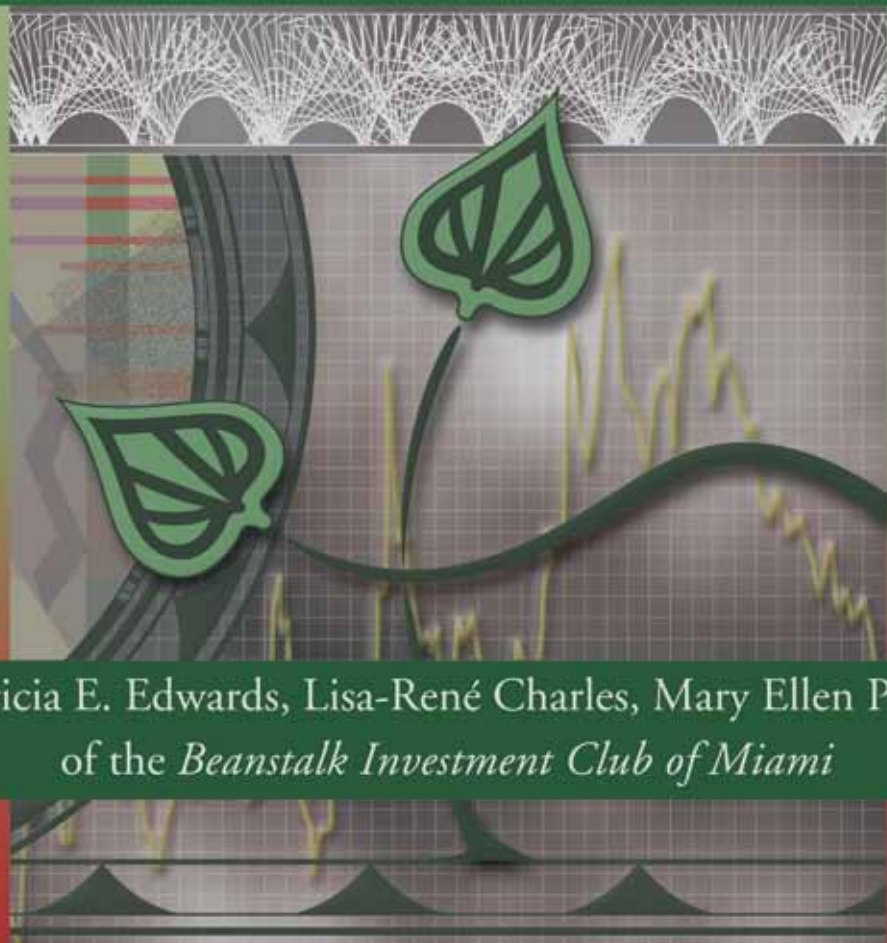


# IN SEARCH OF THE GREEN



How To Form Your Own Investment Club  
When You Don't Know From Beans



Patricia E. Edwards, Lisa-René Charles, Mary Ellen Pryor  
of the *Beanstalk Investment Club of Miami*

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By: Patricia E. Edwards, Lisa-René Charles, Mary Ellen Pryor  
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## CHAPTER 1

# INTRODUCTION TO INVESTMENT CLUBS

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### *IN THIS CHAPTER*

- Why You Need This Guide
  - What is an Investment Club
  - What is NAIC
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The “True Fable,” written by the youngest member of our club, Lisa Charles, appeared on the cover of the Annual Report of our Sixth Annual General Meeting. It tells exactly how we felt when we started out. We were eager, but uninformed. Finding the National Association of Investors Corporation (NAIC) manual was a beacon that guided our incredible never-ending journey of successful investing. At this writing, we have been on the Learn to Earn track for the past fourteen years. This is a long time in the life of an investment club. We are proud of being together, and still having fun learning and earning after all these years. You can do it too!

The guidelines presented can be used anywhere in the world to help form an investment club, however, the technical, taxation, and legal requirements such as fictitious name registration, tax identification numbers, and tax filing would need to be researched by the group for your particular country.

### **Why You Need This *Guide***

*In Search of the Green* was written to answer the not-so-obvious things you need to know. It is your practical “how to get started with-

out all that frustration and blundering.” It is nothing less, and may become a little more, as you Learn to Earn.

*In Search of the Green* is organized into 18 chapters which guide you through the **why, what, who, where, and how** of successfully starting your investment club. We give you detailed meeting guidelines: checklists, with items that need to be accomplished before, during, and after these organizational meetings. Follow them and you should have a club organized after seven meetings. Not all activities on the checklists have to be done in the exact order presented, nor do you need to get frustrated if all activities are not accomplished as presented, but try to stick as close to the guide as is realistic. Remember, you are in this to learn, to have fun, and to make money. We share some of our errors and some of our successes, and give tips on resources that will not only help you study to buy that first stock, but will also form a foundation for helping your club maintain focus and be a club which is together for many, many years.

We are of the firm belief that, as in most things, if the fundamentals and the foundation are sound at the beginning, and done well, your club will be a sustainable and profitable venture.

This *Guide* is for all the people who want to learn about money in an investment club setting, and who want to invest a little money each month, take a shared risk, and have fun learning together in a group. If this describes your group, this book is for you.

