

## Communication Overload?

### We have the answer- the NAIC Handbook Series

One defining characteristic of the 21st century would have to be communication overload. For our NAIC community that overload is particularly evident in the investment world. The proliferation of investment articles, books, talk shows, TV market news, magazines, newsletters, stock-picking gurus, numerical analyses, formulas, and Tarot card mystics boggles the mind.

**Where do you go?  
Whom do you believe?  
Who can you trust?**

To capture and hold the attention of the novice and experienced investor, the investment information has to be packaged intelligently, cleverly, and attractively. After the Better Investing magazine, my choice for improved and increased stock portfolio results is the NAIC Better Investing Book Series. The 8 1/2 by 12 inch glossy handbooks are reasonably priced and will be sold at all our Chapter seminars. Clubs can also purchase the books in bulk through the Chapter at a discount price.

The NAIC Stock Selection Handbook offers a “step-by-step self-learning course helping you build a sound understanding of the NAIC Stock Selection Guide (SSG). It is a comprehensive publication for learning and using NAIC’s premier stock analysis form to help you successfully select stocks.”

Other books in the series are:

- NAIC Official Guide-Introduction to Successful Investing
- NAIC Mutual Fund Handbook
- NAIC Computerized Investing & the Internet Handbook
- NAIC Portfolio Wisdom – Evaluation & Management Handbook
- NAIC Investment club Operations Handbook
- NAIC Investment Club Accounting Handbook

The series provides information and resources for beginner, intermediate and experienced investors. Read more about the handbooks at the NAIC Web site: [www.better-investing.org](http://www.better-investing.org).

## Emphasize How To Invest In Mutual Funds

### Online Mutual Fund Resources

For those who have been yearning for information on How To Invest In Mutual Funds, your prayer for knowledge is granted—with the arrival of the Online Mutual Fund Resource Center. A colorful, clear and comprehensive web site, reached from the NAIC Home Page, this Mutual Fund Center is incredible. It provides Standard and Poor data on over 14,000 mutual funds—comprising stock, bond, international, global, asset allocation, sector, money market, convertible and exchange traded mutual funds.

The Mutual Fund Center offers the investor:

- Screening capability to select the type of funds desired.
- The ability to establish both Stock and/or Bond Fund Check lists.
- Stock and/or Bond Fund Comparison Guides.
- Stock and/or Bond Fund Trend Reports.

You can reach these all at the same site with the light touch of your fingertips. Amazing! Monthly and Quarterly holdings updates are available in over 90% of the funds in the database.

The Resource Center even provides Sector Analysis to aid in your selection of Funds. In the Library Section, you find a directory of articles related to Mutual Fund investing and a range of Mutual funds that have been reported on in Better Investing over the past years. Through its University section, The Resource Center offers 45 educational lessons on the basics of Mutual Fund investment. Where else can you obtain so much information so readily?

The tools designed for the Mutual Fund Resource Center complement the tools used for analysis of equities. We have the opportunity to become proficient investors in both types of investments—single equities and mutual funds. Take advantage of this newest addition to our portfolio of tools.

South Jersey Chapter of NAIC  
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## Learn How To Invest

## Computer Learning Center

Take advantage of our hands-on, 10 individual computers at our Computer Learning Center.

- Why:** Learn the wiles and wonders of your investment software.
- What:** Toolkit Pro, PERT, Stock Analyst and more
- Who:** Clubs or individual members (all levels)
- Where:** Browns Mills, Burlington County
- When:** At your request and convenience
- Call:** Jodie Booker, President  
jbjnj@comcast.net



## News Updates:

## New Jersey Corporation Business Tax

The Investment Club bill was passed recently to resolve the disparity created when investment clubs were included in Governor McGreevy’s 2002 Corporation Business Tax reform package. The separate Investment Club bill exempts investment clubs from paying a \$150 filing fee for limited partnerships. The bill also grants investment club members a per partner exemption of \$35,000, not to exceed the group’s total portfolio of \$250,000. Last year, the State Treasury had waived the filing fee for those investment clubs with assets below \$60,000. This later effort treats New Jersey investment clubs more fairly.



South Jersey

# NAIC® INVESTOR NEWS

The Newsletter for NAIC Club and Individual Members

Spring 2004

## Having Problems With The SSG? Not Really Understanding Judgment? Who You Gonna Call?

### The SSG Busters!

On 4, Dec 2003, the Women’s Investment Club (WIC) of Mt. Laurel invited the SSG Busters to their meeting to give them their ‘spill’ on how to solve some of WIC’s SSG dilemmas. SSG stands for the Stock Selection Guide, a two-page analysis of a company which is the centerpiece of NAIC’s stock analysis process.

