Women's Investment Clubs: Learning To Invest For The Future

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WOMEN'S INVESTMENT CLUBS:
LEARNING TO INVEST FOR THE FUTURE

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>1</td>
</tr>
<tr>
<td>Investing for the Future</td>
<td>2</td>
</tr>
<tr>
<td>Women’s Investment Clubs</td>
<td>9</td>
</tr>
<tr>
<td>Starting a Women’s Investment Clubs</td>
<td>20</td>
</tr>
<tr>
<td>Operating a Successful Investment Club</td>
<td>38</td>
</tr>
<tr>
<td>An Independent Women’s Investment Club</td>
<td>57</td>
</tr>
<tr>
<td>Conclusion</td>
<td>61</td>
</tr>
<tr>
<td>Appendix A</td>
<td>62</td>
</tr>
<tr>
<td>Appendix B</td>
<td>66</td>
</tr>
<tr>
<td>Appendix C</td>
<td>68</td>
</tr>
<tr>
<td>References</td>
<td>70</td>
</tr>
</tbody>
</table>
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ABSTRACT

Women face many challenges regarding their finances. Having the courage and knowledge to make financial decisions is a major obstacle for many women. Through involvement in women’s investment clubs, women have the opportunity to overcome their financial fears and challenges, as well as have fun and hopefully make some money in the process. This paper will first explore some financial challenges that are specific to women and the importance of planning for the future. Women’s investment clubs will then be explained in depth. The process of setting up a women’s investment club and then how to successfully operate it will be touched on next. Finally, an independent study of TGIF, a women’s investment club, will be presented.
INVESTING FOR THE FUTURE

The Typical Woman’s Story

Spencer (1997) described the following situation as an example of a typical woman’s story:

Jane is 45, divorced and recently returned to the outside work force after raising two children. She has a modest savings account and even a few certificates of deposit. At one point she considered joining a women’s investment club, but the stock market scares her. She spends much more than she saves, but plans on getting control of her spending eventually. Given the longevity in her family, she is occasionally overwhelmed at the prospect of old age and how she will live it comfortably. However, the demands of today keep her from thinking too much about tomorrow. (p. D1)

Jane is a statistic, and the statistics are grim: If women today between 35 and 55 do not start preparing immediately for their financial future, up to two-thirds of them will spend their golden years impoverished (Spencer, 1997). “The biggest mistake that women still make in managing their money is leaving it until too late,” said Esther M. Berger, a certified financial planner with PaineWebber (cited in Harris, 1996, p. 153). Harris (1996) commented that, too often, the motivation for action is a divorce or the death of a husband - two common events with potentially devastating financial, as well as emotional, ramifications. She reported that a study conducted by the General Accounting Office found that about 80% of widows now living in poverty were not poor before their husbands died. “A crisis time is no time to be figuring out what your assets
are and how you should be investing them,” said Ann Benson, who conducts women’s seminars for Merrill Lynch (cited in Harris, 1996, p. 153).

**Facing the Facts**

According to Harris (1996), as the baby boom generation rushes headlong into its forties and fifties, women are feeling a greater urgency to plan for their financial future, especially with Social Security in a fragile state. Said Bridget Macaskill, CEO of Oppenheimer Funds, one of the first financial services companies to reach out to women: “They’ve watched their fathers die and their mothers struggle financially. They’ve been divorced or watched a close friend or relative go through it. They’ve been downsized, or their husband or a friend or a relative has. The whole issue hits them like a big blow to the head” (cited in Harris, 1996, p. 153).

It appears that women are starting to become more concerned about their financial future. Harris (1996) reported that in a 1995 Merrill Lynch survey, some 58% of the women said they were concerned about outliving the money they have put away for retirement, vs. 40% in 1991. However, despite this heightened concern, many women continue to put other financial goals ahead of their own retirement. In fact, according to Harris (1996), a 1993 Merrill Lynch survey showed that only 46% of women ages 46 to 64 had begun saving for retirement before they turned 40, compared with 67% of men. Warned Berger: “If we don’t take care of our own retirement now, our kids will wind up taking care of us later” (cited in Harris, 1996, p. 153). Women must make planning for their retirement a top priority or risk working well into their 70s to meet economic needs (Spencer, 1997).
Obstacles

Women face some unique challenges in planning for their financial future. Just consider how the deck is stacked against them: Women live an average of seven years longer than men, so they need a bigger nest egg to see them comfortably through retirement. However, Harris (1996) explained that women generally earn an average of 25% less than men, so they have less money to work with. She also pointed out that many women take time off from their jobs to care for their families (the average woman is out of the work force for 11.5 years, compared with just 16 months for the average man). Fewer years on the payroll, combined with generally lower wages, means smaller Social Security and pension benefits, since according to Harris, such payouts are generally based on salary and length of service. Worse yet, she noted that 52% of working women receive no pension benefits at all, because they are only half as likely as men to work for an employer who offers a retirement plan.

Another obstacle that women must face is overcoming the commonly held belief that someone else is going to take care of them. “Many of my clients grew up with people telling them to find a man to take care of them,” said Kathleen Gurney, Ph.D., author of Your Money Personality and a psychologist who specializes in women’s financial issues (cited in Willis, 1994, p. 1). According to Willis (1994), often times when a woman joins forces with a man, she turns the finances over to him. He observed that a woman, in turn, puts herself at great risk by remaining uninvolved with the finances, even if her spouse does a good job of managing their money. Given the statistics on divorce and widowhood, nine out of ten women are likely to find themselves making their own financial decisions at some point in their lives, according to recent
statistics compiled by Oppenheimer Funds (Kling, 1997). When that time comes, women can not afford to be financially illiterate.

The possibility of divorce is another financial challenge many women must face. If a woman leaves financial matters to her spouse, he may put assets in his name, leaving her with very little, if anything, in the event of a breakup. According to Harris (1996), The National Center for Women and Retirement Research at Long Island University reported that only 28% of divorcing women are entitled to financial support from their ex-spouses - that includes child support - and of those women, 34% never see the money that is due to them. As a result, she related that the average woman’s standard of living drops 45% in the first year after a divorce, while a man’s actually rises 15%.

A final obstacle that women face, and probably the hardest for them to overcome, is their lack of confidence when coping with money matters, which causes a reluctance to accept reasonable risks. “Women tend to freeze up when confronted by large amounts of financial information because they feel overwhelmed,” said Berger. “They weren’t brought up to believe they could handle this sort of information” (cited in Willis, 1994, p. 2-3). Many women are afraid that brokers will rip them off or talk down to them in a financial language they do not understand. These are not unreasonable fears for women to have.

While men often foolishly rush into risky investments with the hopes of scoring big profits, women tend to hang back even when the risks are modest and the potential rewards are significant (Willis, 1994). In a nationally representative survey of 4,000 Americans in 1996, three-quarters of the women surveyed by Yankelovich Partners agreed that they always favor safe investments, even if it means getting a low return
(Harris, 1996). According to Willis (1994), this is not entirely irrational because many women are not in a position to recover from an investment loss. However, he pointed out that women’s aversion to risk has enormous implications for their long-term security. Willis also noted that most financial advisers agree that women must invest some savings in growth investments such as stocks to ensure that their retirement savings will keep pace with inflation. That is even more important for women, since they live longer than men.

Taking the Financial Plunge

Despite the obstacles that women must overcome, it is imperative that they take the financial plunge and actively manage their money. The need for women to become savvy investors is pressing because they can no longer count on a husband’s income, pension or Social Security to see them comfortably through their retirement years. Amazingly enough, less than a generation ago both sexes considered it unfeminine for a woman to be smart about money, but this is no longer true, reported Harris (1996). “The new attitude is, it’s not only okay for women to actively manage their own money, it’s almost dopey not to,” said Berger (cited in Harris, 1996, p. 146).

On the plus side, women are often well suited to handle their family’s finances. “Women tend to be disciplined, patient, good learners and natural administrators,” said Ann B. Diamond, a financial counselor and author of Fear of Finance. “Those are wonderful qualities for managing money” (cited in Willis, 1994, p. 1). However, a recent survey by Oppenheimer Funds found that while women play a major role in the day-to-day management of household finances, paying bills and maintaining the
checkbook, they have been less involved with long-term planning issues like investments or retirement (Whitaker, 1994).

Women today have great earning power and can now take a more active role in managing their money because they actually have some real money to invest (Kling, 1997). Harris (1996) reported that in 1997, nearly 75 percent of American women worked and more than a trillion dollars were in their collective pockets. She also noted that household income earned by women has been growing steadily and fully 48% of working wives now provide 50% or more of their family's income. As a final point, she revealed that the average married female executive at Fortune 1,000 companies now generates 68% of her family's income.

Developing a Plan

According to The Beardstown Ladies Common Sense Investment Guide (Whitaker, 1994), it is nearly impossible for a woman to increase her wealth without planning. Whatever the situation – whether she is trying to scrape enough money together to cover expenses or wondering where to invest excess income – the Beardstown Ladies stressed that financial planning is the foundation of a sound economic future. They also pointed out that the earlier a woman begins planning, the more secure her future will be. Like a map, a financial plan will tell her how to accomplish her goals.

Crucial to a profitable journey, the Beardstown Ladies observed that a woman must first pinpoint where she is now, and then decide where it is she wants to go (Whitaker, 1994). They suggested that a women ask herself the following questions: What is her current financial situation? How much money does she want to save and
when does she need it? They also recommend that a woman visualize herself in the near future and then in 10 years. She should then ask herself these questions: Where does she want to live? What does she want to be doing? How much is that likely to cost?

Retirement planning, they explained, must take into account the way an individual wants to live—in a smaller apartment, in the home where she currently lives, or perhaps dividing her time between condominiums in two different cities.

According to the Beardstown Ladies (Whitaker, 1994), once a woman envisions her future lifestyle as best she can, she then needs to estimate what her expenses might be. They commented that people often use 75% of their current costs as a general guideline for what their retirement budget should be; to that, 6% should be added for every year until retirement age is reached. However, before a woman can even consider various investment options for her surplus, they pointed out that she needs to evaluate her insurance coverage: life insurance, health insurance and disability insurance.

