.* The secretary should be sure to have copies of the minutes from the last meeting available for all members of your club. This is so that each member, whether or not they are an elected officer, feels that they are a part of the entire investment club.
- *Original copies.* All original copies of official documentation should be kept by the secretary in a safe place. This includes any registration papers, member information, stock purchases, and any other official records that need to be safe guarded.

Your investment group should be as well prepared as possible for the second meeting. If you find that one or two people from the first meeting have dropped out, but you still want to keep up the numbers of your membership, you should invite any new members to this second meeting.

Step 4 - The Business Model

Your investment club will need to decide what type of entity you're going to adopt for business purposes. You'll have to decide whether you're going to be a corporation, a general partnership, or limited liability partnership. Each of these business models has their own advantages and disadvantages.

- *Corporation.* Most investment clubs will avoid becoming a corporation. This is because corporations are taxable business entities that require knowledgeable accounting skills to make them run smoothly and in accord with government regulations. A corporation generally means a lot of paperwork. This paperwork can be avoided by choosing another business model for your purpose of running an investment club.
- *General partnership.* This type of business model requires less paperwork and knowledge about taxes and other financial issues. Most investment clubs choose a general partnership as their choice of a business entity. A general partnership has nominal paperwork and costs associated with it because the taxes are passed to each partner's tax returns. This type of business model will let you accomplish what you need to do to run your investment club with the least amount of tax influence.
- *Limited liability corporations.* This type of a business model is much like the general partnership but it gives individual members of your investment group a bit more liability protection. Keep in mind that this type of business entity can be expensive and will need more paperwork.

Members of your investment group will have to decide which of the above business models works best for your club.

You will have to make a decision one way or the other since establishing a business entity is a requirement for tax purposes.

Step 5 - Registration

Where your investment club is located will be a deciding factor about the requirements for the registration of your club.

The requirements for registration will be different depending on what state or province you live in.

You'll have to contact your local government to find out what your own requirements are.

If you live in the United States you can contact the Office of the Secretary of State for more information about registering your investment club:

<http://www.nass.org/sos/sosflags.html>

The United States will assign what is known as a "Federal Tax ID Number" to your investment club. You'll need to use this ID number on all your tax returns.

You'll also need the ID number when you're dealing with a brokerage firm and your bank when you're opening up accounts for your investment club.

To obtain a Federal Tax ID Number you need to get an IRS Form SS-4, which can be obtained at any local library.

Or you can contact the IRS website directly on the Internet to obtain a copy.

<http://www.irs.gov/businesses/small/article/0,,id=102767,00.html>

The procedure, and process, of obtaining a government ID number for tax purposes will vary depending on what country you live in. The above information is exclusive to the United States.

No matter what country that you live in, it's important that you request your Tax ID Number as soon as you can to avoid delay. A delay could mean a delay in your investing schedule.

Mission Statement

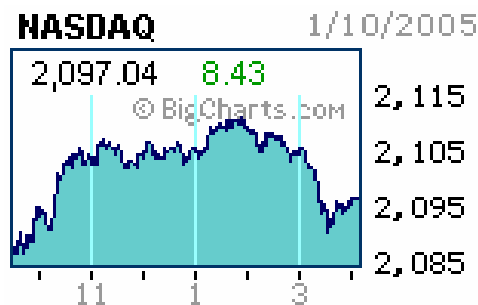
You'll want to come up with an appropriate mission statement for your investment club.

This isn't something that you need to do right away but within a few months of your startup you'll want to have your mission statement in place.

A mission statement for your investment club is a simple way for you to stay focused and aware of the goals that you've set out for your investment club.

Your mission statement will outline clearly how your investment club is going to be organized and how you're going to reach your goals.

You'll want to write down your mission statement and make sure that each member of the club, and any future members, has a copy of the mission statement.



Educational Program

When your investment club is just starting out you'll want to find educational material that is going to give all the members an overview of how investing works.

As time passes, and members become more experienced and knowledgeable about investing, you'll want to increase the intensity of your educational program.