*At this point you are asking, “Who in the world are the SSG Busters?” Don’t keep this a secret! We are AKA (also known as) the NAIC South Jersey Chapter, consisting of 11 volunteer directors, willing and able to help you as an individual investor or an Investment Club learn how to research and evaluate*

*companies using the most current NAIC software, specifically, Toolkit Pro.*

WIC asked for answers to several questions listed below to analyze one of the more difficult stocks, MBNA.

**1.)** They wanted an Explanation of Diluted Common Shares v/s Outstanding Common Shares

**Answer: Dilution** is reducing the percentage of the common stockholder ownership of a company by issuing additional common stock for less than current market price to those who own stock options. The significance of dilution is potential for increasing the number of shares among

which the company’s earnings may have to be distributed. This dilution would reduce the earnings per share. **Common Shares** is “a unit of ownership in a company.” Owners of common stock receive dividends and their interest in the assets is junior to all other types of stock in the event of the company’s liquidation.

**2.)** What is the Difference Between Insider Holdings v/s Institutional Holding

**Answer:** Insider Holding refers to the management, directors, or employees who have their own money invested in the company. A high percentage of insider

*(Continued on Page 2)*

## The South Jersey Chapter Website

The South Jersey Chapter of NAIC invites you to visit YOUR CHAPTER website. If you have already visited us, **please come back often.**

We are consistently posting new information and making changes. You need to take full advantage of what we have to offer; upcoming events/ classes, hands-on educational events in southern New Jersey, and possibilities for member, club and Chapter interaction. When you log on to the NAIC home site, there will be a pop-up message with information specific to South Jersey. News from the North Jersey and Delaware Valley Chapters will also ‘pop-up.’ It’s a very helpful tool to keep you alert and tuned in to events in our SJ area.

*(Continued on Page 2)*

**The SSG Busters** (Cont. from Page 1)

ownership is usually a good sign, demonstrating that those who make the decisions have confidence in the future of the company.

**Institutional Holding** refers to large institutions, i.e. mutual funds, insurance companies, large trust and money management firms which purchase large blocks of stock for their portfolios or inventories. Such stockholders tend to trade in and out of stocks when they feel that they can improve their portfolio's short-term performance. This "fickleness" can make a stock more volatile than we would want it to be.

**3.)** WIC asked for a clarification of **Total Debt and Capitalization**  
**Answer: Total Debt** is all obligations of the company, including current, fixed and miscellaneous liabilities. (If using Value Line, this is listed as Total Debt in the Capital Structure box.)

**Capitalization** is also called Capital Structure. This is an accounting term used to describe the total value of various securities issued by a corporation (bonds, preferred stock and common stock.)

The Woman's Investment Club also asked the SSG Busters to:

**4.)** Detail each value judgment which is made on the Front Page of the Stock Selection Guide (SSG) and what subsequent value judgements are affected in Part 4 of the SSG?

**5.)** Briefly discuss trends figure (Up, Down, Even) in Part 3, the management section.

**6.)** Clarify when a company uses terminology other than 'sales,' how do we know the correct term? And what does NMF mean?

**7.)** Explain what relative value and projected relative value mean?

Well! Those were just some of the questions the ladies presented to the SSG Busters who happen to be Jodie Booker, Dan Lyons, and John Pierce. And yes, we had the answers!

As a bonus, the SSG Busters provided a few undocumented tricks to using the Toolkit. Try This:

**1.)** On the front side of the SSG, pressing Alt-R will show a summary of the preferred procedure calculations at the lower left of the SSG growth chart. The summary is included when the SSG is printed.

**2.)** In the SSG, Section 3, five years of P/E history are shown. At times it can be useful to see a longer P/E history. You can see 10 years of P/E history as follows. In SSG section 4A and 4B, there are green boxes outlining the Average High and Low P/E values. Clicking in either of those green boxes take you to the "Judgment - Average high/Low P/E" window. Pressing Alt-X in that window takes you to the "Estimate Average P/Es" window where 10 years of P/E history are offered. You then can mark outliers and compute a new average by clicking on individual values. To use the new average figures, click the Use button.

**3.)** The highest price that satisfies both the SSG risk criteria (3-to1 updown-side ratio) and the SSG reward criteria (15% total return) can be shown by pressing **Alt-B**. (This works on either the front or back of the SSG)

THIS WAS JUST A SAMPLING OF WHAT WE CAN OFFER. SO WHO YOU GONNA CALL????? THE SSG BUSTERS!!!!