The Beardstown Ladies also stressed that a woman needs to make certain she has a healthy savings account (Whitaker, 1994). Most planners recommend having three to six months of expenses in reserve, they reported. A woman’s savings, they suggested, should be kept in an account that is easily accessible, such as a certificate of deposit (CD), a short-term bond fund, or a money market account; these are all liquid, safe investments. They further explained that investments should then be selected based on a woman’s goals and risk tolerance. Generally, the higher the return, the more risk involved. Finally, once a woman develops a plan, the Beardstown Ladies concluded that she needs to monitor her progress to make sure she is going forward and make adjustments based on performance and changing goals.
A Low Cost Investment Education

Once women realize the need to take an interest in their financial future and they have a plan in hand, probably the best way to get their feet wet is to join an investment club. An investment club is a group of about fifteen people who pool together a set sum of money each month, typically $20-50 each, to buy stocks or other investments. The group braves the stock market together and shares in the risks and rewards of investing.

The advantages of joining a club are many. According to the Beardstown Ladies (Whitaker, 1994), by investing as part of a group rather than individually, members share the burden and risk of managing their investments with others. They also pointed out that because clubs divide up the work of studying stocks among members, a woman can learn about many more companies and industries in a single club meeting than she could in hours of investigation on her own. Investment clubs operate on the basic principle that a group of people can outperform any single member (Marini, 1994).

Perhaps the greatest appeal of investment clubs is the opportunity they give women to learn the investing game and feel more comfortable with their money. They also allow women to gain the confidence they need to manage their personal finances better. That is critical, according to Andrews (1996), since it is inexperience that often leads women to make overly conservative choices with their money, which ultimately threatens their financial security. She referred to a survey of women's financial attitudes in the February 1995 issue of Working Woman, which revealed that nearly three-quarters of the respondents felt that lack of knowledge about how to choose investments was their...
greatest stumbling block to becoming more active investors. “Women desperately need to understand the basics,” said Jane Ingalls, director of the educational initiatives for Oppenheimer Funds, “and investment clubs provide them with a forum to learn” (cited in Andrews, 1996, p. 40).

Club experience will lead many women to open personal investment accounts in addition to their membership in an investment club. According to O’Hara and Janke (1996), authors of Starting and Running a Profitable Investment Club, the National Association of Investment Clubs’ (NAIC) official guide, when a club forms, typically only two members own personal portfolios; after five years, almost all do. They pointed out that nine out of ten NAIC members currently buy securities for their own accounts in addition to making club investments. The club serves as a bellwether for personal portfolios, since members look at stocks at least once a month.

For Women Only?

Drury (1997) relayed the following story:

When her husband passed away six years ago, Marilyn Rodems found herself faced with many additional tasks, including running her husband’s distributing firm and handling investments. Investments were a mystery to her. She hired an investment firm but found, as did two of her women friends, that she wasn’t happy with how the financial adviser handled her portfolio. After some research, Rodems and her two friends decided they would band together in their learning process and start an investment club. Two years later, the Quaker Investors investment club has 17 members, all of them women. (p. 1)
The women of Quaker Investors are among a growing contingent of women investors springing up across the country. In 1960, women made up just 10 percent of the NAIC’s membership (Drury, 1997). According to its 1997 statistics, females comprise 65.3% of the NAIC’s membership and women’s investment clubs account for 46.6% (NAIC, 1997a). It is easy to see why women’s investment clubs are so popular. Drury (1997) commented that women’s groups have many common interests and the members feel comfortable working together. They also provide a forum for women to get support from each other in order to make important financial decisions (Spencer, 1997).

That is not to say that women can only join female clubs. Some women feel more comfortable in clubs with both men and women. However, many women are often intimidated by men because they feel that they are not as knowledgeable and might not be as apt to speak up, whereas participation in all women’s clubs gives them a better chance (Drury, 1997). “Women feel more secure in a women-only group,” said Victoria Redlin, a Spokane attorney. “Women working together feel safer asking so-called dumb questions” (cited in Spencer, 1997, p. D7).

Those Beardstown Ladies

Members of many women’s investment clubs credit the Beardstown Ladies for giving them the courage and gumption to dive into the number-laden world of stocks (Drury, 1997). The Beardstown Business and Professional Women’s Investment Club, established in 1983, has achieved more recognition than any other investment club across the country. In addition to writing two successful books on their experiences,
their hand-picked portfolio of fewer than 20 stocks, which includes McDonald’s, Hershey’s and Wal-Mart has earned an average annual return of 23.4% (Whitaker, 1994).

In 1991, the club’s best year to date, its return on stocks listed on the New York Stock Exchange was a staggering 59.5% (Whitaker, 1994). The Beardstown Ladies reported achieving this return by doing their homework, rather than relying on the advice of investment gurus, and by rigorously observing some straightforward investing principles. They explained that each member of the club contributes just $25 every month to invest; their club portfolio has now grown to more than $80,000.

Like most individual investors, the Beardstown Ladies are ordinary people, ranging in age from 41 to 87 (Whitaker, 1994). They noted that most of the members are retired and several are widows who have lived all of their lives in a small town. So when it came to investing, they pointed out that most of them knew very little when they started their club. They claimed what brought them together, quite simply, was a desire to learn how to better manage their personal assets. According to Ken Janke, president and CEO of the NAIC, “They’re just very believable. As much fun as they have, they really do their homework. People will look to them and say, ‘If they can do it, so can I.’ You don’t have to be a genius to be in the market, you can use some common sense and do well” (cited in Drury, 1997, p. 1).

Why Women Do Better

Women may start out a little scared, but they learn fast. According the NAIC, since women’s investment clubs began, they have averaged 21.3 percent a year, while
men’s clubs have trailed behind, averaging 15 percent a year (Kling, 1997). There are many reasons why women tend to be better investors than men. Women typically do better because they tend to ask more questions, do their homework and usually do not buy on a hot tip (Domingue, 1993). “We think many women start out by saying, ‘We don’t know anything about this,’ and become serious students right from the start,” observed Thomas O’Hara, chairman of the NAIC’s board of trustees and one of the organization’s founders. “Men tend to fly by the seat of their pants for a couple of years. It’s not until they have a few losses that they realize they’ve got to get busy and do a little studying” (cited in Myers, 1996, p. 1).

Harris (1996) pointed out that women pay much greater attention to a company’s fundamentals, and when they make an investment decision they stick with it, even when the market temporarily turns against them. She observed that they panic less easily and have more realistic expectations about returns. Because they are in it for the long haul, she noted that women are less vulnerable to buying last year’s hot fund. Besides being better students and more patient, Kling (1997) commented that women tend to have more experience in the marketplace. Women know intuitively what will sell and why because they have racked up the hours in the stores.

**Investment Club Realities**

Of course, joining a club does not guarantee success, according to the Beardstown Ladies (Whitaker, 1994). They pointed out that the performance of the thousands of clubs currently in existence varies widely, depending largely on the members’ commitment to serious investing. On average, the Beardstown Ladies
observed that clubs’ yearly returns are close to 15%, which beats the Dow Jones Industrial Average’s average annual gain of 10%. In fact, they pointed out that the average portfolio of clubs tracked by the NAIC earned more than S&P’s 500 Index in all but seven of the last 29 years. However, there is some question as to the validity of the NAIC’s statistics, since only 5-10% of clubs bother to fill out the questionnaire that is sent out every year (Andrews, 1996). It stands to reason that those clubs that actually fill the questionnaire out are doing well, and those that are not are too embarrassed to answer.

Regardless, a club should be prepared to lose money or show only a small gain in the first two years, reported Domingue (1993) because members are not yet experienced, and it takes time to acquire a diversified portfolio. Most investment clubs fail because of a get-rich-quick mentality. “A lot of people get frustrated because they don’t realize how long it’s going to take to make money,” said Martha Stephens director of corporate member services at the NAIC (Gallagher, 1997, p. 1). She also pointed out that clubs should not be blinded by the prospect of 20-30% annual returns; even a conservative 8% annual return over the long run would be good results.

**The Investment Club Movement**

According to the Beardstown Ladies (Whitaker, 1994), the first known investment club was set up in Texas in 1898. They explained that investment clubs began operating in Europe in about 1900 and servicemen who had fought in Europe during World War II revived the concept in the United States. With money coming in and most of their expenses paid, reported the Beardstown Ladies, some United States
soldiers began to pool money for investment purposes while they were still enlisted. Once the war was over, they noted that the investment club movement took off in the United States.

Frederick C. Russel, explained Bergsman (1992), gave birth to the modern investment club movement in Detroit in 1940. Unable to find a job and desiring to buy a small business, he related that Russel, a recent college graduate, formed the Mutual Investment Club as a vehicle for accumulating capital. He pointed out that the club had 3 objectives: invest every month, reinvest all dividends, and buy growth companies. Today the Mutual Investment Club is one of the oldest investment clubs in the country. The Beardstown Ladies (Whitaker, 1994) reported that members who joined the club at the outset, and contributed a total of $291,045 over the next 30 years, reaped an investment worth many times that amount. They observed that members withdrew $1,310,411 during that period, and still the liquidating value of their investment in 1992 was $2,109,917.

**The National Association of Investment Clubs**

Drury (1997) pointed out that the investment club movement hit a peak in 1970, when 14,101 clubs were affiliated with the NAIC, the not-for-profit organization that assists individual investors and clubs. Financial analyst George A. Nicholson and his friends Frederick C. Russell and Thomas E. O-Hara, she explained, founded the NAIC, in 1951. The 1997 statistics show that club membership has reached close to 32,000 clubs, up 25.3% from 1996 (NAIC, 1997a). O’Hara estimates that the NAIC deals with only about 25 percent of all investment clubs, meaning there may be as many as 120,000
(Wolpoff, 1997). According to Somerville (1997), many speculate membership has increased due to a good stock market recently and the fact that common stocks are the best return over the long run compared to any other type of investment. The growing awareness of Social Security's financial fragility is also sparking greater investor interest.

The NAIC has developed education materials and programs that help investors evaluate stocks and manage portfolios as well as materials to help individuals start up a club (Drury, 1997). Clubs can, of course, operate independently of the NAIC, but affiliating with the organization affords members many advantages. A club can join for $35 a year, plus $14 for each member. Each member receives a subscription to the NAIC's monthly magazine, *Better Investing*, which is full of educational information and investment tips. Other useful materials include the Investors' Manual, *Starting and Running a Profitable Investment Club*, which outlines the NAIC's program for managing a portfolio, Investors Information Reports, financial information on more than 100 companies, and step-by-step instructions on how to use the Stock Comparison Guide, a form that helps investors compare stocks (Whitaker, 1994). The NAIC also has regional councils that offer in-depth educational seminars on such topics as evaluating and selecting stocks for local clubs (Drury, 1997). For those who prefer, the NAIC has a web site at [www.better-investing](http://www.better-investing) that provides detailed information about the association and what it has to offer.