No matter where you are in the level of education material that you're looking at you'll want to have a definite plan about what you want to learn.

Start out slow with your educational program and build up. Take time to have meetings that discuss just what each member knows about investing and what they want to learn about the process.

Keep lists of what people want to learn so that you've always got ideas for educational programs in the future.

There may be times when you want to ask a guest speaker to your meetings to give you first hand experience of the investing world. This is a great way to get information that you can actively use in your own investment club.

Experienced investors can give you an overview of their own investing guidelines and advice.

In the long run this can give your club some great new ideas of how to invest your monthly contributions. And the more ideas that you have the more investment incentives you'll have.

Finding a Broker

Your investment club will have to find an investment broker to work with. You can delegate someone to come up with some broker choices and then take a final vote for your decision.

Many investment clubs will use a full-time broker who guides them and offers advice at the occasional meeting. If you don't want to use a broker on a full-time basis you can use what is known as a discount broker.

A discount broker will give you some detailed information about stocks but won't give you advice about what to sell or buy. Using a discount broker seems to be the more popular choice since the purpose of the investment club is to make your own decisions about what stocks you're going to be dealing with.

When you use a discount broker you won't have to pay a huge commission to a full time broker.

Your club will have to take a vote and decide what is in the interest of the majority.

You might also want to think about using the services of an online broker.

Online discount brokers will have low commissions that can be a benefit to your club when it comes to the way you handle your finances. On average an online broker will be up to \$8 or less per transaction.

How to Find a Discount Broker

If your investment club has decided that it's in your best interests to use a discount broker you'll need to know how to find one.

It won't matter what discount broker that you decide to use so long as your club is being allowed to pick your own stocks.

There is a great deal of competition when it comes to discount brokers so you'll be able to get some great deals in broker fees if you take the time to look for them.

Your investment club should delegate one or two members to find the best discount brokers that they can find, both on the Internet and locally.

There are a few things that you should keep in mind when you're looking for a discount broker:

- Customer service that the broker offers
- Fees
- Other incentives to hire the broker

The fees that you have to pay the discount broker will generally be quite low. You'll be able to see many discount brokers offering you their services both locally and on the Internet.

However, many times choosing the discount broker with the lowest fees means that you may be sacrificing some customer service for this lower fee.

You'll have to decide if you want to trade low price for customer service.

If you're thinking about hiring your discount broker from the Internet there are some things that you should keep in mind.

Online brokers generally fall into one of three groups:

- *Very inexpensive.* If your investment group is planning on doing a lot of buying and selling in the stock market you'll want to think about using a very inexpensive broker for your transactions. Most of these inexpensive brokers charge anywhere from \$4 to \$12 per trade.

- *Moderately priced.* The mid range price that these brokers charge is anywhere from \$12 to \$20 per trade.
- *Expensive.* Brokers that charge a high fee per trade often offer you the best customer service so the price might be worth it to your investment club. You'll have the opportunity to work with a broker that gives you great service. These brokers generally charge anywhere from \$20 to \$30 per trade.

When you're looking for a broker and basing your decision on customer service and the way the website operates you'll want to take some time looking at the broker's website.

You'll want to make sure that the website is easy to use and easy to navigate.

You'll want to know what type of customer service the broker offers. You'll soon be able to make your decision about customer service after you conduct your first trade with the broker.

Make sure that you find out if there are any other incentives offered that make you want to hire the broker.

Other perks that online brokers offer that can be of benefit to your investment club include:

- educational books and materials to buy at a discounted price or to read online.
- air miles for your air mile program
- free Internet access
- a discount on your first trade

Your investment club shouldn't make its decision about what broker to use based on the extra incentives that are offered.

Take your time when deciding what broker you're finally going to use. If it comes down to two or three brokers that have caught the attention of members of your investment group you'll have to vote and have a majority ruling.

Always keep in mind that you can switch brokers at any time that you want if you're not happy with the first broker that you've been working with.



Investment Software

There are many different types of software that are available to your investment club to make things, such as investment decisions and accounting practices, easier and more efficient for you to complete.

