Moving Your Investment Club to a New Brokerage Firm

MAY 2023

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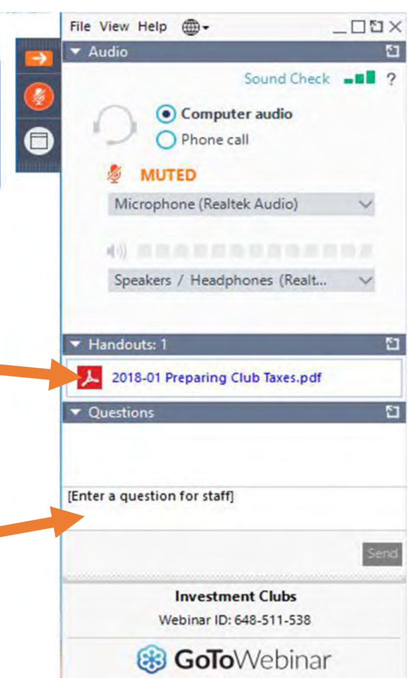
President,
ICLUBcentral

Handout & Questions

Handout in PDF format is available in Handouts tab.

Type questions in Questions box.



In This Presentation

- Current state of brokerage industry for investment clubs.
- How "Know Your Customer" rules impact club accounts.
- Considerations when choosing brokerage firm for your club.
- Introduction of Siebert, BI's official brokerage partnership.
- Step-by-step process of opening club account at Siebert.

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STATE OF BROKERAGE INDUSTRY FOR INVESTMENT CLUBS

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Consolidation in Brokerage Industry

- In recent years, many brokerage firms have been acquired:
  - 2011: OptionsXpress acquired by Charles Schwab, discontinued in 2017.
  - 2019: TD Ameritrade acquired by Charles Schwab, discontinued in 2023.
  - 2020: FolioFN acquired by Interactive Brokers & shut down.
  - 2022: E*TRADE acquired by Morgan Stanley, still operating as E*TRADE.
- Many of these have been disadvantageous to investment club customers.

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Brokerages Turning Away Investment Clubs

- While TD Ameritrade has been popular with clubs, its customers are being migrated to Charles Schwab.
- Charles Schwab does not allow new investment club accounts to be opened unless they have $250,000

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Brokerages Restricting 3rd Party Access

- Brokerages like Fidelity & Schwab are rejecting 3rd parties from accessing customer accounts.
- This disables myICLUB's BrokerSync from downloading transactions from club treasurers.
  - Fidelity is allowing access through separate portal, requiring security review of companies like myICLUB, & requiring fees.
  - Schwab has internal program to vendors but has suspended it until after TD Ameritrade integration is complete later in 2023.

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Should We Stay or Should We Go?

- In light of these moves by the industry, clubs may wish (or need) to find alternatives.
- Most clubs today utilize low-cost (or commission-free) discount online brokerages.
  - Since clubs do it themselves, no need to pay for broker to facilitate trades.

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Not Every Brokerage Wants Your Club

- Brokerage firm mergers & buyouts try to make transition as easy as possible for customers, but are not always successful.
- Some brokerage firms are:
  - Not as "club-friendly."
  - Don't offer features that clubs may find desirable.
  - Aren't supported by myICLUB.com's BrokerSync.
- Fortunately, several mainstream brokerages are still supportive of clubs.

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Club Brokerage Account Considerations

- When opening account, clubs often look for:
  - Check writing privileges.
  - Ability to deposit member checks directly or electronically.
  - Ease of changing treasurers.
  - Online read-only account access for club members.
  - No or reasonable commissions & fees.
  - Physical locations.
  - Supported in myICLUB BrokerSync.

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The Costs of Changing

- There may be fees for closing account, or for transferring securities.
- Most brokerages will only transfer whole shares, so any partial shares will be sold before being transferred.
- Some brokerages have minimum sizes for club accounts.

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Change Isn't Always Easy

- Many long-standing clubs find that switching to new brokerage may not be as easy as they hoped.
- It's challenging to research replacement brokerages.
- It's time-consuming to await for responses from old & new brokerages.
- While new brokerage will happily handle cash & securities transfer from old firm, old firm may not make transfer a priority.
- Current industry requirements make account-opening process for clubs much more difficult than in past.

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New Industry Rules Are Unavoidable

- Many clubs today are surprised at paperwork/information required to open new brokerage account.
- Since 2001, industry rules have changed significantly, so all owners of bank & brokerage accounts must have identifies verified.
- For investing partnerships, since all partners are "owners," every member should expect to verify their identity as part of club.

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Financial Industry Rules

- Federal & financial industry rules require banks & brokerage firms to take steps to detect suspicious activity & prevent criminals from moving money through financial system.
- For business accounts, financial institutions must verify identities of anyone who owns 25% or more of company as well any others who control it.
- Rules that govern financial institution/client relationships are known as "Know Your Customer."

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"Know Your Customer" Rule

- FINRA Rule 2090, "Know Your Customer," states:
  - "Every member shall use reasonable diligence, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer."
- In practice, this means brokerage firms must:
  1. Verify customer's information & identity.
  2. Build customer profile.
  3. Continually monitor activity.

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How These Rules Impact Your Club

- Today, investment clubs must provide brokerage firms with information to verify identity of **<u>all</u>** members when opening account.
  - Typically each member completes process of opening individual account which would not be "active" but satisfies regulators with respect to identify verification.
  - Generally also require partner list to be maintained.
- While cumbersome or unfamiliar when opening new account, this is **<u>standard industry practice</u>**.
- There is also benefit when handling member withdrawals—can transfer shares or cash directly to those members at same brokerage firm.

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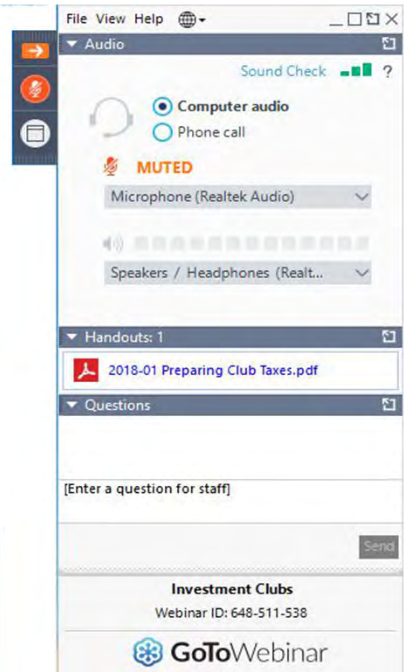
QUESTIONS?

USE QUESTIONS BOX IN WEBINAR APPLET



INTRODUCING SIEBERT: THE OFFICIAL BROKERAGE OF BETTERINVESTING

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BetterInvesting Launches Siebert Partnership

- In 2023, BI partnered with Siebert to create unique offering for BI members & clubs.
- Siebert was originally founded by Muriel Siebert, 1st woman to become member of NYSE.
- Siebert's belief in BI mission & power of investment clubs has resulted in offer with many benefits specifically for clubs (but also available for individuals).
- **National Association of Investors/BetterInvesting receives no financial benefit from Siebert from this relationship.**
- **I have not been asked to present this topic, but do so because I believe it is positive for investment clubs.**

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Benefits of Siebert for Clubs or Individuals

- No fees or account opening minimums.
- **Commission-free stock trading** on accounts, individuals or clubs affiliated with BetterInvesting.
- Fractional share investing allowable.
- **Free checking/free transfer of cash in and out of account** (within AML/Banking rules & regulations, requirements & standards).
- **Defined process to change main account holder/administrator of investment club account**.
- **Inbound EFT/checks into club accounts from multiple people**.
- **Read-only user access to Investment Club accounts & related reports.**
- Multiple ways to easily fund your account.
- Dedicated, comprehensive financial planning & support to help you manage assets.
- Free portfolio review.
- Ability to combine a wide variety of investment options into single account allowing you to see investment performance in single statement.

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HOW TO OPEN INVESTMENT CLUB ACCOUNT AT SIEBERT

STEP BY STEP

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1. Open Club Account at Siebert

- Club must have **signed Partnership Agreement** & **IRS Employer Identification Number** (EIN) in order to start accounting opening process.
- Treasurer (or President) must complete following 2 applications:
  - Investment Club Account Application, **AND**
  - Individual Account Application.
- Each member must then complete Individual Account Application.