Listen to the mountain climber telling you that it is not difficult to climb Mt. Everest. No problem at all. Just get those boots, the warm gear, the map, and get to that mountain. Right! Or how about the nurse telling you to give an injection and saying it’s so easy. Just get the needle, syringe, antiseptic and give the shot. Sure!

Having the gear and the equipment does not mean you are prepared for the task. It is true of human nature that when someone has mastered something he or she often cannot understand why others do not know how to do what now seems so simple—in this case, starting an investment club. Money gurus, or those who are already schooled in investing, no doubt have a clear understanding about stocks and the stock market. For those of you who have no background in the world of investing, we want to take the “mountain climber” and the “nurse” types out of the picture.

Starting an investment club has nothing to do with how smart you

are, or how much money you have. Beanstalk members have spoken to many groups over the years and given answers to the questions we address in this book to judges, lawyers, school principals, teachers, insurance adjusters, fast food restaurant workers, scientists, psychologists, retired persons, and business people, young and not so young.

You need instructions, practice, and the opportunity to ask questions. We believe that there are a lot of questions that need to be asked and answered before you begin. *In Search of the Green: How to Form Your Own Investment Club When You Don't Know From Beans* contains the answers to the questions listed below and many others.

- What is an Investment Club?
- How do we find members?
- Why form an Investment club?
- How do we decide on monthly investment dues?
- Do we need an attorney and/or an accountant?
- How do we handle problems – such as members not attending meetings or not paying dues or not participating?
- What do we do when a member wants to leave the club and take his/her money out?
- How often do we meet?
- How do we find a broker?
- What do we do if a member dies?

### **What Is an Investment Club?**

Let us first define what an investment club is. The United States Securities and Exchange Commission website, <http://www.sec.gov> explains it this way:

*“An investment club is a group of people who pool their money to make investments. Usually, investment clubs are organized as partnerships and, after the members study different investments, the group decides to buy or sell based on a majority vote of the members. Club meetings may be educational and each member may actively participate in investment decisions.”*

We would define an investment club in much the same way, but would say that it is a group of people who pool their money to study and to learn in a systematic manner how to assess companies in order

to invest by buying stock in these companies. All club meetings are educational, and for each member to benefit from the investment club experience each one must actively participate in the learning, as well as in the investment decisions.

The business structure of an investment club may take on different forms; however the most typical forms are Partnerships. Beanstalk is organized as a Partnership.

### **What Is NAIC?**

NAIC is the National Association of Investors Corporation, a non-profit volunteer investment educational organization. It is dedicated to increasing the ownership of common stock, by using time-tested stock study tools and methods to teach individuals, as well as investment clubs, how to make educated investment decisions.

\_\_NAIC is the leading authority on investment clubs in America, and since 1951, has been helping people learn to invest through the vehicle of investment clubs. Because NAIC is dedicated to developing educational resources to guide and help clubs and individuals invest, your club needs to become a member right away, so put the process in motion. There are other organizations for the individual investor to join and some new ones are emerging to attract investment clubs, but NAIC has stood the test of time. When Beanstalk started we did not join NAIC immediately, and it is not a prerequisite, but it is highly recommended. Why reinvent the wheel? In hindsight, Beanstalk's decision not to join NAIC at the start was not wise. Because NAIC is an established organization, you become a part of a legitimate, time-proven organization of investment clubs, not only in the United States, but all over the world.

Made up primarily of a volunteer staff, the NAIC has provided guidance for investors for more than 50 years. It has developed both manual and computerized tools to help you learn in a systematic way how to analyze companies when buying and selling stocks, as well as mutual funds. NAIC is a resource for training, literature, computer software, and conferences to support your efforts. Each fall it holds a Better Investing National Conference, and every four years an international one. In addition, there are separate regional and national computer conferences. Other resources for monthly local events and

workshops are the NAIC Regional Chapters, which are groups that provide support to investment clubs in their respective regions and communities throughout the United States.

NAIC will be a primary source as you establish your club, but be patient if it takes some time to get your material from the essentially volunteer-run organization. To expedite the ordering process you can go to their website. We have had great success placing and receiving orders in a timely manner when using the website. Order the NAIC Official Guide and Membership Guide. You can contact the organization toll free by phone: 1-877-ASK-NAIC, 1-877-275-6242 or by mail: NAIC, P.O. Box 220, Royal Oak, Michigan 48068, or on the web: <http://www.better-investing.org> and email: [service@betterinvesting.org](mailto:service@betterinvesting.org).

—There is a cost for clubs to join the NAIC: a fee for the club and a fee for each club member. The fee includes the NAIC's monthly magazine *Better Investing*, for each dues-paying member and one copy of the NAIC Official Guide, plus NAIC Chapter support, member benefits, discount books and computer software, as well as a newsletter for your area's events and educational workshops.



**J**oin NAIC: Initially we were not members of the National Association of Investors Corporation (NAIC), as we did not truly grasp what this organization was all about. Fortunately, for us we became members by January 1992.

**A**s of April 2005, NAIC officially became known as Better Investing.