It will be to your benefit to have several of the members of your investment club have different types of software on their home computer so that you can make more informed decisions about where you want to invest.

- *Stock analyzer.* There are different types of software available that will help you analyze the stocks that you're interested in and keeping an eye on.
- *Accounting software.* You'll want to have software for accounting purposes so that you can keep track of all your finances and generate reports for all members of your investment club to have for their records. You'll also want to use your accounting software to keep track of cash transactions, member transactions, and security transactions.
- *Portfolio record keeper.* This type of software will keep track of your portfolio. It will track details such as investment fees and transactions, your purchases and sales, member transactions, and stock market fluctuations for your stocks.

There are many other different types of software that you can use to help your investment club to run smoothly and so that you can keep track of your profits and expenses.

Resources For Investment Clubs

The following links are some great resources that your investment club should take advantage of to make the most out of your investing experience:

Stock analyzer

Available from Kingsoft:

<http://www.kinginet.com/>

Available from NAIC:

<http://www.better-investing.org/about/software/nsa.html>

National Association of Investors Corporation (NAIC)

This web site has a great deal of investing information that will be a great benefit to you and your investing club.

<http://www.better-investing.org/>

US Securities and Exchange Commission (SEC)

This website gives you some basic information about investment club regulations.

Securities and Exchange Commission

Office of Investor Education and Assistance

450 Fifth Street, N.W.

Washington, D.C. 20549-0213

<http://www.sec.gov/investor/pubs/invclub.htm>

Investment Calculators

These tools can help you calculate a variety of information that includes the future value and present value of stocks.

<http://www.investopedia.com/calculator/>

NAIC Club Accounting Software

This piece of software is perfect for all your accounting needs.

<http://www.better-investing.org/about/software/nca.html>

NAIC Portfolio Record Keeper

This software will help you keep track of the information that is important to your stock portfolio.

<http://www.better-investing.org/about/software/prk.html>

Bivio

This is a good online source of useful information for investment clubs.

<http://www.bivio.com/index.html>

Most Active Stocks

Following is a listing of some of the most active stocks for January, 2005 and how to read the stock information.

If your investment group is thinking about making its first investment you'll want to keep these stocks in time.

Please keep in mind that all data should be checked to confirm the accuracy of stock prices today.

Stocks can fall or rise in a matter of hours so any stock price information that you get should always be confirmed. This is why a broker is important for your investment club. You need someone who can keep a constant eye on the stock market and the stocks that you're looking at.

However, the reason you've started an investment club is so that you can learn how to watch the stock market on your own and do your own investing.

Your club should take every opportunity that it can to learn how to monitor your own stocks so that you're not relying on any outside sources.

Atlantic American Corp. AAME. This company is an American life insurance company:

Stock Activity

| | |
|-----------------------------|-------|
| Last Price | 3.27 |
| 52 Week High | 3.62 |
| 52 Week Low | 2.35 |
| Volume | NA |
| Average Daily Volume (13wk) | 7,400 |
| 50 Day Moving Average | 3.04 |
| 200 Day Moving Average | 2.94 |
| Volatility (beta) | 0. |

AmerisourceBergen Corp. ABC. This American company deals with wholesale drugs.

Stock Activity

| | |
|-----------------------------|----------|
| Last Price | 57.90 |
| 52 Week High | 64.02 |
| 52 Week Low | 49.74 |
| Volume | NA |
| Average Daily Volume (13wk) | 1.65 Mil |

50 Day Moving Average 59.15
200 Day Moving Average 56.53
Volatility (beta) -0.

Apple Computer AAPL. This company is a manufacturer of personal computers.

Stock Activity

Last Price 68.96
52 Week High 70.70
52 Week Low 21.70
Volume NA
Average Daily Volume (13wk) 14.43 Mil
50 Day Moving Average 61.48
200 Day Moving Average 39.83
Volatility (beta) 1.8

Stock Symbols

This is a quick introduction into the letter symbols that identify stocks according to a variety of details. Each security has a particular letter that has been assigned to it to make it unique and so that you can easily identify it.