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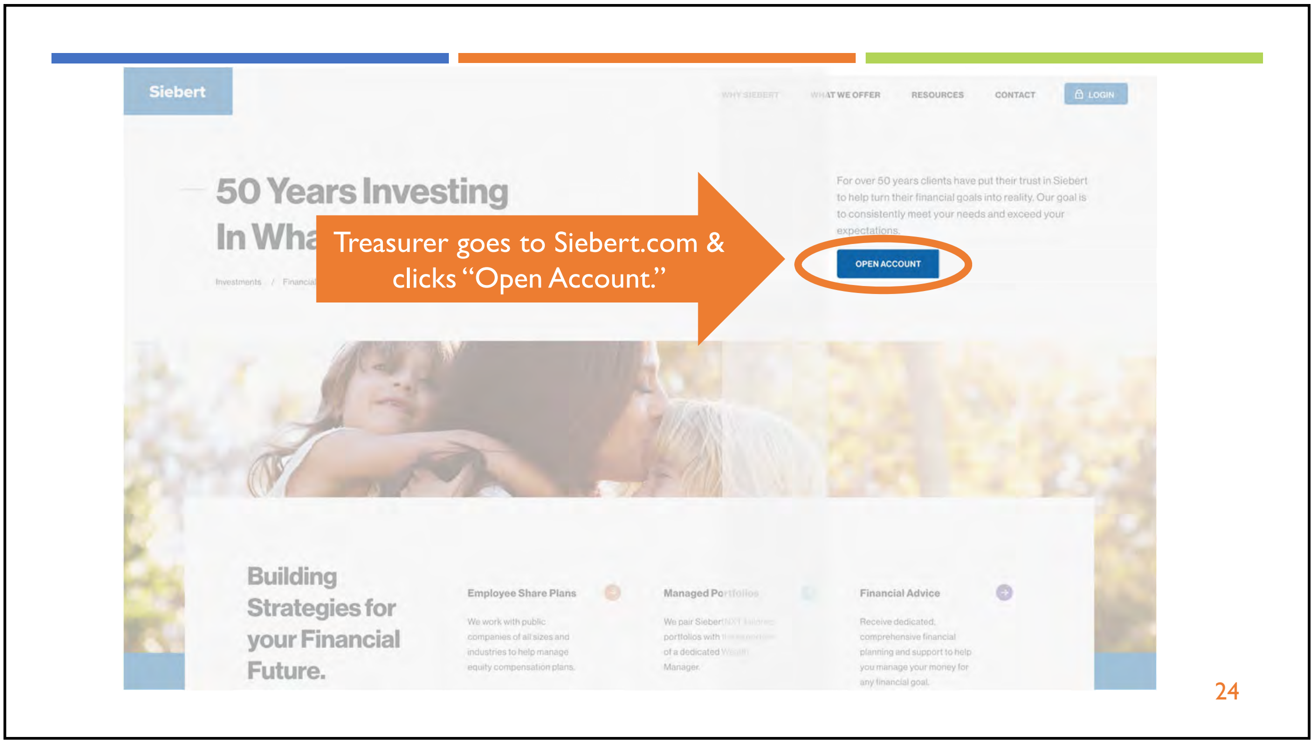
Siebert
WHAT WE OFFER
RESOURCES
CONTACT
LOGIN
50 Years Investing
In Wha
Treasurer goes to Siebert.com & clicks "Open Account."
For over 50 years clients have put their trust in Siebert to help turn their financial goals into reality. Our goal is to consistently meet your needs and exceed your expectations.
OPEN ACCOUNT
Building Strategies for your Financial Future.
Employee Share Plans
We work with public companies of all sizes and industries to help manage equity compensation plans.
Managed Portfolios
Financial Advice
Receive dedicated, comprehensive financial planning and support to help you manage your money for any financial goal.
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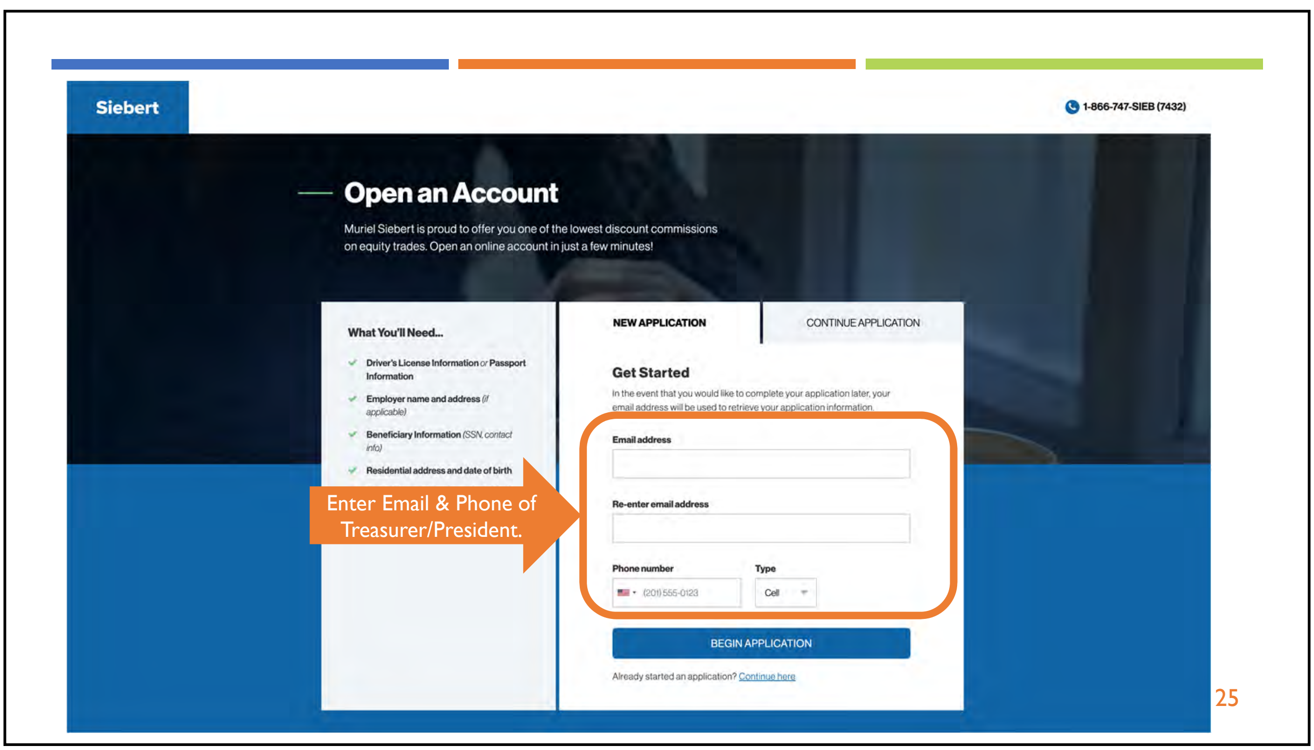
Siebert
1-866-747-SIEB (7432)
Open an Account
Muriel Siebert is proud to offer you one of the lowest discount commissions on equity trades. Open an online account in just a few minutes!
What You'll Need...
Driver's License Information or Passport Information
Employer name and address (if applicable)
Beneficiary Information (SSN, contact info)
Residential address and date of birth
NEW APPLICATION
CONTINUE APPLICATION
Get Started
In the event that you would like to complete your application later, your email address will be used to retrieve your application information.
Email address
Re-enter email address
Phone number
Type
(201) 555-0123
Cell
BEGIN APPLICATION
Already started an application? Continue here
Enter Email & Phone of Treasurer/President.
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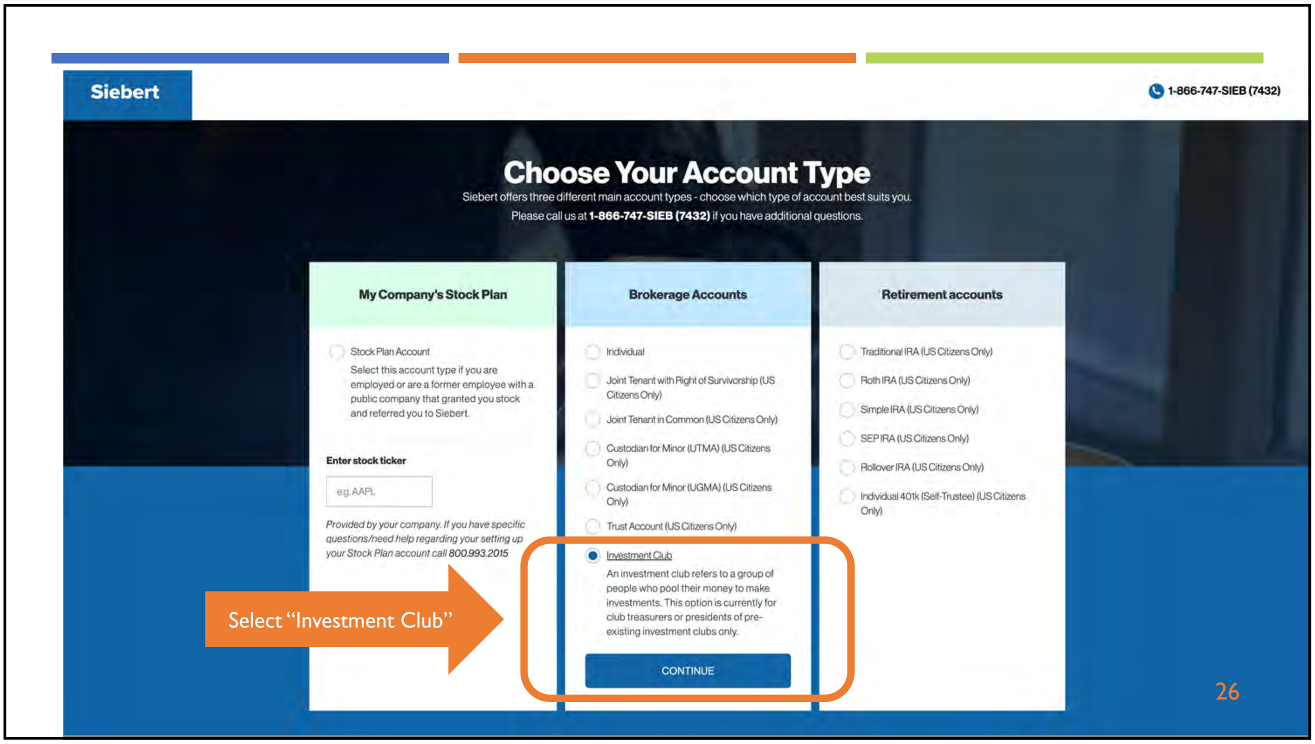
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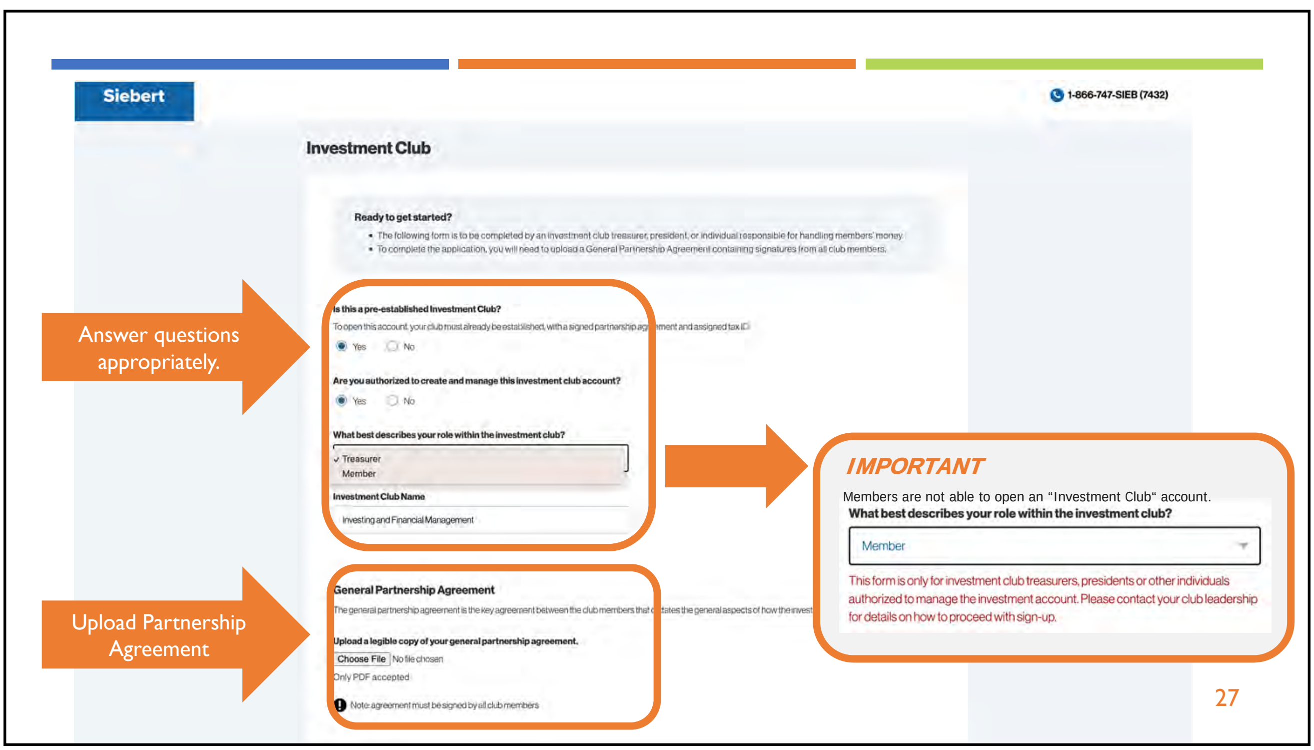
Choose Your Account Type
Siebert offers three different main account types - choose which type of account best suits you.
Please call us at 1-866-747-SIEB (7432) if you have additional questions.
My Company's Stock Plan
Stock Plan Account
Select this account type if you are employed or are a former employee with a public company that granted you stock and referred you to Siebert.
Enter stock ticker
eg AAPL
Provided by your company. If you have specific questions/need help regarding your setting up your Stock Plan account call 800.993.2015
Brokerage Accounts
Individual
Joint Tenant with Right of Survivorship (US Citizens Only)
Joint Tenant in Common (US Citizens Only)
Custodian for Minor (UTMA) (US Citizens Only)
Custodian for Minor (UGMA) (US Citizens Only)
Trust Account (US Citizens Only)
Investment Club
An investment club refers to a group of people who pool their money to make investments. This option is currently for club treasurers or presidents of pre-existing investment clubs only.
CONTINUE
Retirement accounts
Traditional IRA (US Citizens Only)
Roth IRA (US Citizens Only)
Simple IRA (US Citizens Only)
SEP IRA (US Citizens Only)
Rollover IRA (US Citizens Only)
Individual 401k (Self-Trustee) (US Citizens Only)
Select "Investment Club"
26