**Why Stocks?**

The lesson of history is clear: the stock market consistently provides investors with opportunities that are difficult to match elsewhere. According to the Beardstown
Ladies (Whitaker, 1994), the number of Americans participating in the market’s growth has mushroomed as well. They pointed out that during the Depression years, only 1% of Americans owned stock; now nearly three quarters of the U.S. population owns shares of corporations either directly or indirectly through pension plans, mutual savings, bank accounts and life insurance policies that are invested in the market. Despite these numbers, they revealed that most American adults – three out of four, a large portion of them women – have never purchased a stock or mutual fund on their own.

Stocks offer equal opportunities for both men and women, young and old, which are anxious to expand their capital and contribute to the financing of free enterprise here and abroad. What is more, stocks are easily bought and sold and have a universally recognized value. The market has a history of alternating rises with dips, but investors who are prepared with a basic understanding of the market, and treat stocks as a serious, long-term investment, are likely to be rewarded with a return that is hard to match elsewhere (Whitaker, 1994). This is evidenced by the chart below from O’Hara and Janke (1996) that compares total returns on different kinds of investments.
This sixty-year study (1936-1996) from Ibotson Associates clearly shows that common stocks have been twice as profitable as corporate bonds. What is more, common stocks have earned enough to outpace inflation by almost three times (p. 4).

The chart also clearly shows how commons stocks have outpaced inflation, the biggest threat to women, almost three times. Since women live longer than men do, there is more time for inflation to erode the buying power of the dollar. According to the NAIC Membership Guide (1997a), over the past years there has been a reduction in the value of the dollar while the Dow Jones Industrials rose by about the amount the value of the dollar declined. It also revealed that while stocks may not be the perfect hedge at any one moment, over the longer period of time they have been quite effective in keeping an individual’s dollar growing.

Commenting in The Wall Street Journal, Charles R. Schwab, founder of the major discount brokerage, reminded readers that researchers have convincingly
demonstrated that stocks provide superior returns over extended holding periods (O'Hara & Janke, 1996). Despite this evidence, most people contributing to employer-sponsored defined-contribution plans direct their retirement funds into fixed-rate investments. Schwab wrote, "I find this disturbing. By taking the low-risk, low-reward path, millions of Americans are limiting their financial future... Take charge of your financial future. No one else can do it for you" (cited in O'Hara & Janke, 1996, p. 232).
Members

The first task in forming a successful investment club is identifying prospective members. It is important to attract people who are compatible and able to function as a team, since an investment club may last a lifetime. Individuals should be recruited who feel a sense of responsibility for making the investment club succeed and who share an enthusiasm and desire to learn about investing in the stock market. Since the Securities and Exchange Commission rules prohibit clubs from advertising, recruiting must be done by word of mouth. Relatives, friends, neighbors, co-workers, sorority sisters, and church members should be considered when inviting women to join the club. These recruits will inevitably know of others who might be interested. Also, someone’s stockbroker may have clients to recommend as candidates for membership. According to Kathryn Shaw (1992), author of Investment Clubs: A Low Cost Education in the Stock Market, investment clubs come in all shapes and sizes. She pointed out that there are no rules for developing a cohesive membership or for the number of members the club should have for success. Clubs do have a better success rate, she explained, if their membership has a common thread such as a woman’s investment club.

The most successful clubs, noted O’Hara and Janke (1996), are made up of individuals from a variety of backgrounds and experience. They gave some guidelines that should be followed when selecting members. As a general rule, they suggested trying to limit the number of individuals from any one place of employment to no more than half the total membership. They also proposed taking into consideration travel time.
to meetings when considering people as members; it should be figured out where the meeting will take place and who can reach the site(s) in an hour or less. O'Hara and Janke stated that the club should not feel obligated to include an accountant and an attorney, since most clubs succeed without either. Above all, they stressed that the club should not seek out a financial expert because other members tend to lean on such an individual and will know no more after years of membership than they did upon joining. The collective judgment of a number of reasonable people can be much sounder than the opinion of a single source, however knowledgeable that individual might be.

How Many?

Membership should be kept at a manageable number. O'Hara and Janke (1996) recommended that, ideally, a club should be big enough for members to divide the work without it becoming burdensome for any individual, yet small enough to give everyone a sense of direct involvement and personal interest. For most clubs, they suggested an average number of fifteen. They also explained that an advantage of holding the count to around fifteen is that meetings can remain informal and not become so unwieldy that decisions are difficult to reach. What is more, O'Hara and Janke pointed out that if membership exceeds fifteen, the number of appropriate meeting places could be limited. In contrast, too few members may prevent the club from raising adequate investment capital to build a diversified portfolio.

Shaw (1992) recommended starting out with seven or eight founding members because it is often difficult to make decisions with input from fifteen to twenty members. She explained that starting with a small number of people will make everyone
comfortable and give the club time to build confidence. Later, new members can be recruited who will bring complimentary talents to the club. Whatever the target total, the club should seek out three or four extra people, because inevitably some portion of the prospective members will decide not to join (O’Hara & Janke, 1996).

**Commitment: A Key Ingredient**

It is important that all members are committed to the same investment philosophy. According to O’Hara and Janke (1996) the single most frequent cause of early dissolution of investment clubs is conflicting investment philosophies. They commented that successful investment clubs tend to adhere to the more conservative point of view that wealth building is a slow process, particularly in the beginning years. O’Hara and Janke pointed out that the NAIC’s investment philosophy—investing in high quality growth stocks for the long term, investing regularly, reinvesting all earnings, and diversifying to reduce risk—has proven to be successful. Many prospects may have the idea that investing is frequently buying and selling stocks. It is important that the club make it clear to all prospective members that its policy is to buy carefully and then hold.

As a final consideration when recruiting members, the club will thrive best when members are committed to active participation. According to Shaw (1992), members must recognize their responsibility to contribute not only money, but more importantly, time. She explained that club meetings will take approximately an hour and a half to two hours each month. Members should then plan on spending an additional two to three hours monthly reading and researching investment materials. Shaw stressed that it is up
to the individual member how much time will be spent in the learning process, but the more she reads, the more she will learn.

Unfortunately, the reality is that some members will not be willing to contribute more than their monthly dues and leave others the work of investigating prospective purchases and sales. “Some people treat clubs like mutual funds where they can put their money in and have other people do the work,” said Polly Kelley, a member of the Wish Club in West Palm Beach (cited in Kim, 1996, p. 93). O’Hara and Janke (1996) recommended that there be enough energetic, dedicated members so that the investigative requirements can be managed by them. An investment club works well because the work is shared by several people; by splitting up the research, everyone benefits.

Initial Meeting

Everyone who is interested should be invited to an exploratory meeting to learn more about the proposed investment club. A final commitment should not be sought from anyone until afterward. According to O’Hara and Janke (1996), the meeting should start out with the founding members explaining what the benefits of joining an investment club are, what will be expected of members, and how the group will be organized. They suggested reminding each person that the club is not a get-rich-quick operation. O’Hara and Janke also pointed out that members should be made aware of a few market realities. For example, it often takes time, months or even years, before investments become profitable, considering commissions, taxes and experience. It should be emphasized that the time to decide whether or not one belongs in a club is
before joining. Next, questions should be addressed. If it is possible, O'Hara and Janke recommended arranging for an experienced investment club member to attend this meeting to help answer any questions and concerns. When all inquires have been satisfied, the founding members should ask for a show of hands to determine how many people are interested in joining the group. If most are interested, the club should proceed with the organization.

At the initial meeting, a mission statement should be agreed upon by all members, as the first order of business. According to Shaw (1992), setting goals at the outset is critical to establishing a durable club. What does the club hope to accomplish by starting a club? What is the club’s purpose? She pointed out that two obvious goals are: (1) to learn how to invest in the stock market and (2) to make money. These goals go hand in hand. The more members know about investing, the better their investment decisions will be and financial success is sure to follow. As an example, the Beardstown Ladies Investment Club’s goals are (1) education; (2) enjoyment; and (3) financial enrichment (Whitaker, 1994). Whatever the club’s goals, they proposed that an investment club’s primary purpose should be to serve as a forum in which its members can learn about the stock market.

Next, the club should focus on picking a date for meetings, the amount for contributions, and a name. Shaw (1992) recommended that the club should set a date for monthly meetings such as the third Monday of each month and not deviate or the club will end up spending valuable meeting time comparing each other’s calendars. She suggested that monthly meetings could be held in such places as a conference room, member’s office, or schoolroom. Shaw pointed out that the club will be more efficient
and members will take themselves more seriously in a business setting. The club should set a time to meet and a time to adjourn. Meetings that last indefinitely accomplish less than those with a predetermined time limit and increase the risk of losing members’ attention, reported Shaw.

The club should then decide on the amount to be collected from each member. According to O’Hara and Janke (1996), the sum should not be excessive for anyone; it should be emphasized that this is risk capital. They stated that members typically contribute $20-$50 monthly. Although it is not absolutely necessary, they suggested that the club might consider allowing exceptionally high contributions for the first year of operation. Some clubs require a one-time or one-year contribution of $500 to $1,000 (Shaw, 1992). After that time, some members might want to contribute more than others do, and some may need to withdraw a portion of their funds.

Shaw (1992), proposed that a checking account should be opened in the club’s name to pay administrative expenses such as postage and also to keep monthly contributions. When initial start-up expenses have been decided, she recommended that each member should contribute a designated amount in addition to the monthly investment. She also pointed out that the club must decide who will have authority to sign checks. Shaw suggested that there be two signatures on all checks that are written to prevent unauthorized expenditures. Therefore, three club members should be given the authority to sign checks.

Next, the club should come up with a name. It should pick a first as well as a second choice, in case another club is already doing business under the club’s first choice. As a practical matter and before the club begins to complete the required legal
documents, a member should call or visit the County Clerk’s Office to be sure the name selected is not already being used in the county (Shaw, 1992). Clubs can select names denoting geographic location, business affiliation or the purpose of the group. Others may pick names “just for fun.” Some examples include: Money Mad Matrons, Gamma Gals (sorority sisters), Stock it to Me, and Girls Just Want to Have Funds. Let the imagination flow, but try to be accurate. According to Shaw some newspapers make a practice of publishing new business registrations, including investment clubs and their members’ names, so discretion should be used in naming the club.