- A - Class A
- B - Class B
- C - Issuer qualification exceptions
- D - New
- E - Delinquent in required filings with the SEC
- F - Foreign
- G - First convertible bond
- H - Second convertible bond, same company
- I - Third convertible bond, same company
- J - Voting
- K - Nonvoting
- L - Miscellaneous situations, such as depository receipts, stubs, additional warrants, and units
- M - Fourth preferred, same company
- N - Third preferred, same company
- O - Second preferred, same company
- P - First preferred, same company
- Q - Bankruptcy proceedings
- R - Rights
- S - Shares of beneficial interest
- T - With warrants or with rights

- U - Units
- V - When-issued and when-distributed
- W - Warrants
- Y - ADR (American Depository Receipts)
- Z - Miscellaneous situations such as depository receipts, stubs, additional warrants, and units

After you've been investing for a short time and reading the stock market, you'll become familiar with these symbols.

Glossary of Investment Terms

The following investment terms will help give your investment club a basic introduction into the language of investing.

The more that you understand about the world of investing the more you'll enjoy your investment club. The information has been compiled from the following website:

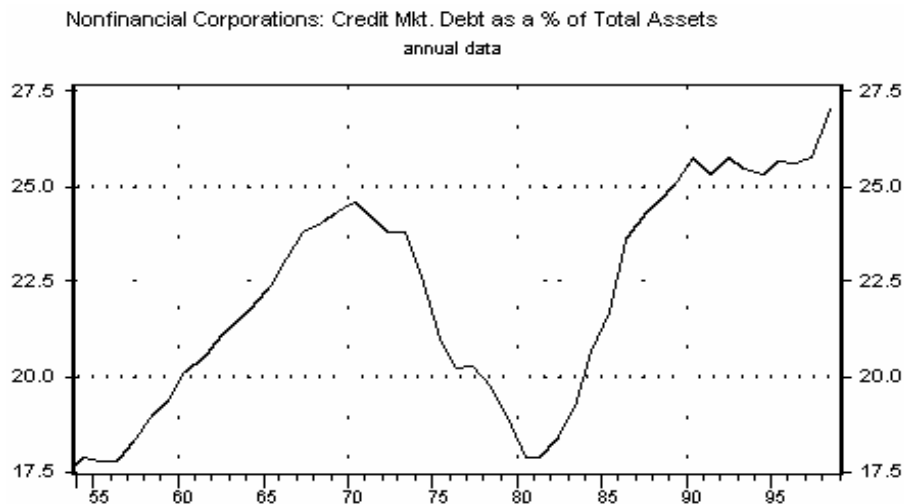
http://www.netvest.com/edu/edu_glossary.html

ALL OR NONE (AON)

A stipulation to either a buy or a sell order which instructs the broker to either fill the order in its entirety or to fill none at all, the customer won't accept a partial execution (only 300 shares out of an order for 1000).

APPRECIATION

The increase in the value of an asset.



ASKED PRICE

The lowest price that anyone has declared that he will sell his security for at a given time. In over-the-counter stocks, the "ask" is the best quoted price at which a Market Maker is willing to sell a stock.

AT-THE-MONEY

An option where the strike (exercise) price is exactly equal to the trading price of the underlying security.

BID PRICE

The highest price anyone has declared that he wants to pay for a security at a given time.