Siebert
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Investment Club
Ready to get started?
The following form is to be completed by an investment club treasurer, president, or individual responsible for handling members' money
To complete the application, you will need to upload a General Partnership Agreement containing signatures from all club members.
Is this a pre-established Investment Club?
Yes
No
Are you authorized to create and manage this investment club account?
Yes
No
What best describes your role within the investment club?
Treasurer
Member
Investment Club Name
Investing and Financial Management
General Partnership Agreement
Upload a legible copy of your general partnership agreement.
Choose File
No file chosen
Only PDF accepted
Note: agreement must be signed by all club members
Answer questions appropriately.
Upload Partnership Agreement
IMPORTANT
Members are not able to open an "Investment Club" account.
What best describes your role within the investment club?
Member
This form is only for investment club treasurers, presidents or other individuals authorized to manage the investment account. Please contact your club leadership for details on how to proceed with sign-up.
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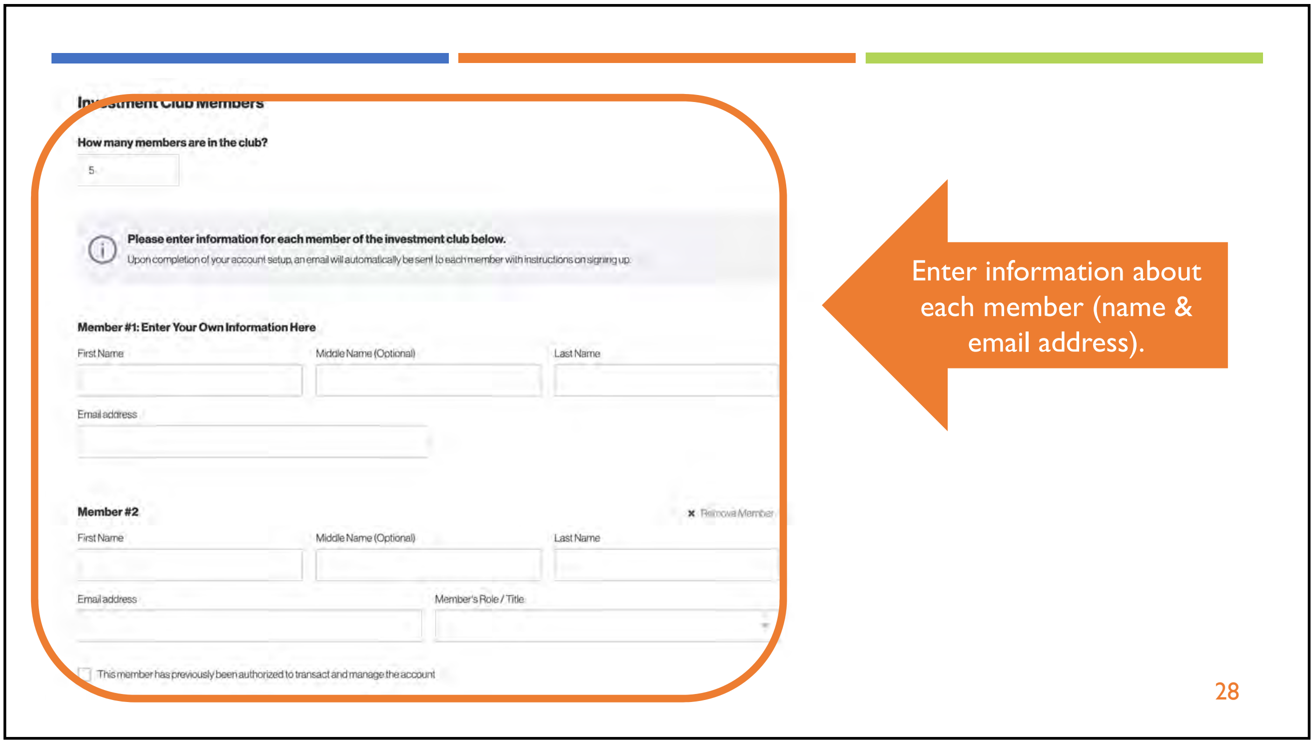
How many members are in the club?
5
Please enter information for each member of the investment club below.
Member #1: Enter Your Own Information Here
First Name
Middle Name (Optional)
Last Name
Email address
Member #2
First Name
Middle Name (Optional)
Last Name
Email address
Member's Role / Title
This member has previously been authorized to transact and manage the account
Enter information about each member (name & email address).
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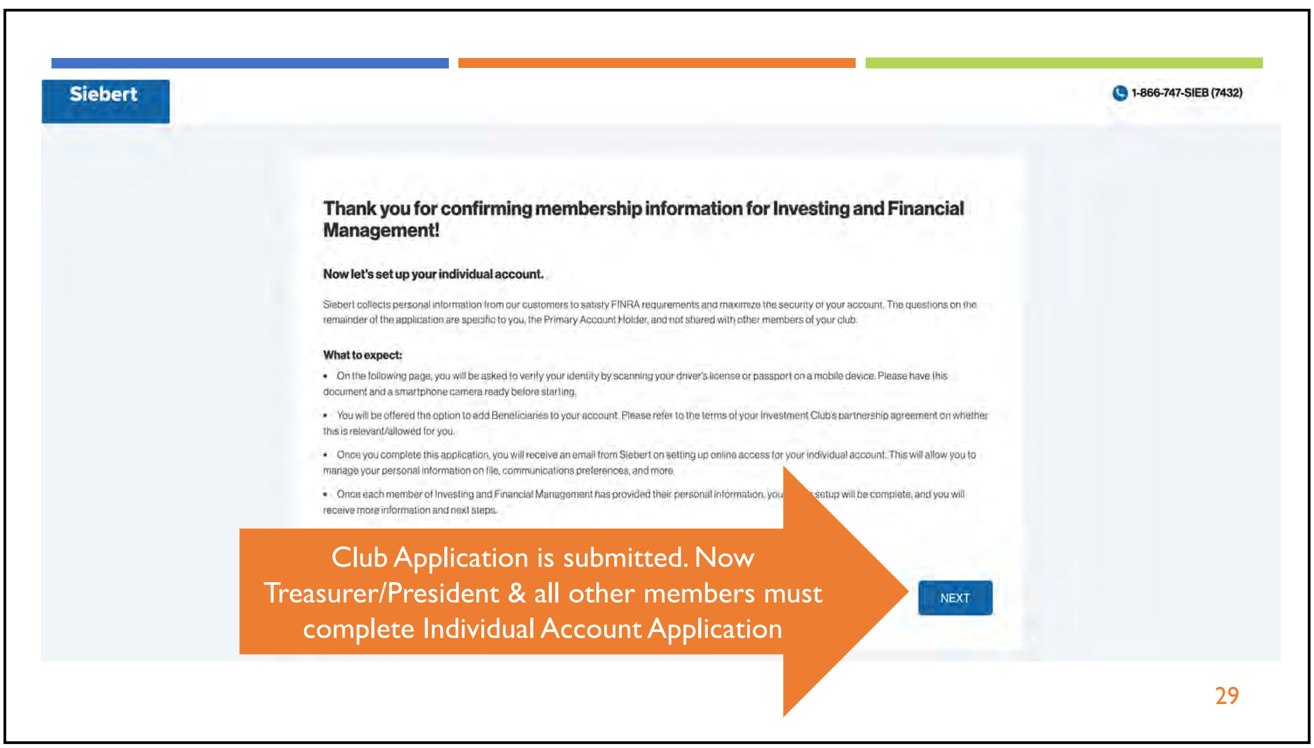
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1-866-747-SIEB (7432)
Thank you for confirming membership information for Investing and Financial Management!
Now let's set up your individual account.
What to expect:
NEXT
Club Application is submitted. Now Treasurer/President & all other members must complete Individual Account Application
29

