



Starting an Investment Club – The Better Investing Way

By

Bob Wynn

www.betterinvesting.org is a seventy-year old organization which has helped hundreds of thousands of people establish investment clubs and they have a time tested methodology for analyzing stocks to buy, based on the quality of the company and the relative price of the stock. Better Investing is an indispensable resource for helping new investors get off to a fairly safe and successful start in stock investing.

Assumptions: 1) The club will focus exclusively on investing in stocks initially.
2) The primary purpose of the investment club is to learn. Earning an investment return is secondary.
3) The club will be a Better Investing Club!

Steps

1. Gather a group of 10 – 15 individuals who are committed to the plan of forming a high-functioning investment club. (They'll attend monthly meetings, contribute investment dues regularly and they will commit to learn the stock analysis process).
2. Come up with a name of the investment club
3. Establish the monthly club dues amount. \$25 per month per person is the recommended amount.
4. Obtain an IRS tax identification number for the investment club by filing IRS form SS4.
 - a. You'll need to declare on the form whether the club will be a partnership or an LLC. But you don't have to have that paperwork done yet. See item 5 below
 - b. You do need the IRS SS4 form processed asap because you need that tax I.D. number before you can open up a bank account.
5. All members sign the partnership agreement.
 - a. I can furnish you a copy of a generic draft partnership agreement
 - b. It is legitimate to consider establishing an LLC. But LLC's require a bit more annual reporting to the government and it will likely require an annual renewal fee that partnerships generally do not require.
6. Determine your first set of officers – President, Vice president, Recording Partner (secretary) and treasurer.
 - a. The President must be solid. That is, be committed to attend every meeting and they should be able to conduct meetings through an orderly process. A relaxed form of Roberts Rules of Order is preferred.
 - b. The VP doubles as the education director, and that person should seriously push the education function of the club.
 - c. The Recording Partners really does need to take notes and distribute them for each meeting. Most importantly, they have to document the motions and votes for stock execution decisions.



- d. The treasurer must be solid beyond reproach. And they should be comfortable with the data entry bookkeeping function that is required.
7. Establish a firm date of the month and time to meet. Its important that everyone be dedicated to making those meetings.
 - a. . It's usually helpful to also establish a regular meeting place.
8. Open a deposit account for collecting initial cash.
 - a. In most cases a club opens a bank account first to park the cash
 - b. Open a brokerage account for executing stock trades
9. The club and members should join Better Investing. Its about \$100 per person per year
 - a. Attend local and national better investing educational workshops and webinars
 - b. The 2019 Better Investing Annual convention will be in Chicago in mid May
10. Purchase the Myclub accounting software through Better Investing
 - a. This is crucial. You absolutely have to have excellent accounting records. Other systems are not necessarily customized for investment club accounting.
11. All members should learn the better investing Stock Selection Guide (SSG) methodology.
 - a. This is the empowering feature of being part of an investment club.
12. It's advisable to focus solely on building the club's portfolio in stocks and to a lesser extent stock mutual funds and ETFs at least until the portfolio is worth \$100,000.
 - a. A millennial group might want to diversify into real estate or other entrepreneurial ventures, but its best to hold off until the club has matured into a cohesive working group and the club has a solid foundation of assets.