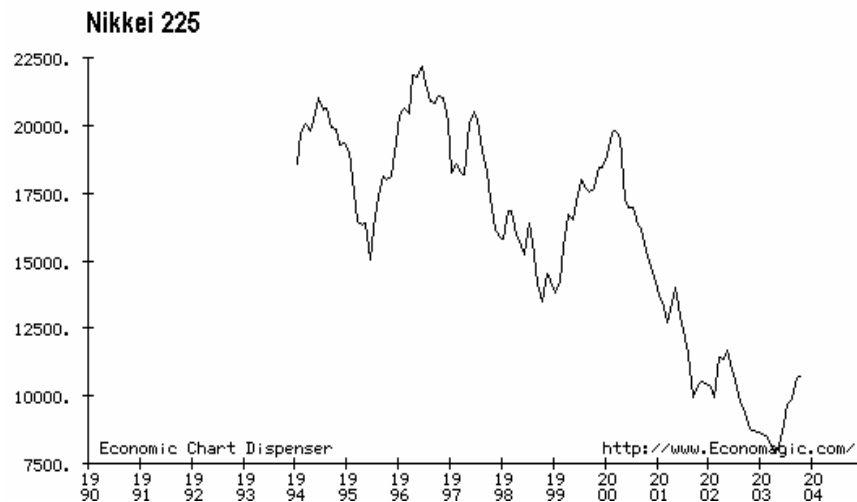
BROKER

(1) An individual or a firm that charges a fee or commission for executing buy and sell orders submitted by another individual or firm. (2) The role of a

brokerage firm when it acts as an agent for a customer and charges the customer for its services.

CALL OPTION

An option contract that gives the holder the right to purchase, and places upon the obligation to sell, a specified number of shares of the underlying stock at the given strike price on or before the expiration date of the contract.



CAPITAL

Accumulated money or goods used to produce income

COMMERCIAL PAPER

Short-term loans with maturities ranging from 2 to 270 days that are made to banks and corporations.

COMMODITY

Bulk goods such as metals, foodstuffs and grains which have the price determined by competitive bids and offers.

COMMON STOCK

An equity security that represents ownership in a corporation.

CUSIP NUMBER

A unique 9-digit number code for a given class of security (i.e.: Microsoft common stock or Acorn International Fund). CUSIP stands for the Committee on Uniformed Security Identification Procedures.

DAY ORDER

An order to buy or sell which, if not executed, expires at the end of the trading day it was entered.

DEALER

The role of a securities firm when it acts as a principal in a particular trade. A firm is acting as a dealer when it buys or sells a security for its own account and at its own risk and then charges the customer a markup or markdown.

DO NOT REDUCE (DNR)

Stipulation to order that instructs the broker not to decrease the limit price on buy-limit and sell-stop orders on the record date of a cash dividend.

**EXCHANGE**

Any organization, association or group of persons that maintains or provides a marketplace in which securities can be bought and sold. An exchange does not have to have a physical place of business and several electronic exchanges do business.

NASDAQ National Market Securities

The NASDAQ National Market consists of over 3,000 companies that have a national or international shareholder base, have applied for listing, meet stringent financial requirements and agree to specific corporate governance standards. To list initially, companies are required to have significant net tangible assets or operating income, a minimum public float of 500,000 shares, at least 400 shareholders, and a bid price of at least \$5.

NASDAQ Small Cap Market Securities

The NASDAQ Small Cap Market consists of over 1,400 companies that want the sponsorship of Market Makers, have applied for listing and meet specific financial requirements. Once a company is approved and listed on this market, Market Makers are able to quote and trade the company's securities through a sophisticated electronic trading and surveillance system.

PENNY STOCKS

Low prices stocks trading in the over-the-counter market. Typically refers to shares trading below one dollar a share.

TRADING AUTHORIZATION

Document granting power-of-attorney rights to an agent of the account holder(s). You will find downloadable forms for both Limited Trading Authorization and Full Trading Authorization in the Industry Forms Download area.