2. Open Individual Account at Siebert

- President/Treasurer & each individual club member must complete Individual Account application in order for Investment Club Account to be approved.
- Process is similar to club account opening procedures.
- Individual can choose to use individual account for personal purposes or let remain "inactive."

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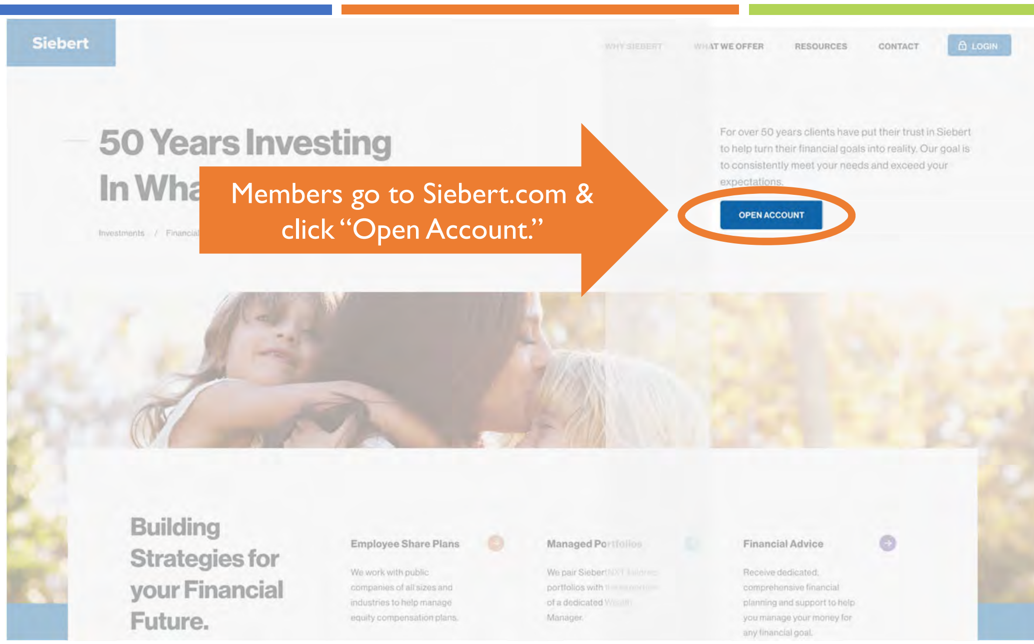

