

## The Power of an Investment Club

If you have any desire to have more than a months expenses in the bank, then understanding the investment world is important. Avoiding problems and growing your savings is easier when you are a savvy consumer. I cannot stress the following idea enough. Run don't walk to your nearest investment club, or investment discussion group. You may be able to find one that already exists, if not, the bit of work to create a club is well worth it. Over the years I have belonged to four different investment groups. At one point, two at the same time: one which pooled their money into a joint investment, and the other a discussion group. The first type of club is naturally more complex.



### Benefits:

The focus of the clubs is shared education, thus it is a safe environment to pose concepts and ask questions. You won't receive professional advice, nor will you be marketed to. The old adage that 'there is a lot of people who want to separate you from your money' remains true. Increased knowledge improves one's capacity to make financially sound decisions while improving one's ability to distinguish between incompetent and competent professionals, as one takes increased responsibility for financial decisions.

While learning about investments on one's own is well and good, having a guide is better. You will be meeting with these people monthly, possibly for many years yet to come, thus they can become a trusted sounding board. The benefit is that you have a group of other people who are prepared to take the time to educate themselves as well as discuss and share that knowledge. Clubs provide a less biased venue to discuss things without questioning if the 'professional' is telling you what is best for you or what is best for them. While professionals have their place, they also have their biases. As a friend once stated, 'I've never heard my financial advisor recommend real estate, however it has been equally profitable'.

Professionals won't always take the time to educate you or brief you in depth. While many of us retain professionals we also want to be educated consumers of the financial industry, regardless of whether or not we aspire to the do-it-yourself philosophy. Designed as a learning environment, as one rookie member said at the end of her first meeting. "I've learnt more here tonight than I ever have in any other discussion". In the past she felt intimidated by advisors that failed to answer questions fully or those that talked down to her. It is easy for the stereotype of gray haired seasoned male professionals to dismiss young women as traditional chauvinism plays out.

This article is not the venue to determine where you should focus your investments. There are general groups and others that discuss a specialized niche. At the end of the day, when things go awry, no one will be impacted by our finances more than we will ourselves.

### How Investment Clubs work:

Each club is slightly different with a distinct personality based on members interests. Most clubs meet monthly. The Ottawa share club has a large group that meets monthly and a smaller group that meets weekly. Larger clubs tend to lean towards bringing in a series of guest speakers. Other clubs may alternate between a mix of guest speakers and in-house discussion. Some groups share the responsibilities of the meetings agenda with members rotating selecting a discussion topic and presenting the concept adequately so that it can be discussed.

Guest speakers provide members with access to an array of professionals with knowledge of one segment of the industry or another. Professionals may only be a one time guest and are generally there for personal marketing purposes. This is not a bad thing, but it is important to understand people's agenda and where they are coming from when they make a suggestion. We all say things based on our personal experience or as a cumulation of that which we have been exposed to. Failures and successes along with fears and blindspots influence one's thinking and thus one's recommendations. Some of it will be wise sage advice, other of it will be fear based, or inaccurate. No one has a crystal ball nor a monopoly on finding perfect investments. The more knowledge you gain the more you can discern between wisdom versus foolishness.

Money is a taboo topic not only in society at large but also within families. Unfortunately few of us had parents that were financially savvy. Those of us who did, likely didn't have parents who openly discussed money management strategies or their portfolio, much less had the capacity at transferring that knowledge.

When one reads a magazine article, book or watches a you-tube piece the author has an agenda. If you take that authors agenda to your club, you can receive an array of confirming and contrasting opinions on its validity. An investment club has the potential to become a collection of trusted study partners. Each individual with their own; personalty, investment approach, financial goals and risk levels, While no one in the group is trying to sell you anything or profit from expressing their viewpoint. Over the passage of time your investment club can provide a range of opportunities and a contrast of ideas from which you can consider their merits.