| name | salesM\$ | quote | ratio | stocke | Potential | p/e | salesvar | price/bookval |
|----------------------|------------|-------|--------|--------|-----------|-------|----------|---------------|
| Exxon | 228 439 \$ | 84.00 | 57.76 | NY | 1.1 | 16.67 | 41.99% | 4.70 |
| WALLMART | 191 329 \$ | 50.84 | 42.93 | NY | 1.4 | 36.31 | 15.95% | 8.77 |
| General Motors Corp | 184 632 \$ | 56.12 | 129.43 | T.Ny | 3.7 | 8.40 | 4.57% | 2.65 |
| Ford Motor Co | 170 064 \$ | 28.96 | 92.58 | Ny | 5.1 | 12.59 | 4.62% | 2.86 |
| GENERAL ELECT | 129 417 \$ | 43.83 | 13.03 | NY | 0.5 | 34.51 | 16.77% | 8.62 |
| Citigroup | 111 826 \$ | 46.34 | 22.27 | Ny | 0.8 | 17.69 | 36.22% | 3.52 |
| Enron Corp | 100 789 \$ | 58.51 | 134.10 | Ny | 3.7 | 52.24 | 151.27% | 3.83 |
| IBM1 | 88 396 \$ | 97.43 | 46.67 | NY | 0.8 | 21.94 | 0.97% | 8.95 |
| Philip Morris Cos. | 80 356 \$ | 45.89 | 36.38 | Ny | 1.3 | 12.24 | 2.24% | 6.76 |
| AT&T | 65 981 \$ | 21.71 | 17.55 | Ny | 1.3 | 24.67 | 5.75% | 0.79 |
| CHRYSLER CP | 65 067 \$ | 77.25 | 100.56 | Ny,M,T | 2.1 | 13.70 | 11.67% | 2.63 |
| Verizon Comm | 64 707 \$ | 50.45 | 23.52 | Ny | 0.7 | 11.71 | 95.05% | 4.01 |
| J.P.Morgan Chase | 60 065 \$ | 45.37 | 31.15 | Ny | 1.1 | 15.86 | 78.18% | 2.04 |
| Bank of America Corp | 57 772 \$ | 52.95 | 35.80 | Ny | 1.1 | 11.71 | 11.89% | 1.79 |
| SBC Communications | 51 476 \$ | 41.18 | 15.20 | Ny | 0.6 | 17.75 | 4.02% | 4.58 |
| BOEING | 51 321 \$ | 60.50 | 58.62 | NY | 1.6 | 24.80 | -11.50% | 4.81 |
| TEXACO | 50 100 \$ | 69.00 | 91.06 | NY | 2.1 | 14.84 | 40.37% | 2.82 |
| Duke Energy Corp | 49 318 \$ | 42.00 | 66.47 | Ny | 2.5 | 17.65 | 126.83% | 3.02 |
| HP | 48 782 \$ | 30.62 | 25.05 | NY | 1.3 | 17.01 | 15.13% | 4.20 |
| State Farm Insurance | 47 863 \$ | | | Mutual | | | 7.08% | |
| Chevron Corp | 46 532 \$ | 91.80 | 72.58 | Ny | 1.3 | 11.52 | 47.54% | 2.95 |
| Home Depot | 45 738 \$ | 41.65 | 19.85 | Ny | 0.8 | 37.86 | 19.00% | 7.78 |
| Morgan Stanley | 45 448 \$ | 59.60 | 41.04 | Ny | 1.1 | 12.60 | 33.95% | 3.42 |
| Kroger Co | 45 352 \$ | 21.88 | 54.31 | Ny | 4.0 | 29.97 | | 6.81 |
| Merrill Lynch & Co | 44 872 \$ | 87.00 | 55.53 | Ny | 1.0 | 20.91 | 28.65% | 3.84 |
| Fannie Mae | 44 088 \$ | 74.45 | 44.14 | Ny | 0.9 | 17.35 | 19.26% | 3.57 |

Conclusion

Starting your own investment club for fun and profit is easy when you follow the advice and guidelines as outlined in this book.

It doesn't matter whether you're an amateur investor just starting out, or a more experienced investor that wants to expand into more investments, there are people out there who share your interests and goals.

When you're part of an investment group you'll have the benefit of learning more about investing in the stock market combined with the enjoyment of spending time with people who have a common goal: to become more knowledgeable about investing and have fun doing it.

There are many books that you can purchase, and places on the Internet, that outline the information and data that you need to invest successfully and profitably.

Investing doesn't have to be an intimidating experience but should be something that you have fun doing.

After you use the steps and information in this book about starting an investment club you'll be on your way to investing in the stock market.