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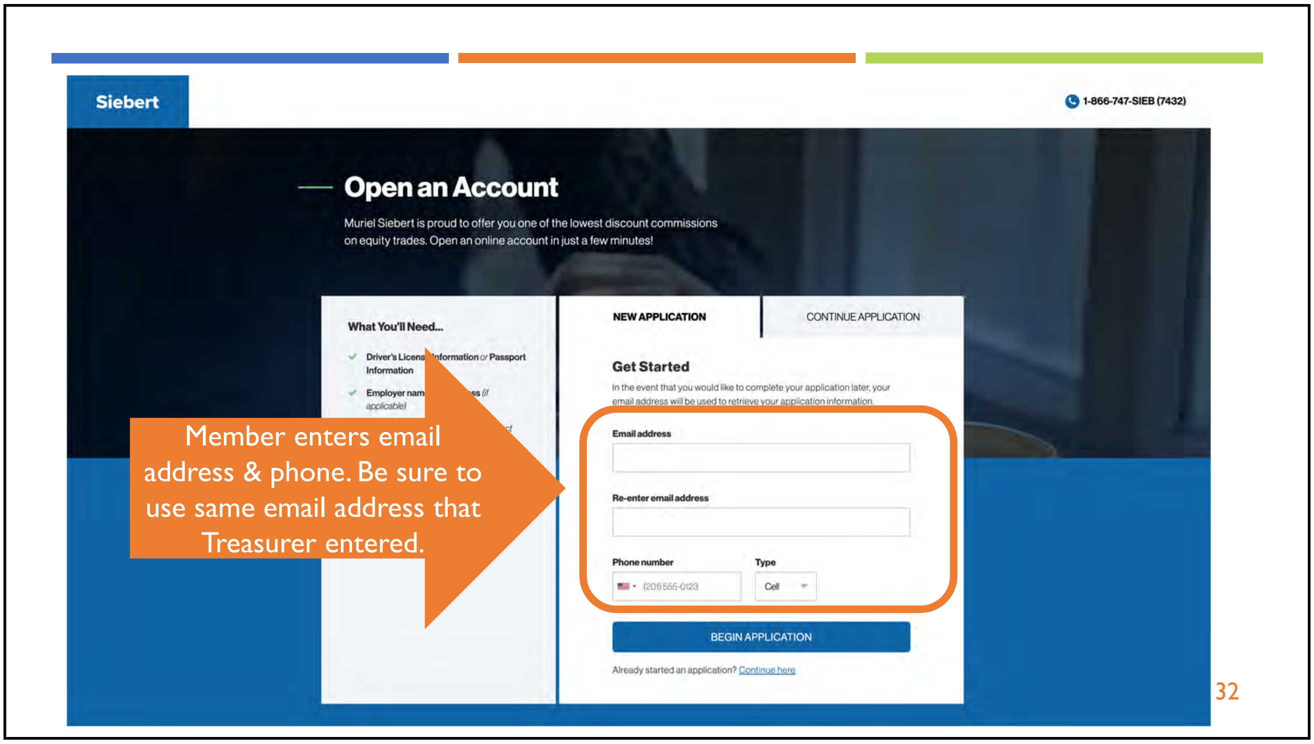
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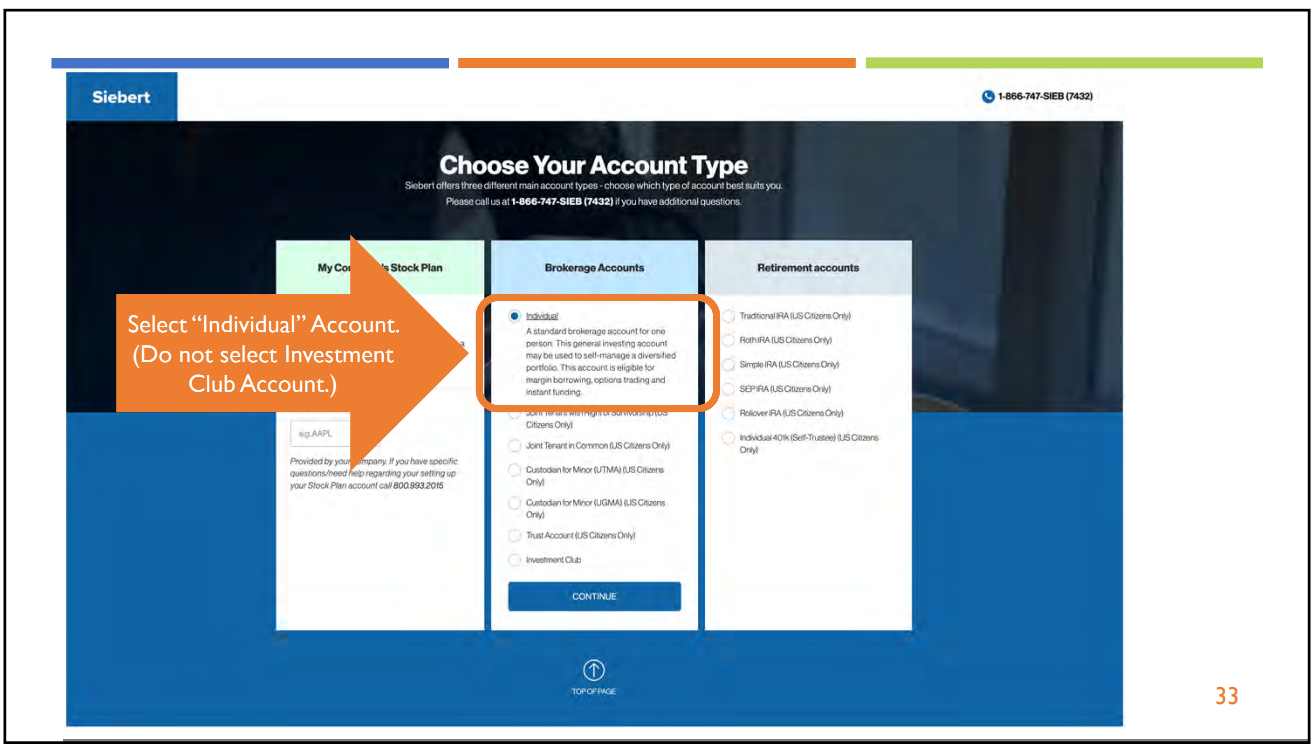
Muriel Siebert is proud to offer you one of the lowest discount commissions on equity trades. Open an online account in just a few minutes!
What You'll Need...
NEW APPLICATION
CONTINUE APPLICATION
Get Started
In the event that you would like to complete your application later, your email address will be used to retrieve your application information.
Email address
Re-enter email address
Phone number
Type
Cell
BEGIN APPLICATION
Already started an application? Continue here
Member enters email address & phone. Be sure to use same email address that Treasurer entered.
32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Choose Your Account Type
Siebert offers three different main account types - choose which type of account best suits you.
Please call us at 1-866-747-SIEB (7432) if you have additional questions.
Brokerage Accounts
Retirement accounts
Individual
A standard brokerage account for one person. This general investing account may be used to self-manage a diversified portfolio. This account is eligible for margin borrowing, options trading and instant funding.
Joint Tenant in Common (US Citizens Only)
Custodian for Minor (UTMA) (US Citizens Only)
Custodian for Minor (UGMA) (US Citizens Only)
Trust Account (US Citizens Only)
Investment Club
CONTINUE
Traditional IRA (US Citizens Only)
Roth IRA (US Citizens Only)
Simple IRA (US Citizens Only)
SEP IRA (US Citizens Only)
Rollover IRA (US Citizens Only)
Individual 401k (Self-Trustee) (US Citizens Only)
TOP OF PAGE
Select "Individual" Account. (Do not select Investment Club Account.)
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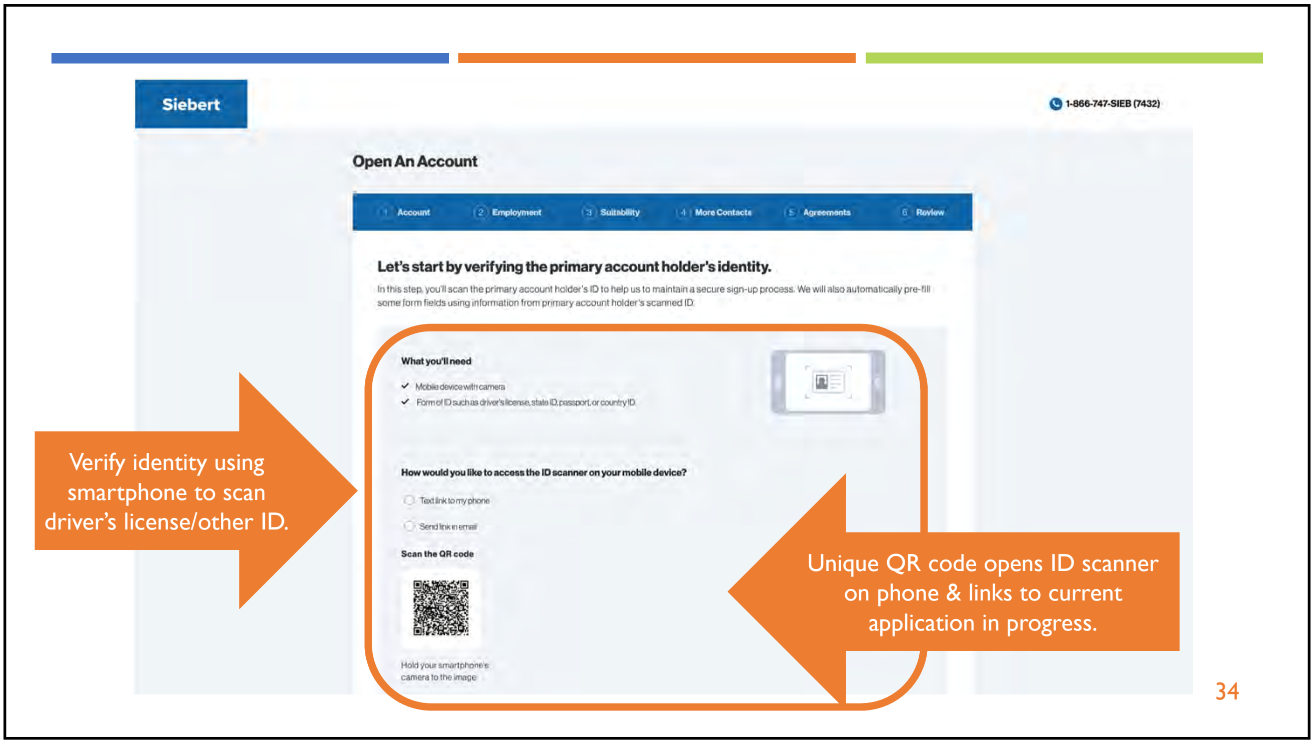
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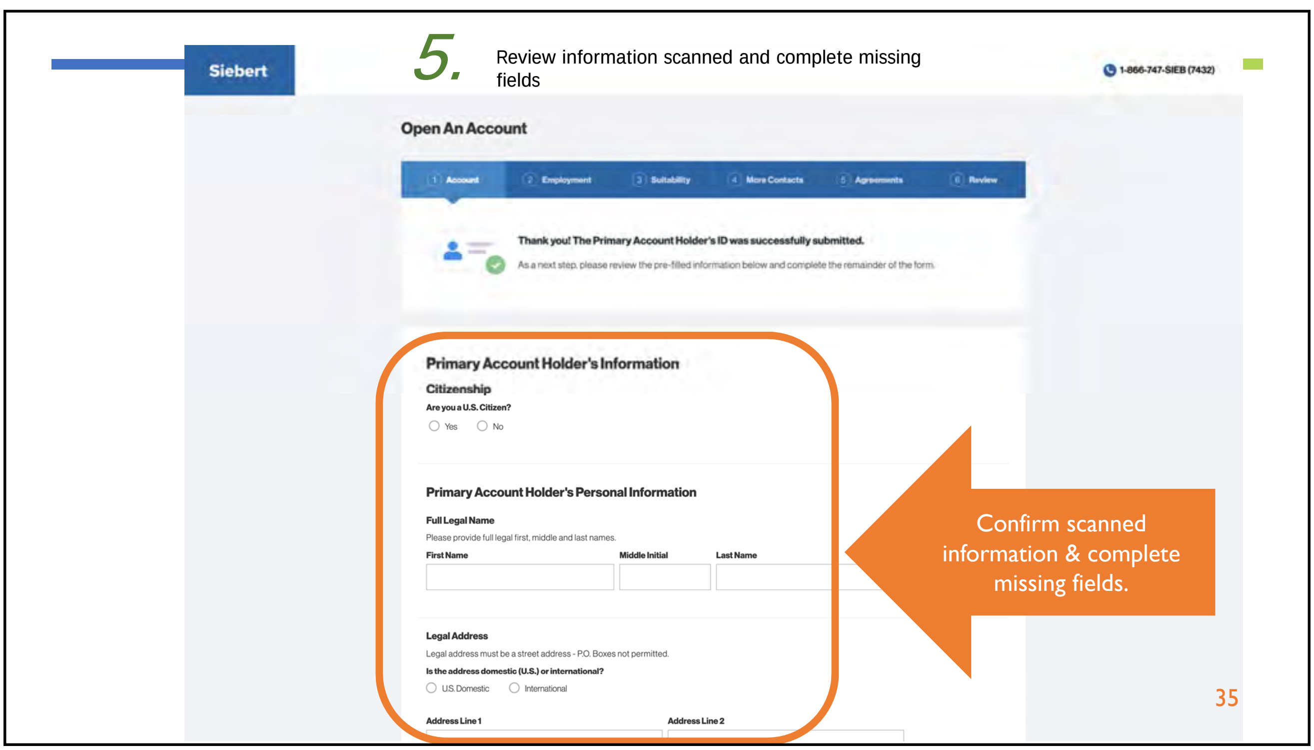
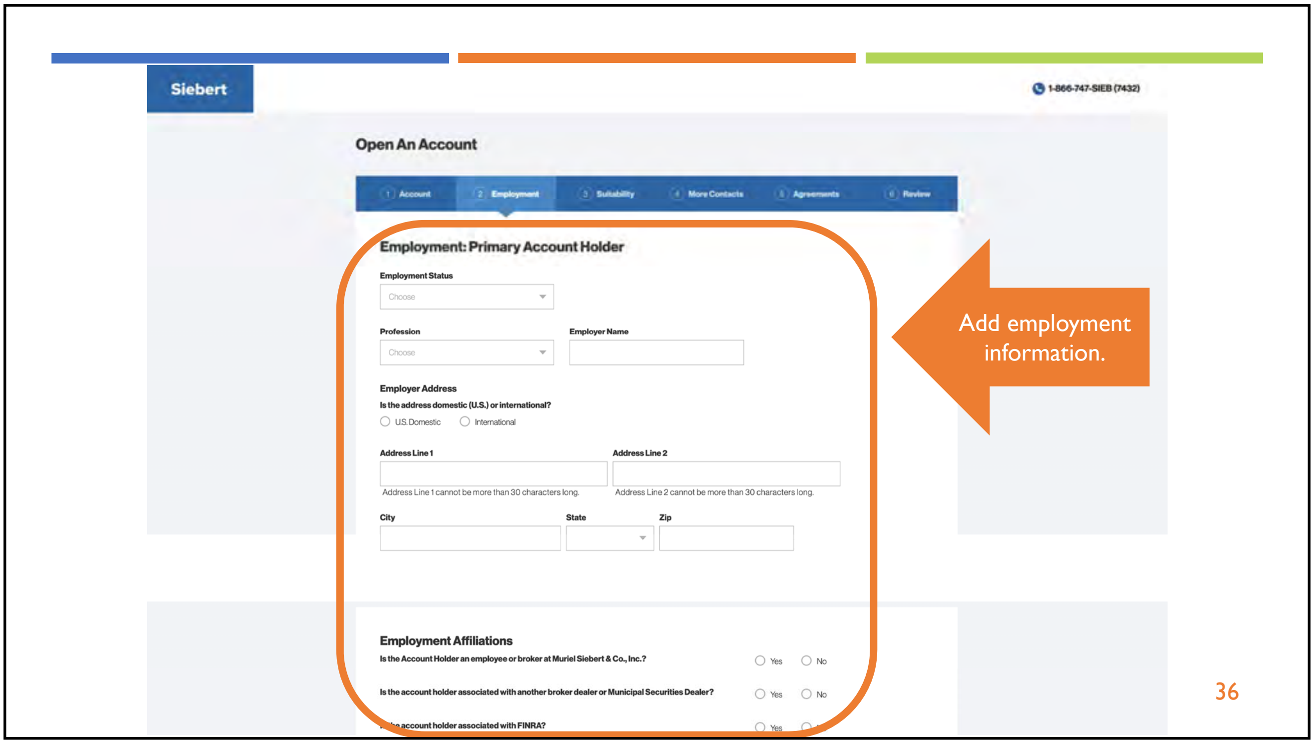
1-866-747-SIEB (7432)
Open An Account
1 Account
2 Employment
3 Suitability
4 More Contacts
5 Agreements
6 Review
Let's start by verifying the primary account holder's identity.
In this step, you'll scan the primary account holder's ID to help us to maintain a secure sign-up process. We will also automatically pre-fill some form fields using information from primary account holder's scanned ID.
What you'll need
Mobile device with camera
Form of ID such as driver's license, state ID, passport, or country ID
How would you like to access the ID scanner on your mobile device?
Text link to my phone
Send link in email
Scan the QR code
Hold your smartphone's camera to the image
Verify identity using smartphone to scan driver's license/other ID.
Unique QR code opens ID scanner on phone & links to current application in progress.
34