Aspiring investors have a place to be mentored and learn from those that are further along in the learning curve. Some people are more candid than others but I have not seen anyone ask prying or inappropriate questions. Whether you have three stocks for a tiny portfolio or something with multiple commas, those details are not discussed. One of the benefits of investment clubs is sharing ideas and resources. Including circulating books and magazines, local lectures, or other recommendations, while having a deeper knowledge of the people recommending those resources.

Club size is a factor. Larger club become less interactive and take on a lecture format. Quieter individuals will also slip into the woodwork. A club with just a handful of members may lack diversity. Clubs have met in a variety of venues from people's living rooms to the boardrooms of corporations. Many venues will rent space to non-profit organizations or seniors groups at a nominal charge be it; local libraries, community centres, legion halls, corporations. Local churches or synagogues and the like or the school board may also have a room that can accommodate the groups needs.

### **Pooled Investment Clubs.**

With pooled money together there is an active account that needs to be managed as stocks are bought and sold. The benefit of this is that you are working as a team, with multiple input and the judgement of others, and. These clubs generally take a buy and hold approach as meetings are not held frequently enough for quick entries or exits.

These clubs are more challenging to run. Partnering together financially, brings with it additional elements of blending risk and interests. Monthly updating of the profile and potentially an accountant or auditors to oversee things to ensure due diligence. Club accounts could run upwards of \$50,000 or more. With improved technology allowing for screen shots of the club account allows for ease in circulating reports. The 'Know-your-client' forms and other governmental paperwork in the name of complex anti-money laundering or other legislation can be another drawback.

New clubs typically start with each member contributing the same dollar value into the pot on a regular basis. Monthly or quarterly contributions allow for new purchases to be made. My old club took the current value of the holdings and divided that amount by the number of current members and that was the entry price for new members joining. Writing a cheque equivalent to one's monthly housing expense or monthly income, may be a barrier for those joining an established account.

**Finding a club:**

My apologies for the Canadian biases, however the Canadian Money Saver Magazine lists 'share club' chapters coast to coast. You'll find the list through their website which is one of several sites with suggestions on running a club. Larger organizations such as Probus or CFUW (Canadian Federation of University Women) are organizations that have local chapters that host a variety of interest groups. Depending on the chapter(community), they may have interest groups dedicated to money management. Universities may have groups within their; business schools, adult education, or over 50 programs. Alternatively look on the internet there may already be a 'meet-up' near you.

**Creating an investment group:**

Creating your own investment club requires the skills of being a group convenor or meeting planner more than any other skill set. It just takes some leg work to advertise your group until you are up and running. You do not need to be any good at investing to run an investment club. Trust that you will attract others who are potentially more savvy than you. If you are all rookies, you can learn together, regardless your financial literacy will improve rapidly. The purpose is to have a place where you can discuss money management ideas in a group, membership should be based less on experience as an investor and focus on a willingness to share insights and contribute to the workload of running the club.

Wanting an investment discussion club and not being willing to travel an hour I opted to create one. There was a presentation at a local library on the stock market. In contacting the speaker in advance and discussing my intentions he was totally supportive. The night of the talk I made a short announcement and handed out my business card. Two weeks later, three of us met in a local food court. The group was advertised via various free online event boards, and homemade posters in the community. We started to meet every 2-3 weeks and eventually formalized to a preset time twice monthly.

Each meeting brought a new face to the table. When there was enough people for a good discussion and diversity of ideas we cut back on advertising for new members. Our group was at a size that we could manage as we took turns presenting information; be it a book review, a stock report, or some other concept of the markets, or tax process. The requirements were only a willingness to learn and a willingness to share what one has learnt.

Anyone can organize a group with a few basic administrative skills. A large organization, such as your; alumni, neighbourhood association, or corporation, could welcome a group forming within that community. While some of our posters were found in short order others were still attracting a response a year after. As the group progressed, the food court was replaced with a new home and the implementation of a token membership fee. Club fees vary, some charge by the evening, others seasonally. While room rental is often the largest expense, the fees may also go towards speaker fees/gifts, advertising or other incidentals to keep the club functioning.

Where ever you find your financial home, I trust that it will be a rewarding experience as your money-prowess continually grows and expands.