Selecting Officers

The selection of the club officers should come next. The Beardstown Ladies suggested that it is a good idea to rotate responsibilities among the group (Whitaker, 1994). For example, they have a nominating committee that is in charge of appointing officers. There are typically four officers in a club. According to O’Hara and Janke (1996), the senior partner should be responsible for setting the time and place for meetings, appointing committees, presiding at meetings, and overseeing the activities of the club. They explained that the junior partner should not only take the place of the presiding partner when the latter is unable to serve, but should also lead an investment education program. O’Hara and Janke stated that the recording partner should keep minutes of proceedings and notify members of the time and place of meetings. They commented that the recording partner should typically assume the responsibility for notifying absent members of club actions by mailing copies of minutes. The role of the financial partner, they explained, is to maintain the club’s financial records and place
buy and sell orders with the broker. Record keeping, they noted, includes an accounting of club receipts and disbursements and a calculation of each member's share of interest in the club. Accordingly, they reported that the financial partner should also prepare a monthly liquidating statement and file an annual informational tax return with the federal government. The financial responsibilities can be split up into two offices, since this position requires the most effort and knowledge.

Club Structure

Early on, the structure of the club needs to be determined. All businesses, including investment clubs, must register as a legal entity to satisfy the Internal Revenue Service. Investment clubs can be set up as either partnerships or corporations, but a partnership affords members more tax advantages and this is how the majority of investment clubs are set up. If a corporation structure is chosen, an investment club's earnings are subject to two taxes: the club must pay corporate-level income tax on the corporation's earnings, and its members, considered shareholders of the corporation, must pay individual income tax on the distribution of corporate earnings as dividends. A partnership does not have to pay any taxes. Instead, each partner is responsible for reporting her share of the club's income on a personal tax return every year. When a partner withdraws from a club or when a club dissolves, she will only have to pay taxes on the income she has not already reported and paid taxes on.

Corporations usually have to pay a fairly large registration fee to the state. Registration forms for corporations tend to be lengthy and complicated; the partnership form, in contrast, is very simple. O'Hara and Janke (1996) suggested checking with the
state licensing board, Department of Corporations, Department of Revenue, or similar regulatory agencies to find out the degree of complexity involved in establishing the club as either a corporation or a partnership.

Under the corporate form, personal liability is usually limited to each member's investment in the club. No personal liability limitation exists under the partnership form. However, O'Hara and Janke (1996) explained that personal liability is restricted to acts of a partner performed within the scope of her authority and in the course of conducting partnership business. In addition, they pointed out that the individuals of virtually all investment clubs could be held liable for the wrongful actions of the club's agents committed while conducting club business. However, an investment club conducts only one business activity, buying and selling securities, and has only one party in its transactions, its broker. As of 1996, O'Hara and Janke reported that the NAIC has uncovered no litigation stemming from investment club membership.

Under current Treasury Department regulations, most clubs qualify for partnership status for tax purposes. However, the Beardstown Ladies (Whitaker, 1994) suggested that each club should consult with an attorney and an accountant to verify that status, based on its operating agreement, and determine if there are any state or local regulations that require yearly filings or fees. The club may hesitate to seek the advice of an attorney and an accountant because of the professional fees the club will incur. However, Shaw (1992) stressed that it is important to make these contacts and lay the groundwork for future needs.
Operating Agreement

Every group needs to draft an operating agreement that outlines its rules. This agreement should be acceptable to both members and legal authorities. During the drafting process, the Beardstown Ladies (Whitaker, 1994) suggested consulting an attorney to make sure the club is adhering to all federal, state, and local regulations that affect investment clubs. They explained that the purpose of the club should be stated and limited to “invest the assets of the partnership in stocks for the education and benefit of the partners” or something similar. This wording limits the authority of any single partner, a safeguard against fraud.

There are many issues that the operating agreement should address. These include and are not limited to the following: purpose of the club; what the club will invest in (stocks, bonds, real estate, etc.); how often meetings will be held; what the maximum contribution of members will be; how members are to share in profits and losses; how and when members can be removed or leave the group; how and when additional members can be admitted; withdrawals; termination of the club; amending the agreement. A sample partnership agreement of the Beardstown Ladies Investment Club, taken from The Beardstown Ladies' Common-Sense Investment Guide, is shown in Appendix A.

Legal Filings

The first step in completing legal filings is obtaining a Tax Identification Number. The club should write or phone the nearest U.S. Treasury office and ask for Form SS-4. It is a simple information card that asks for officer names, addresses and
Social Security numbers, as well as the name of the club. A Tax Identification Number will then be assigned, which is used on all tax filings. The club also needs to provide the number to the broker and the transfer agents for the securities the club buys. All security transactions and all dividend income received are reported to the IRS under this number. When an individual member reports her share of income on her individual tax returns, the Tax Identification Number is included so that the reported amounts can be cross-referenced to the club’s return.

The club must file the appropriate registration forms for a partnership or a corporation, depending on the structure chosen. According to Shaw (1992) it is also wise to file a “Certificate of Persons Conducting Business Under Assumed Name” form. Most commonly known as a DBA (“Doing Business As”), she explained that the club must complete this form as a means of protecting the name chosen for the club. The form is available at the County Clerk and there is a nominal registration fee involved.

Brokers

The club should discuss the idea of working with a broker. Investment clubs have traditionally depended on good advice from brokers who agree with the club membership’s basic philosophy. However, some clubs do not believe they need advice beyond the research efforts of members, and use discount brokers for placement of orders.

Full service brokers are expensive, charging roughly 3-5% of the cost of a trade in commission, which quickly dampens returns (Whitaker, 1994). However, if a full service broker is selected, the broker should be willing to provide the club with extra
services, in addition to advice, not necessary for individual customers: custody of securities, dividend collection, and forwarding of stockholder notices. Some brokers will want a service charge for these extras. O'Hara and Janke (1996) commented that the broker will probably expect that several, and possibly all of the members will eventually open personal accounts with him or her.

The personal attention given by a full-service broker is not useful to every club, so the club might investigate several less expensive alternatives. Discount brokers are an option. They will apply the same fixed fee every time the club purchases stock, ranging from $19-40 per trade (Brown, 1997a). However, the Beardstown Ladies (Whitaker, 1994) pointed out that the club should make sure it asks about the discount broker's minimum charges, because if the club has only several hundred dollars to invest every month, the charges may not be any lower than those of a full-service broker. Discount brokers buy and sell orders but generally do not provide advice. Another possibility is to work with a full-service broker when guidance is needed and a discount broker when it is not.

For new clubs, the cost factor looms particularly large. However, once the club starts investing in larger blocks (shares of 100), the discounts become more significant (O'Hara & Janke, 1996). An alternative is the “deep discount” brokerage firms. Longo (1995) explained that deep discounters offer low commissions based on the volume of business they transact. Because these firms make their money on the volume of business they transact, she pointed out that the perks of the higher priced discount brokers are not provided. O'Hara and Janke (1996) commented that the price gap between the deep-discounters and the rest of the brokerage business is widening.
Selecting a Broker

Picking the right broker is not always an easy task. Many factors contribute to the club’s choice, but according to O’Hara and Janke (1996), compatibility is the most important feature. They suggested that the club find a broker who knows how clubs work and who is willing to advise the club, rather than try to push it into buying the brokerage firm’s stock of the day. Since brokers make their money by executing trades, the Beardstown Ladies (Whitaker, 1994) pointed out that it can be difficult to find one who caters to the conservative, long-term investment philosophy central to a club’s financial success. However, a broker who enthusiastically supports a club can be an invaluable asset.

Selecting a broker is like selecting stocks: the club is much better off doing its homework first. Shaw (1992) suggested that the club take time to interview potential brokers and ask about their commission fees—the amount they will charge a club every time it buys or sells stock. She commented that the club should be sure that all members understand how these fees are determined and it should ask the broker to provide a rate schedule. The club should also make sure that the broker’s firm has a seat on the New York Stock Exchange, the American Stock Exchange, and all other major exchanges. The Beardstown Ladies (Whitaker, 1994, p. 45) offered the following checklist in their Common-Sense Investment Guide when choosing a broker:

1. Get several recommendations from people whose judgement you trust.

2. Interview each candidate in person. Make sure they are accessible, have time to spend, and are comfortable working with an investment club.

3. Ask about investment philosophy: How do they invest their own money? Are they comfortable holding on to stocks for a long period? If not, go elsewhere.
4. Get the names and numbers of several references. Call them before you make your final decision.

5. Compare the fee structure and services offered with those of discount and deep discount brokers. Do the extra services justify the added cost?

**How to Work with a Broker**

Whether a full-service or a discount firm is selected, there are some procedures that all clubs will have to follow. All members of the club have to sign an agreement when the broker account is opened. O’Hara and Janke (1996) reported that the agreement varies from firm to firm, but in all cases authorization must be given to the designated individuals to place buy and sell orders. They explained that the club should not expect the broker to deal with more than one individual, usually the financial partner, on behalf of the club. About twenty-four hours before the club meeting, they suggested asking the broker for any recent information on stocks in the club’s portfolio as well as stocks being studied for possible purchase. The club should not ask the broker what stock to buy; that is the club’s decision. However, once a decision has been made, O’Hara and Janke recommended that the club ask the broker’s opinion before placing the order. If he or she has any valid objections, the club should listen carefully and poll club members before proceeding. The club should not ask the broker to attend all the meetings; the broker should be invited to annual meetings only.

Information gained from the broker in advance of the meeting should be recorded and shared with club members before any investment actions are taken. As soon as possible after the meeting, O’Hara and Janke (1996) suggested that the club’s contact
person should place the authorized order with the broker. They pointed out that the contact person should not hesitate to call during trading hours with a buy or sell order. However, if the financial partner needs to talk to the club broker at length, they suggested that she ask when would be a good time and schedule time in advance.

The club should be fair in requesting material from the full-service broker to help him or her to minimize the expense of handling the club’s account. O’Hara and Janke (1996) pointed out that there is no need to order more than the two to four Standard & Poor’s sheets required for next month’s reports. Ones the club needs later should be ordered when the material is current, they pointed out. O’Hara and Janke suggested mailing the sheet order request to the broker and enclosing a self-addressed stamped envelope. They also stressed that the club should never call the broker for prices; they are listed in The Wall Street Journal and other financial publications, as well as the financial section of local newspapers. Some computer services provide instant on-line prices as well.