Siebert
5.
Review information scanned and complete missing fields
1-866-747-SIEB (7432)
Open An Account
1 Account
2 Employment
3 Suitability
4 More Contacts
5 Agreements
6 Review
Thank you! The Primary Account Holder's ID was successfully submitted.
As a next step, please review the pre-filled information below and complete the remainder of the form.
Primary Account Holder's Information
Citizenship
Are you a U.S. Citizen?
Yes
No
Primary Account Holder's Personal Information
Full Legal Name
Please provide full legal first, middle and last names.
First Name
Middle Initial
Last Name
Legal Address
Legal address must be a street address - P.O. Boxes not permitted.
Is the address domestic (U.S.) or international?
U.S. Domestic
International
Address Line 1
Address Line 2
Confirm scanned information & complete missing fields.
35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Open An Account
1 Account
2 Employment
3 Suitability
4 More Contacts
5 Agreements
6 Review
Employment: Primary Account Holder
Employment Status
Choose
Profession
Choose
Employer Name
Employer Address
Is the address domestic (U.S.) or international?
U.S. Domestic
International
Address Line 1
Address Line 2
Address Line 1 cannot be more than 30 characters long.
Address Line 2 cannot be more than 30 characters long.
City
State
Zip
Employment Affiliations
Is the Account Holder an employee or broker at Muriel Siebert & Co., Inc.?
Yes
No
Is the account holder associated with another broker dealer or Municipal Securities Dealer?
Yes
No
Add employment information.
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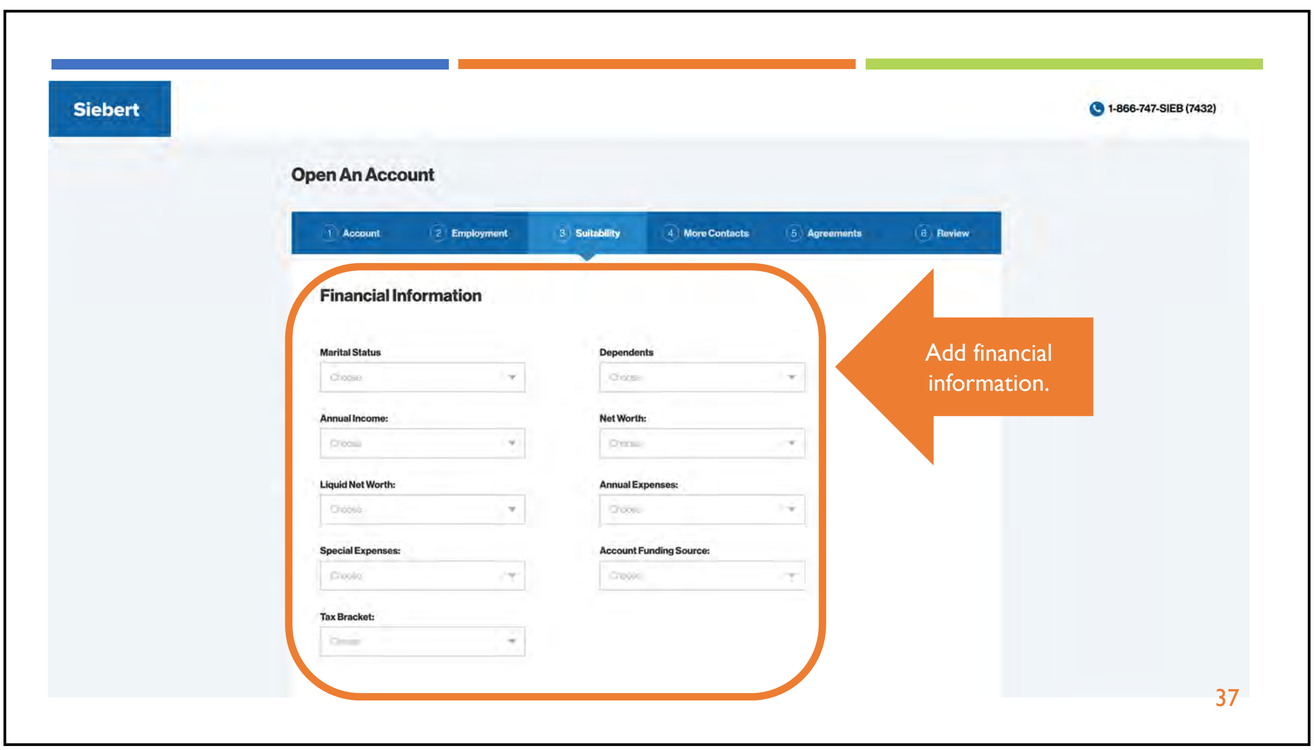
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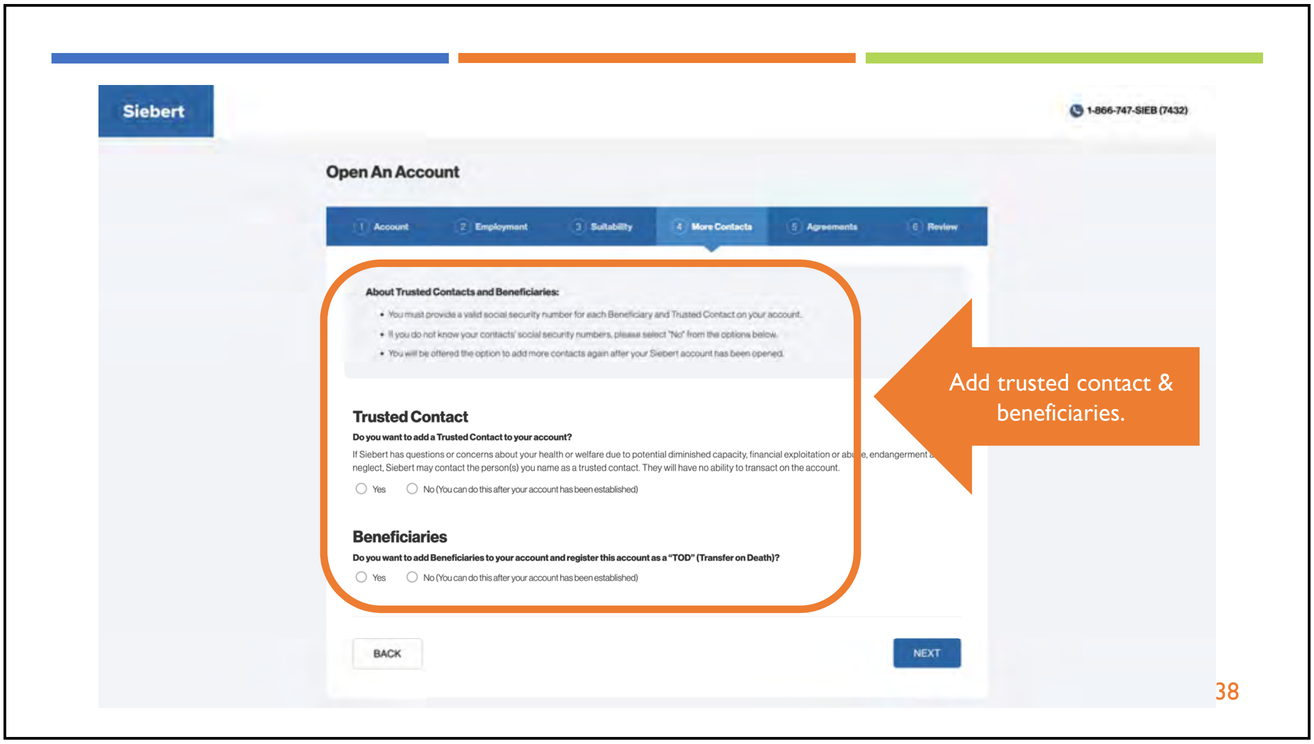
Open An Account
1 Account
2 Employment
3 Suitability
4 More Contacts
5 Agreements
6 Review
Financial Information
Marital Status
Dependents
Annual Income:
Net Worth:
Liquid Net Worth:
Annual Expenses:
Special Expenses:
Account Funding Source:
Tax Bracket:
Add financial information.
37


Siebert
1-866-747-SIEB (7432)
Open An Account
1 Account
2 Employment
3 Suitability
4 More Contacts
5 Agreements
6 Review
About Trusted Contacts and Beneficiaries:
You must provide a valid social security number for each Beneficiary and Trusted Contact on your account.
If you do not know your contacts' social security numbers, please select "No" from the options below.
You will be offered the option to add more contacts again after your Siebert account has been opened.
Trusted Contact
Do you want to add a Trusted Contact to your account?
If Siebert has questions or concerns about your health or welfare due to potential diminished capacity, financial exploitation or abuse, endangerment or neglect, Siebert may contact the person(s) you name as a trusted contact. They will have no ability to transact on the account.
Yes
No (You can do this after your account has been established)
Beneficiaries
Do you want to add Beneficiaries to your account and register this account as a "TOD" (Transfer on Death)?
Yes
No (You can do this after your account has been established)
BACK
NEXT
Add trusted contact & beneficiaries.
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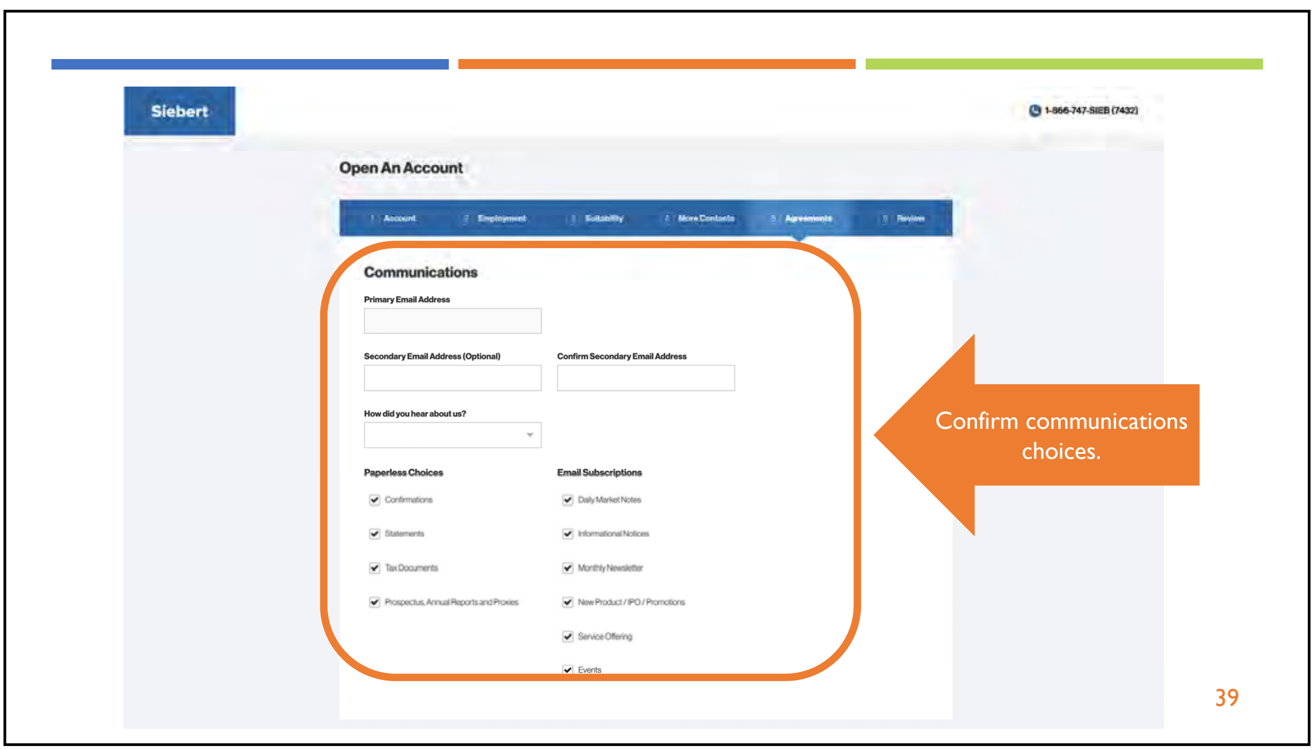
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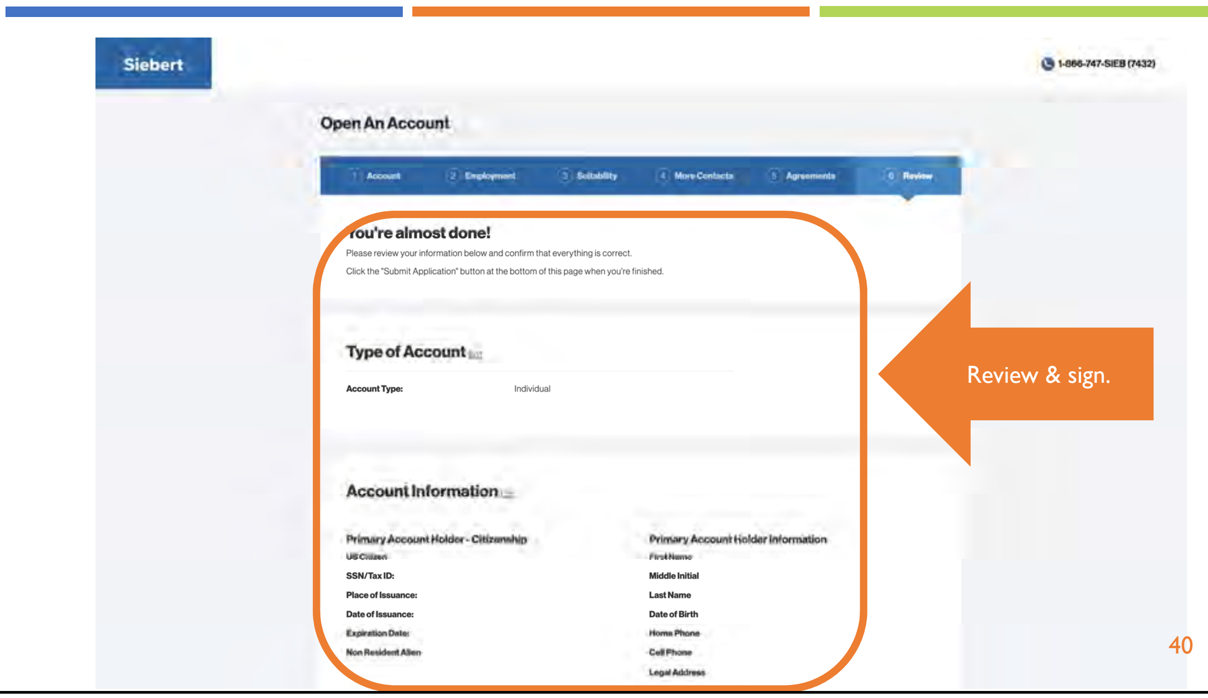
Open An Account
Account
Employment
Suitability
More Contacts
Agreements
Review
Communications
Primary Email Address
Secondary Email Address (Optional)
Confirm Secondary Email Address
How did you hear about us?
Paperless Choices
Confirmations
Statements
Tax Documents
Prospectus, Annual Reports and Proxies
Email Subscriptions
Daily Market Notes
Informational Notices
Monthly Newsletter
New Product / IPO / Promotions
Service Offering
Events
Confirm communications choices.
39