Once the club has made a purchase, the financial officer should transmit one check to the broker, having deposited member’s payments in the club’s bank account. Payments should be prompt; according to O’Hara and Janke (1996), payments must reach the broker within three business days following issuance of the buy order. They explained that the broker is subject to a fine if he or she fails to require on-time payment. If the club does not meet the deadline, they reported that the broker will be required to place the club on a restricted list and possibly be forced to collect funds in advance of accepting orders.
Street Name

The most practical form of registration currently available for the club's stock certificates is known as "street name". According to O'Hara and Janke (1996), under this form of registration, the broker establishes an account in the club's name, or in the name of an agent or agents specified by the club. They explained that securities are registered in the broker's name or "street" form when they are purchased. O'Hara and Janke noted that the broker will then submit to the club a monthly statement itemizing transactions and listing securities in the club's account. However, the club will not receive the stock certificates. O'Hara and Janke pointed out that this is the most convenient form of registration because the club will not have to safeguard certificates or pay to have them stored.

O'Hara and Janke (1996) reported that dividend payments are sent directly to the broker and credited to the club account. Stockholder notices received by the broker, such as annual and quarterly reports and proxy statements, should be forwarded to the club promptly, they explained. O'Hara and Janke noted that the club can receive annual and quarterly reports directly from the corporate investor relations departments if a written request is sent. The recording partner should explain that the club's shares are held in street name, and that the club will advise the company when the stock is sold and the club can be removed from the mailing list.

When securities are held in street name, the club will not be allowed to participate in a corporation's dividend reinvestment program since the club cannot physically hold their own stock certificates. To do so, O'Hara and Janke (1996) explained that the club will have to ask its broker to deliver securities in the club's own name. However, they
pointed out that the industry is moving towards electronic record keeping in the interest of cost reduction, making stock certificates arcane. The SEC has lent its support to this effort. According to O’Hara and Janke, a major brokerage firm recently began imposing fees on clients who requested that securities be registered and shipped to them in certificate form. This policy may accelerate the trend away from the use of stock certificates. The club should keep in mind that all stocks held in street name are secured in accounts insured up to $500,000 by the federal government against brokerage fraud or failure (Whitaker, 1994).

**Keeping Costs Low**

There are several avenues for keeping investing costs as low as possible. The first is to take advantage of a special program offered by several major full-service brokers. O’Hara and Janke (1996) noted that it is not advertised, so the club must ask whether it is available at a particular firm. They explained that this is how it works: The club mails in their money and market order, and the order is executed at market opening the day after receipt. The firm’s commission is then prorated over the number of shares executed on behalf of program participants. As a result, it is impossible to know in advance exactly what the costs will be. No service is offered with the program and the club will interact with a clerk, not a broker.

O’Hara and Janke (1996) suggested that another way to limit transaction costs is with NAIC’s own Low-Cost Investment Plan, which is available only to members. Under this program, they reported that the club begins investing through the NAIC by purchasing just one share of stock for the price of the stock plus a minimal fee of $7 to
meet setup and handling expenses. The club can choose from among 120 companies that participate in the plan, including AT&T, McDonald’s, and Kellogg’s. The Beardstown Ladies (Whitaker, 1994) explained that after the club buys one share, the account will be managed by the company’s dividend reinvestment plan and the club can add to its holdings with regular contributions set at whatever level it can afford. They pointed out that it is an easy, low-cost way to get a club portfolio started. The only disadvantage of this stock-purchasing method is that the club is limited to the companies that participate in the investment plan.

Dividend reinvestment plans (DRIP) are another way to reduce costs. More than 1,000 companies, reported Brown (1997a), allow investors to buy single company shares through DRIPs. Rather than paying out dividends, she explained that DRIPs automatically reinvest the club’s stock dividends to purchase more company shares. Even better, Brown noted that many companies offer discounted share through DRIPs, taking 3-5% off a stock’s trading price.

Finally, the cheapest way to purchase stock is through direct purchase. According to Wasik (1996), this is where the club purchases stock directly from the company and avoids a broker entirely, although only a handful of companies offer this option. Good books that he recommended as listing the most popular direct purchase plans and DRIPs are No-Load Stocks and Buying Stocks Without a Broker by Charles Carlson.
OPERATING A SUCCESSFUL WOMEN'S INVESTMENT CLUB

Agenda

The monthly meeting is the focal point of club activity. The club is a business and should be run like one, with the social aspects a necessary and important side element. O'Hara and Janke (1996) observed that clubs that hold well-run, organized meetings consistently enjoy superior results. They maintained that success results from skillful organization and planning. Participants, they recommended, should be allowed to express themselves without being pressured and the senior partner should encourage open discussion and thoughtful consideration of all issues while making sure business moves along at a good clip.

The senior partner sets the tone for the meeting. The Beardstown Ladies (Whitaker, 1994) stressed that it is important for her to keep meetings lively, educational, and efficient. They stated that meetings do not need to last longer than an hour and a half, and members should leave feeling that their time was well-spent. Shaw (1992) suggested that the best tool for conducting organized meetings is an agenda. The senior partner, commented O'Hara and Janke (1996), should prepare an agenda, including a list of specific items of old or new business that are to be addressed at the meeting. As a reminder of monthly meetings, Shaw recommended that the forthcoming meeting's agenda should be sent to all members one week prior to the meeting.

Once the senior partner calls the meeting to order, according to the Beardstown Ladies (Whitaker, 1994), the first item on the agenda should be reading the minutes of the last gathering. They suggested that the recording partner then ask members to make
any corrections or additions before the minutes are approved. After reading the minutes of the last meeting, they recommended that the financial partner should present the treasurer's report. This should include any bank and brokerage account balances and the current value of the club's portfolio. O'Hara and Janke (1996) noted that the financial partner should also review highlights of her discussion with the club's broker. Any important comments concerning securities the club already owns or is considering for purchase should be explained and passed along to the members. O'Hara and Janke pointed out that the stocks the broker has suggested should be identified and assigned to particular members for study, assuming the club wants to follow up on the recommendation.

The Beardstown Ladies (Whitaker, 1994) suggested that the treasurer's report should be followed by club business, such as reading correspondence from other clubs or discussing plans for attending upcoming educational seminars or considering applications from potential new members. Next, the club should overview how the club's portfolio is doing. Many clubs, including the Beardstown Ladies, use a Stock Information Sheet that lists the stocks owned, the number of shares held, the cost per share at the time of purchase, and the total cost to the club. According to the Beardstown Ladies (Whitaker, 1994), each month at the meeting, the club fills in the stock's price, price-earnings ratio, timeliness, safety, and industry rank. Filling these sheets out as a group, they explained, is a quick, efficient way to review the club's portfolio every month and triggers an early warning if a stock's timeliness or safety has fallen too far or price-earnings ratio seems too high.
Each member should assume responsibility for tracking at least one of the club's investments, recommended the Beardstown Ladies (Whitaker, 1994). The financial partner, who will receive all correspondence from the corporations in which the club invests, should forward materials such as quarterly and annual reports to the member assigned to that specific stock, they suggested. The Beardstown Ladies noted that other members who spot articles in the press about one of the club's investments should forward copies to the member following the stock. At club meetings, they proposed that each member should make a brief presentation about her stock, noting any significant new developments that occurred in the last month, such as a new product introduction, highlights from a quarterly report, or a potential merger. If there are reasons for selling the stock, this is the time to open the discussion to the whole group.

Next should come the most interesting portion of the meeting—when stocks are bought and sold. The Beardstown Ladies (Whitaker, 1994) suggested electing a Stock Selection Committee, composed of two or three partners, who volunteer to study and recommend stocks until one is selected. This committee, they explained, should present stocks to the club that it thinks the club should consider buying in addition to those that the club already holds. The Beardstown Ladies recommended that one committee member should go over price, price-earnings ratio, beta, timeliness, safety, and other important indicators that explain why the stock deserves consideration. A case is more strongly made, they stressed, if the committee has chosen the stock after comparing it to two other companies in the same industry.

The NAIC, reported Gallagher (1997), suggests using its two page Stock Selection Guide worksheet to analyze a company's prospects, although many clubs feel
the process is too cumbersome. To fill out the worksheet, she related that a member
must plot historical growth in revenues and earnings per share, and analyze five to ten
years’ worth of data, such as profit margins, returns on equity, and price-earnings ratios.
Prices, dividends, and total returns must also be projected. She pointed out that an
electronic version of the Stock Selection Guide is also available. Although the Stock
Selection Guide is a useful tool in evaluating a stock, the amount of information tends to
overwhelm many members and can be frustrating.

Once a stock has been presented, discussion should be opened. All members,
according to O’Hara and Janke (1996), should have equal access to financial data, so
that a full discussion and better decision making will follow. The Beardstown Ladies
(Whitaker, 1994) pointed out that if a buy recommendation is being discussed, the group
should compare the proposed stock to the holdings the club already has, since it might be
better to spend money on additional shares of stocks that the club already owns.
Members should be discouraged from making decisions for the wrong reasons. For
example, O’Hara and Janke stated that some members of new clubs are intent on buying
as many shares as possible, so they will gravitate to the lowest-price stocks. In terms of
value, low-price stocks could be expensive while higher-price stocks may offer
considerably more for the club’s money. The club might want to agree upon a price
range for the securities bought by the club. The Beardstown Ladies (Whitaker, 1994),
for example, seldom buy stocks priced higher than $25 per share, and mainly buy lots of
100 shares to save on commissions. O’Hara and Janke stressed that it is important that
the club not consider any security that does not have accompanying data to support it.
They explained that this minimizes the possibility of selecting stock based on emotion rather than reason and succumbing to "hot tips".

This is also the time when motions to sell current holdings are brought up. As with buying stocks, selling decisions should be based on a set of pre-established criteria, never on a whim. After a motion is made, the club is ready to vote. According to the Beardstown Ladies (Whitaker, 1994), no matter what the value of a member's account, every member should have an equal vote. They pointed out that clubs that give more votes to members with more money invested often develop power struggles between old and new members, with new members losing out. For buying and selling decisions, they stated that majority should rule. In all other club business, they suggested that a two-thirds majority be required to pass a motion, with a quorum of two-thirds present for a vote.

If the club does not have enough money to buy anything, the Beardstown Ladies (Whitaker, 1994) suggested that the Stock Selection Committee's report should be postponed. They commented that voting to buy stock should be held off until there is money on hand. If the committee has investigated several stocks, but hasn't found anything it wants to recommend, they pointed out that members may still give brief reports on the stocks that they studied. Members may recommend that the club continue to follow a stock because it may hold promise for the future. After a stock buy or sell motion is carried, the Beardstown Ladies recommended that the current Stock Selection Committee should be disbanded and new volunteers should be asked for. Committee participation, they proposed, greatly improves a member's understanding of the stock
market; this responsibility should be rotated among all members and it adds only a few hours of work during the month.

Next, O’Hara and Janke (1996) commented that the junior partner should ask for suggestions for new companies or industries to be considered at the next meeting. They pointed out that these are the stocks the Stock Selection Committee will present at the next meeting. If there is no committee, they recommended that the junior partner should assign the stocks for the following month’s stock study presentation. A good place to look each month, they suggested, is in the NAIC’s Better Investing magazine which features a stock to study. It is also wise, noted the Beardstown Ladies (Whitaker, 1994), to choose industries that at least one of the members is familiar with or interested in.

The club should set aside time for an educational presentation towards the end of the meeting. According to the Beardstown Ladies (Whitaker, 1994), the junior partner should usually plan a 15-20 minute discussion of some educational value, such as reporting on interesting articles in the financial press, leading a discussion of a helpful investment tool, or explaining a financial term. They explained that sometimes, the junior partner will assign some reading or a worksheet that the whole group can go over together at the following meeting.

Once the formal business is concluded, club members can turn their attention to having a little fun—enjoying refreshments, talking informally, and getting to know each other. The club, pointed out O’Hara and Janke (1996), should also welcome guests to meetings, including prospective members as well as people who might want to form a club of their own. When members leave, they should feel that, in addition to charting
how their profits have grown, they have added to their storehouse of knowledge (Whitaker, 1994).

Record Keeping

The club should keep minutes of every meeting. According to the Beardstown Ladies (Whitaker, 1994), these do not have to be elaborate and can be handwritten or typed. They suggested that the minutes should include where the meeting was held, how many partners were present, the business of the meeting (including an update of the club’s account), what stocks were reported on, and what buy and sell orders were agreed upon.

O’Hara and Janke (1996) pointed out that the club also needs to come up with a system to track every cash transaction and to calculate every member’s share of the partnership. They explained that this can be done by hand, by hiring an outside bookkeeper or accountant to maintain the books, or by using the NAIC’s Club Accounting Software. O’Hara and Janke stressed that the financial partner is ultimately responsible for the club record keeping, but an assistant financial partner can be of great help with this enormous task. In the interest of protecting the club and its individual members, they recommended that every member of the group should be prepared to audit the work of the financial partner if asked to do so.

The NAIC recommends the unit value system for keeping track of member’s proportionate equity in the club. At first review, the system may seem unnecessarily complicated to new clubs. However, when compared to other methods, O’Hara and Janke (1996) pointed out that it is the most accurate and reliable method to use, not to
mention that the system allows for flexibility. In virtually every club, they observed that there comes a time when one or more members will want to make a more substantial contribution than the minimum amount required. They explained that the unit value system permits this and allows the larger contributor to remain in the club with all members’ interests fairly valued. When a member wants to withdraw funds, O’Hara and Janke reported that the unit value system enables the club to calculate and reset proportionate shares without trouble. Likewise, they noted that a member might not be able to make a contribution every month; this system allows adjustment of proportionate ownership in a way that is accurate and fair to all. The unit value system, they proposed, also permits the club to accept new members at any time without requiring her to make a lump-sum payment to match the funds already contributed by long-time members. For the reasons they have mentioned, all members will not be able to maintain identical share values. With this system, the club can attract and retain all the members it wants without imposing a financial barrier.

The valuation of an investment club members’ interest is different from valuation in other businesses, because according to O’Hara and Janke (1996), the worth of club assets is constantly fluctuating due to stock market changes. In addition, they pointed out that most clubs are partnerships, so each person owns part of the total assets rather than shares of stock, as in a corporation. They explained that all of the assets must be valued whenever members deposit additional funds, which is monthly in most clubs. O’Hara and Janke related that each member’s account consists of two parts: the accumulation of cash deposits and a valuation record of her deposits, which includes the sum of profits and losses. They reported that the preparation of a valuation statement is
the first step in valuing new capital deposited in the club. This statement, they explained, lists the assets of the club at their market value as of the valuation date.

O'Hara and Janke noted that the financial partner should prepare the valuation statement several days before the membership meeting. Most clubs, they revealed, base valuation on the closing price of listed securities, or the bid price of over-the-counter securities.

The Beardstown Ladies Common-Sense Investment Guide (Whitaker, 1994) explained the NAIC's unit value system, in the simplest manner. By following these steps, a club can successfully establish a unit system:

1. Establish an amount to be the unit value of ownership in the club. The common amount is $10 for one unit. Each member's account record should list the amount of cash deposits and the "valuation units' credited to her account. A member's liquidating value is easily computed at any time by multiplying the member's total valuation units by the established dollar amount of a unit.
   
   Example: If a member has 250 units (each worth $10) credited to her account, the liquidating value of her account would be $2,500.

2. Divide the total value of the Valuation Statement by $10.00 and take the quotient as the number of valuation units in the club.
   
   Example: If the Valuation Statement total is $3,000, the total number of units would be $3,000 divided by $10, or 300.

3. Allocate these valuation units to club members.
   a. When everyone has an equal interest, divide the total number of valuation units by the total number of members to determine the valuation units for each member.
      
      Example: If the club has 15 members who have invested the same amount of money in the club, and 300 units, each member would be credited with 20 units. The liquidating value of each member's portion at that time would be $200.

   b. When interests are unequal, calculate the percentage of the value of each member's account to the total value of the club. Determine the number of each member's valuation units by applying her percentage of ownership to the total number of valuation units.
      
      Example: Let's suppose that a club has a total value of $3,000, 300 units, and 15 members. Thirteen original members own a total of 90% of the club and two new members have joined with initial investments of $150
each, or 5% of the valuation of the club. Each charter member should be credited with 20.76 units (90% of 300 units, divided by 13). The two new members should each be credited with 15 units (5% of 300 units).

4. After determining the total number of valuation units and the number for each member, with the value set at 10%, the club is ready to receive the current month's receipts. For each $10 received at this time, one valuation unit should be added to each member's account and to the grand total of valuation units.

Example: Continuing from the above example, let's say monthly dues are $20. After collecting dues, each of the thirteen members would have 22.76 units. Each new member would have 17 units. The new total of valuation units would be 330.

5. At the next meeting, divide the total of the club's liquidating statement by the new total of valuation units, thus determining the value of one unit. Divide $10 by the new unit value; the resulting figure will be the number of units each $10 deposited in the club will purchase at that meeting.

Example: Assume that the value of the club's assets has risen to $3,500. Divide $3,500 by 330 units. The result is $10.60. Divide $10 by $10.60 to get .9433. This is the number of units each $10 deposited in the club will be worth. Each member who contributes dues of $20 should be credited with 1.886 units.

6. From this point forward, continue to accumulate valuation units as shown in Step 5 (pp. 48-49).

Reporting Taxable Income

According to O'Hara and Janke (1996), tax reporting requires keeping complete, meticulous records, completing endless forms and regulations, and meeting deadlines.

Investment clubs, like other entities, have to be aware of the tax rules that apply to them and to their members. At the end of each taxable year, a partnership must calculate the profit earned during the year. The partnership itself does not pay federal income taxes, but reports the overall results to the IRS, as well as each member's portion of the total. This applies to income from dividends, interest, and capital gains. However, each club member is personally liable for payment of her share of the club's income.
One rule that many people have trouble understanding is the difference between profit and withdrawal. As a partnership, the club is only the conduit for the collective transactions of all members. According to O’Hara and Janke (1996), if the partnership earns profits through dividends, interest, and capital gains, those are divided up and recorded according to each person’s share of the total. They explained that each member is liable for taxes on her share. O’Hara and Janke went on to explain that the sum of deposits a member has made in the club plus earnings she has paid taxes on is her tax basis in the club. Any withdrawal less than her tax basis, they reported, will be tax free; any amount over her tax basis is taxed as a long-term capital gain as long as the club is more than one year old.

Most states that collect an income tax duplicate the federal rules to some degree, although some states have different rules for reporting income. O’Hara and Janke (1996) suggested that the club be sure to check with the state taxing agency for any special rules. They also pointed out that the rules for taxation and treatment of withdrawals apply to individual accounts only. If the investment club account is part of an IRA or other tax-deferred retirement account, they noted that special penalties and taxes may apply to withdrawals.

When a club’s income is calculated, it is divided among the members based on their proportionate shares. Because members hold interests of varying amounts and the club income falls into two different tax classes, O’Hara and Janke (1996) pointed out that this process requires a number of computations. They explained that investment club income typically comes from two sources: dividends from securities owned by the club and capital gains from the sale of securities. O’Hara and Janke noted that some
clubs may also have interest income, which must be accounted for separately. The dividend income is taxable as ordinary income. If the club has both short-term gains and short-term losses during the year, they are combined, and only the net short term gain, if any, will be taxed as ordinary income. Long term-gains and losses are netted and reported as a single item.

Partnerships must file a partnership return (form 1065) each year. This form should be filed promptly and completely with a copy of the K-1 form for each member. The form is available at the nearest IRS office. According to O’Hara and Janke (1996), the IRS may fine each partner for late or incorrect returns. They also pointed out that a club may be required by state and local law to file state income tax, city income tax, and intangible property tax returns. In some locations, partnerships have the option of paying taxes as an organization and exempting individual members. It usually costs less to pay such taxes at the club level rather than individually. The club should be sure to check with the club’s tax advisor to be sure all state and local reporting and tax requirements are understood.

**Membership Resignations**

Clubs will inevitably lose members for a number of different reasons—death, financial hardship, and various other personal reasons. The first step in paying off a club member is to determine the value of her share of the portfolio. This should be relatively easy if the club uses the NAIC’s unit value system. Next, the tax consequences of how a departing member is paid off should be taken into consideration. O’Hara and Janke (1996) reported that a member withdrawing either all or part of her account value may be
paid in cash or stock. IRS rules differ depending on whether the withdrawal is full or partial. They pointed out that the transfer of stock is advantageous to both club and member if the member is making a full withdrawal. O'Hara and Janke explained that the club writes off the stock at the value of the member's account rather than the cost of the security. Since this is not a taxable transaction, they commented that this method is becoming increasingly popular. They stated that a letter to the broker stating the time of transfer, number of shares, and name of the member is all that is required. If the withdrawing member wants cash, she merely instructs the broker to sell. O'Hara and Janke noted that the club liquidating statement upon which the value of the withdrawal is calculated should be of the same date as the letter to the broker authorizing the transfer. When the withdrawing member sells the stock, the tax basis of the stock is not what the club paid for it, but the part of the member's tax basis in the club ascribed to the withdrawal.