Application Complete

- Note: Investment Club account will not be open until ***all members*** have completed individual account application.
- If changing brokerages, once Siebert account is open, can then transfer securities & cash from prior brokerage.

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Siebert & myICLUB BrokerSync

- BrokerSync for Siebert is currently in development.
- Contact myICLUB support if you have set up your Siebert account & would like to test import prior to its release.

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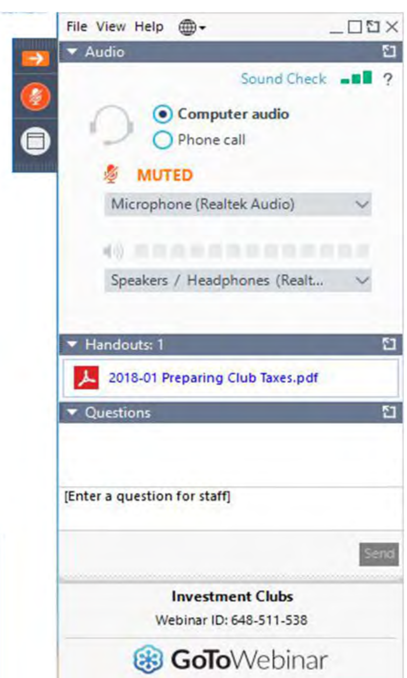
QUESTIONS?

USE QUESTIONS BOX IN WEBINAR APPLET



Thank You!

Doug Gerlach | Russell Malley | Sean Pulrang