Some clubs seek out people, either present members or new members, who are willing to buy the departing member's interest in the club. According to O'Hara and Janke (1996), these individuals pay enough into the club to cover the amount that the club will pay the withdrawing member. They stressed that the newcomer should never pay money directly to the member leaving the club. Only in the first case, when a club sells securities it owns to pay a withdrawing member, does a tax liability arise for the remaining members. O'Hara & Janke pointed out that the club fares best, tax-wise, by selling stocks with a loss and transferring stocks held at a profit. They explained that withdrawing members are liable in all instances for any profit in their accounts, although they do not assume tax liability for shares transferred to them until they elect to sell
them. O'Hara and Janke further explained that most clubs have no stipulation on the frequency or amount of partial withdrawals that its members are allowed to make. While the vast majority of club members look on their contributions as a means of long-term savings, an occasional need will arise for cash.

Membership Additions

Some clubs, reported O'Hara and Janke (1996), appoint a Membership Committee responsible for identifying and attracting qualified people to the club. They recommended that the best method to recruit new members is to encourage people to attend more than one meeting, so they know the extent and type of effort required. This will also help current members and prospective members get to know each other and find out if they are compatible. O'Hara and Janke also suggested that one person on the Membership Committee should be assigned to help each newly elected member become familiar with club procedures and tasks. They stressed that the group suffers along with the newcomer who is left to fend for herself. New members should be encouraged to ask questions and answers should be easily available.

When a new partner joins the club, no large initial deposit is needed to catch up with other members. Under the unit valuation plan, O'Hara and Janke (1996) pointed out that the new members may make the same or a similar monthly contribution as the other members. The valuation unit determined each month should relate the value of her holdings to those of other members; of course, a new member’s value will be considerably lower than the value of long-standing members.
Some clubs require that new members start out with the same amount of money that charter members have invested, but this can be financially prohibitive. Of course, it is up to the club to decide in their agreement. The Beardstown Ladies (Whitaker, 1994), for example, have a requirement that a new member start with an initial amount of $100. The new member, they explained, can then make additional contributions, in addition to their regular monthly contribution, up to the value that the charter members have.

**Keeping Interest High**

Keeping members interested may be the most challenging part of forming a club—perhaps even more difficult than earning a profit from investments. According to O'Hara and Janke (1996), at the outset, everyone will be filled with enthusiasm. However, over time, particularly in a declining market, they pointed out that members' interest may flag. If the club dissolves at that crucial point, the potential to achieve long-term gains will vanish. In contrast, O'Hara and Janke explained that if club members can be persuaded to continue even during long down periods, the club is virtually certain to purchase stocks at bargain prices and profit handsomely when prices move upward again. There are countless ways to rekindle the spirit of members and ensure that everyone's attention remains focused.

O'Hara and Janke (1996) suggested encouraging members to take classes held by the local NAIC council, read newly published investment trade books, and subscribe to market-oriented magazines. Members should be invited to regularly read at least one business publication such as *The Wall Street Journal, Barron's, Business Week, Forbes,*
and Fortune, as well as the NAIC’s Better Investing magazine as a matter of routine. Appendix C lists several resources that may be of interest.

Finding speakers to address the club is another way to keep members interested. O’Hara and Janke (1996) suggested assigning one club member the primary responsibility of enlisting a speaker every third or fourth meeting. They recommended asking a local economist, banker, company executive, or college professor to visit the club to discuss the regional, national, and international economic outlook. The club, they noted, could also invite a corporate representative to discuss his or her company and industry.

Food always brings people out. The Beardstown Ladies (Whitaker, 1994) stated that the club should try holding meetings at local restaurants or having potluck dinners at a member’s house before a meeting. O’Hara and Janke (1996) suggested holding an annual meeting at a special location such as an elegant restaurant or meeting hall. They recommended that the club stage one or two special events during the year, such as a Christmas party or summer picnic, and invite nonmember friends and family. Also, O’Hara and Janke pointed out that a joint cocktail party with one or more other investment clubs could be fun.

Another suggestion given by the Beardstown Ladies (Whitaker, 1994) is to tour the broker’s office or take trips together to sites of financial interest. A tour of a local company in which the club has invested or the nearest stock exchange is also fun and educational. O’Hara and Janke (1996) recommended that the club could take a field trip to the local library, and let the business department head review available references for investors.
Problems

There are a plethora of problems an investment club may encounter. Oddly enough, Brooks (1994) reported that poor investment performance is rarely the reason for failure. According to Brooks, the demise usually occurs because of a weakness in leadership, a lack of commitment by members, or a muddled investment approach. She stated that a club that leaves most of the work to one or two members, no matter how skilled and willing they are, is asking for trouble. Brooks suggested that a club might want to make it part of the senior partner's role right from the start to take aside any member who is not contributing and encourage that person to take on a task or resign. Clubs can also run into trouble because members' lives are just too busy to do the group justice and scheduling conflicts occur.

New clubs, noted Brooks (1994), should be equally alert to the "dictator" syndrome--relying too heavily on the opinion of one know-it-all member. She commented that this will cause lively debate and a sense of joint ownership to rapidly fade. So will the strength of performance that comes from the combined wisdom of many people. Brooks pointed out that it is that melding of many minds that allows many investment clubs to outperform professional money managers. In a club there are more people analyzing a company and more people who must be convinced before a decision can be made. Also, it stands to reason, that if the club allows one member who is a terrible investor to boss them around, the club does not have a chance to begin with.

Personality conflicts that can threaten a club often erupt when a decision to buy a stock is based on a tip that a member picked up at a cocktail party or the barber. According to Brooks (1994), limiting the discussion to recommendations based on solid
research and acting only with consensus often smoothes the path. She pointed out that other arguments may begin if a club fails to regularly review each stock in its portfolio. Just leaving stocks there, untended, may be viewed as someone’s mistake down the road. Regardless, there will always be disagreements. It is difficult for two people to always be of like mind—let alone 20 people (Bergsman, 1992).

As mentioned before, differences in investment philosophies account for most club disputes. Samuels (1995) pointed out that sometimes it is new members, untutored in the ways of a club, who are at the center of investment disputes. She noted that differences in member’s stakes can fan the flames too. In many clubs, the rule is one-person, one-vote, but longtime members who have accumulated substantial holdings may resent the equal voting power of new members, with smaller investments. Finally, even though camaraderie among members is important, it can be taken too far. Too much social chit-chat could be hazardous to a club’s health. Despite all the possible hurdles a club might face, Brown (1997b) reported that those clubs that survive the two-year start-up phase tend to do very well.

**Evaluation**

Investment clubs need to set specific money and time goals to know if they are succeeding. According to O’Hara and Janke (1996), the NAIC recommends setting the goal of doubling the club’s money in five years, or achieving an average 14.9 percent compounded annual growth. However, they pointed out that success does not demand that the club meet or exceed their established standard; setting that goal is only a means of giving the club a measurement and a focus. As long as the club produces a higher rate
of return than it could have achieved through other forms of investing, it is doing a credible job. If the club meets with initial success, O’Hara and Janke suggested that the club should not allow members to become overconfident. Above all, they stressed that members should not be discouraged if the club is not ahead of the game from the start. They pointed out that clubs typically lose money the first year or two, until reinvested capital gains and dividends begin to have an effect on the club’s portfolio. It is important for the club to remember that it should be in the market for the long term.

At the beginning of the year, Shaw (1992) recommended forming a committee of three or four members to map out plans for the year ahead (called a Steering Committee). She suggested that this committee should seek out input from all the members: What are the special investment interests and educational needs? What kind of speakers would they like to hear? What industries would they like to study during the year? Also at the end of the year, Shaw recommended that the club take time to discuss its accomplishments and failures. The club should entertain suggestions on how it can function better: Does the club need more members? Is the group pleased with the way stocks are selected to study? How has the club’s investments performed? According to Shaw, after hearing members’ comments and suggestions, the club should make a concerted effort to incorporate these recommendations and ideas into actions during the coming year. This will, Shaw concluded, make members feel they are an important part of their club, which, in turn, will help ensure the club’s continued success.
As a means of trying to gain a better understanding of women’s investment clubs, I conducted a small survey. My subjects were the members of the TGIF (The Grand Investor’s Fundation) Investment Club, which has operated out of Spokane, Washington since May of 1997. The club currently has 28 founding members—all women—with the hope of eventually decreasing membership to around 20 members. Only thirteen members were in attendance at the January 27, 1997, meeting when the surveys were passed out. The following discussion will summarize the results of these surveys. A copy of the survey can be found in Appendix B.

**Age & Marital Status**

Twelve members identified their age, with the average age being 49.4 years old. The majority of the women surveyed were married (6), followed closely by those who were divorced (5). Only two members were single and none was widowed.

**Profession, Income & Education**

There were a variety of professions given, most of which were in the health industry. TGIF consists of five nurses with varying degrees, two MRI technicians, a dietician, an optician, a social worker, an accountant, a marketing executive, and a homemaker. Only nine members responded to how much their yearly gross income was; the average was $45,444.44. All the members surveyed completed high school and all
one member went on to pursue higher education; the highest degree held was a master's degree in nursing.

**Why did you join an investment club?**

All the members of TGIF responded. The most common reason why they joined was to gain an education in the stock market for a small amount of money and to learn how to invest their money. Others joined for the camaraderie of women, to learn how to read financial statements, to earn money, to learn how to manage money, and to satisfy their curiosity.

**Is there a reason you joined a women's investment club as opposed to an investment club with both men and women?**

All members responded. About half of the respondents did not join the club specifically because it was only comprised of females; they joined because the opportunity was presented to them. In fact, one member would have joined a co-ed club if she had been asked. Others liked the idea of joining a women's investment club because all the members were at the same learning level, it was a more comfortable environment to work in, and some members were intimidated by men's knowledge of financial things. One member felt that women work cooperatively and men tend to take over while another member, who was single, did not feel like joining a co-ed club that was comprised mostly of couples.
What benefits and/or goals do you hope to attain through involvement in an investment club?

All thirteen members answered. Again, education and a knowledge of how to invest their money wisely was the most frequent benefit/goal they hoped to attain. Many hoped to make money, to capture a broad range of knowledge, to have fun, and to make friends. Others joined with the goals of being able to take care of their future, to gain a knowledge of many businesses, and one member wanted to make money to give to her granddaughter.

How much time do you believe you will have to put into your investment club per month?

Of the eleven respondents, one member was not sure how much time would be required. The rest of the members’ answers ranged from one to eight hours per month, with the most common response two hours.

Do you believe it is important for women to take charge of their financial future? If yes, why is it important and how can women accomplish this task?

All eleven respondents answered yes, they believe it is important for women to take charge of their financial future. The members of TGIF thought this was important for several reasons. One reason given was that Social Security will probably be unavailable. Another was that women can not depend on men; because of divorce, widowhood, and especially since women live longer, women need to be in control of their own finances and be able to understand what is going on. It was also mentioned that since most women have and/or make a lot of money, they should be in control of
their own finances, especially since women have their own interests at heart, unlike a broker. A final response stated that the country needs feminine input on financial issues. As to how women can accomplish the task of taking charge of their financial future, the basic response was through education in order to achieve knowledge and confidence. Several thought joining an investment club was a start.

**Are there any obstacles that women must face in the investment world?**

Nine members responded. Four did not believe that there were any obstacles that were insurmountable. Some obstacles that members felt women faced were credibility, knowledge, lack of experience, and just being a woman.

**Investments Currently Held**

Of the nine members that responded, investments included: stocks, CDs, mutual funds, IRAs, 401 (k)s, and bonds.
CONCLUSION

In conclusion, it can be clearly seen that women’s investment clubs are a wonderful educational tool in that they help women learn about investing for a small amount of money, time, and effort. They provide a forum where women can feel comfortable talking about their finances as well as support group that helps women deal with their financial fears. The fact is, women need to take an interest in their finances or face the consequences in their later years. Women’s investment clubs are an excellent way to start learning the investment game. The hope is that members will eventually start their own portfolios and begin to make educated financial decisions that will benefit them in the future. Only through education and knowledge will more women become financially independent and secure in the future.
The following partnership agreement was taken from *The Beardstown Ladies Commonsense Investment Guide* (Whitaker, 1994, pp. 24-30).
in proportion to the value of each partner's capital account on said date. Each partner's contribution to the partnership shall be credited to that partner's capital account.

IX. MANAGEMENT: Each partner shall participate in the management and conduct of the affairs of the partnership on an equal basis. Decisions shall be made by a two-thirds majority of the members of the partnership, except as stated in Section XIV, which will require a simple majority vote of the partnership members. A written and signed proxy when assigned to a partner in attendance at a meeting shall be considered the vote cast by the absent partner. However, no more than one proxy may be accepted or voted by any partner.

X. SHARING OF PROFITS AND LOSSES: Net profits and losses of the partnership shall inure to, and be borne by, the partners, in proportion to the credit balances in their capital account.

XI. BOOKS OF ACCOUNT: Books of account of the transactions of the partnership shall be kept and be available and open to inspection and examination by any partner on the meeting day.

XII. ANNUAL ACCOUNTING: At the first business meeting of each calendar year, a full and complete account of the condition of the partnership shall be made to the partners.

XIII. BANK ACCOUNT: The partnership will select a bank for the purpose of opening a partnership bank account. Funds deposited in said bank account shall be withdrawn by checks signed by the Financial Partner and any other appointed partners.

XIV. BROKER ACCOUNT: None of the partners of this partnership shall be a broker; however, the partnership may select a broker and enter into such agreements with said broker as required for the purchase or sale of stocks, bond, and securities. The Appointed Partner or Financial Partner shall perform the ministerial functions of giving orders to the broker covering the purchase or sale of stocks, bonds, and securities for the accounts of the partnership and then only after said purchases or sales have been approved by a majority vote of the partners of this partnership.

XV. NO COMPENSATION: No partner shall be compensated for services rendered to the partnership, except for reimbursement of authorized expenses.

XVI. WITHDRAWAL: Any partner withdrawing from the partnership will receive one of the following treatments, within 60 days of the withdrawal, based on the Club valuation as of the last valuation date.

A. BY DEATH OR INCAPACITY: In the event of death or physical incapacity, or if a partner is unable to participate actively in the partnership for reasons to be approved by 2/3 vote of all partners, one hundred percent (100%) of said partner's capital account as
described in Section VII and VIII of this agreement, less expenses incurred to liquidate assets to satisfy said amount shall be made available for payment to the partner’s estate.

1. Partnership may purchase said capital account or sell to any person acceptable to a two-thirds majority of the remaining partners.
2. Partnership may liquidate assets to satisfy said amount.

B. BY VOLUNTARY WITHDRAWAL: A partner may withdraw from the partnership by submitting a withdrawal request to the Senior Partner. She may...

1. Sell her capital account, as described in Section VII and VIII of this agreement to the partnership, or to any person acceptable to a two-thirds majority of the remaining partners.
2. Liquidate her account, incurring all expenses of this liquidation and receive 95% of the proceeds.

C. AUTOMATIC WITHDRAWAL: Should a partner be delinquent in her monthly contributions for a period of 61 days, she will automatically be terminated as a partner and will receive an amount equal to 85% of her capital account as described in Sections VII and VIII less the amount of any delinquent contributions and fines as described in Section XVII of this agreement.

1. Partnership may purchase capital account or sell to any person acceptable to a two-thirds majority of remaining partners.
2. Partnership may liquidate assets to satisfy said amount and deduct the expenses from proceeds to the delinquent partner.

XVII. DELINQUENT CONTRIBUTION: Monthly contributions to the partnership are due on each regular monthly meeting. Should a partner be delinquent in her monthly contribution of more than one week, a delinquent fine of $1.00 will be imposed on said partner. Should the delinquency exceed 31 days an additional delinquent fine of $3.00 will be imposed on said partner. Should the delinquency exceed 61 days, the said partner’s membership shall be terminated as outlined in Section XVI, Paragraph C of this agreement. Fines shall be deposited in Club’s bank account.

XVIII. OFFICERS: The Senior Partner, Junior Partner, Recording Partner, and the Financial Partner will be elected annually during the regular October meeting. The newly elected officers shall assume the duties of their respective offices at the November meeting of each year. Officers may succeed themselves in the same office.

It shall be the duty of the Senior Partner to preside at meetings; appoint a parliamentarian; appoint committees, and oversee club activities.

The Junior Partner shall assume the duties of the Senior Partner when the Senior Partner is absent or temporarily unable to carry out her duties. In addition, the Junior Partner will be responsible for the educational program of the partnership.
The Recording Partner shall keep a record of club activities and report on previous meetings.

The Financial Partner shall place, buy and sell orders on instruction from the membership, collect and disburse funds, maintain a set of books covering the club’s financial operations, assets, and members’ shares, and issue receipts to partners for their deposits. She shall prepare annual statements of liquidating value and prepare proper tax forms.

XIX. AUDITING: Within thirty (30) days prior to the annual accounting, an audit committee comprised of two (2) non-officer partners, appointed by the Senior Partner, shall inspect the partnership records in conjunction with the Financial Partner.

XX. AMENDMENTS: The partnership may, at any time, amend this partnership agreement by a two-thirds majority vote of the partners, with the exception of this section (Section XX), which will require a unanimous vote.

XXI. DEBT: At no time will the total debt of the partnership exceed an amount equal to 5% of the monthly contributions of the partnership.

XXII. FORBIDDEN ACTS: No partner shall:

A. Have the right or authority to bind or obligate the partnership to any extent whatsoever with regard to any matter outside the scope of the partnership business.

B. Assign, transfer, pledge, mortgage or sell all or part of her interest in the partnership to any other partner, except as stated in Section XVI B, paragraph 2.

C. Purchase an investment for the partnership where less than the full purchase price is paid for same.

D. Use the partnership name, credit or property for other than partnership purposes.

E. Do any act detrimental to the best interest of the partnership or which would make it impossible to carry on the business or affairs of the partnership.

This agreement of partnership is hereby declared and shall be binding upon the respective heirs, executors, administrators and personal representatives of their parties.

IN WITNESS WHEREOF, the parties have set their hands and seal the year and the day first above written.
APPENDIX B

Investment Club Survey

1. Age: ____
   Marital Status: single ____ married ____ divorced ____ widowed ____

2. Profession: ___________________________
   Yearly Gross Income: yourself _________ spouse _________

3. Did you complete your high school education?
   If yes, what other education have you received? (Please list degrees and certifications if any.)

4. Why did you join an investment club?

5. Is there a reason you joined an all women investment club as opposed to an investment club with both men and women?

6. What benefits and/or goals do you hope to attain through involvement in an investment club?
7. How much time do you believe you will have to put into your investment club per month?

8. Do you believe it is important for women to take charge of their financial future? If yes, why is important and how can women accomplish this task?

9. Are there any obstacles that women must face in the investment world.

10. Please list any investments you currently hold (CDs, bonds, stocks, mutual funds, etc.)?
APPENDIX C

The following sources were taken from *Starting and Running a Profitable Investment Club* (O'Hara & Janke, 1996).

**Business Publications and Other Financial Sources**

- *One Up on Wall Street* – Peter Lynch with John Rothchild

- *Barron's*. A business and financial weekly published by Dow Jones & Company. Contains articles on industries and companies, commentary on stock market activity, information on new issues, a summary of research reports, and a comprehensive statistical section including both current and year-ago earnings information.

- *Better Investing*. Monthly magazine of NAIC containing information designed especially for the self-reliant investor. Features include a stock to study, an undervalued stock, selected portfolios, and regular columnists who provide a variety of investment information and ideas.

- *Business Week*. Published weekly except for one in January. Covers the general business scene, with departments focusing on the economy, government, finance, science and technology, and personal business, among other topics. Reviews business books.

- *Fortune*. Published biweekly, with three issues in May and October. Coverage includes the economy, innovation, technology, and money and markets. Departments include personal investing.

- *Forbes*. Published biweekly, except for an issue in October. Sections include companies/industries, international, money and investing, law and issues, marketing, computers, science and technology, and personal affairs. Also featured are regular columnists.

- *Kiplinger's Personal Finance Magazine*. Published monthly. Topics include spending, taxes, estate planning, investing basics, insurance, and personal finances.

- *Money Magazine*. A monthly publication centering on personal finance. Areas of concern include home ownership, jobs, taxes, insurance, and investing.
- *The Wall Street Journal*. Published by Dow Jones & Company. Issued Monday through Friday in regional editions, reporting news developments in terms of their significance to business people and investors.

- *Value Line Investment Survey*. Published by Value Line Publishing, Inc. Follows 1,700 stocks and ninety-seven industries in three sections. Part 1 is Summary and Index. Part 2, Selection & Opinion, analyzes and forecasts the national economy and the stock market. Part 3 is Ratings and Reports.
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