Jodie Booker

**South Jersey Website** (Continued from Page 1)

We want to hear from you!! Fill out our online survey, which gives you the opportunity to tell us what seminars you want. Just go to [www.better-investing.org](http://www.better-investing.org), click Chapters in the left column, scroll down to first, New Jersey, and then to South Jersey, following the directions to the website survey.

For the latest breaking news, and to join our e-mail list and have information sent directly to you, please go to "E-mail list" on our website's home page in the upper left corner and follow the instructions. If you have problems e-mail Mary Ann Rabbe at [marydegrab@AOL.COM](mailto:marydegrab@AOL.COM).

*South Jersey Chapter*

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# SEMINAR SCHEDULE

NAIC South Jersey Chapter Board Meetings, 4th Thursday monthly, 6:30 p.m., Residence of Jodie Booker, President

*Cost of each course is \$25 unless otherwise noted*

**Learning the Stock Selection Guide (SSG) on Toolkit Pro 4**  
 Saturday, March 27, 10:00 a.m.-12 p.m., Golden Inn, 78th Street & Dune Avenue, Avalon Cape May County

**Adding Judgment to the SSG** (taught in afternoon)  
 Saturday, March 27, 1:00 – 3:00 p.m., Golden Inn, Avalon, 78th & Dune Avenue, Cape May County. Both these March 27th courses, \$45

**Why Learn to Invest—Introduction to Investing 101-**  
 no prerequisites (no cost)  
 Monday, April 19, 9:30-10:45 a.m. Moorestown Library, 111 West 2nd Street, Moorestown, Burlington County (For information, call Carla Krasnick, 856/235-0813)

**Why Learn to Invest—Introduction to Investing 101-**  
 no prerequisites (no cost)  
 Monday, April 19, 7:00-8:30 p.m. Moorestown Library, 111 West 2nd Street, Moorestown, Burlington County (For information, call Carla Krasnick, 856/235-0813)

**\*Why Learn To Invest—Introduction to Investing 101-** no prerequisites (no cost)  
 Wednesday, April 22, 9:30 a.m.- 12:45 p.m., Evesham Township Branch Library, Tuckerton Road and New Road, Marlton, Burlington County (Library is housed on the 1st floor of the Evesham Municipal Complex (For information, e-mail Dan Lyons; ostrichking@mindspring.com)

Following courses will be taught at the Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Streets, Manchester, Ocean County. (For information, call Helen Kushner, 856-428-8012)

**Why Learn To Invest—Introduction to Investing 101** (no cost)  
 Saturday, July 17, 10 – 11:30 a.m., Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Street, Manchester, Ocean County

**Introduction to Youth Investing: Start Now-Ages 13 on Up** (no cost)  
 Saturday, July 17, 1: 00 – 2:30 p.m., Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Street, Manchester, Ocean County

**NAIC Basic Investing- Course 102**  
 Wednesday, September 15, 6:45 – 9 p.m., Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Street, Manchester, Ocean County

**How To Use & Understand Value Line Stock Sheet—Course 103**  
 Wednesday, October 20, 6:45 – 9 p.m., Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Street, Manchester, Ocean County

**Using the Stock Selection Guide (SSG)—Course 104**  
 Saturday, November 6, 9:30 a.m. – 12 p.m., Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Street, Manchester, Ocean County

**Understanding Judgment—Course 105**  
 Saturday, November 6, 1:00 – 3:30 p.m., Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Street, Manchester, Ocean County

**NOVEMBER, 2004 ANNUAL MEETING:** How to Present a Stock for Purchase!  
 Location & Time To Be Announced

**Using Toolkit Pro Computer Program and Online Premium Data Service (OPS) –Course 106**  
 Saturday, January 22, 2005, Manchester First Aid & Rescue Building, Colonial Blvd. & Chester Street, Manchester, Ocean County

**E V E N T R E G I S T R A T I O N F O R M**

• Fill out form and mail in with the appropriate fee

• Make checks payable to: to South Jersey Chapter NAIC \$25 per workshop \$45 for two workshops on same day.

• Send registration form and check(s) to: South Jersey Chapter NAIC c/o Jay C. Sabey, Treasurer, 43 Maine St., Toms River, NJ 08753

Name of Event \_\_\_\_\_

Date of Event \_\_\_\_\_ Number of People \_\_\_\_\_ Fees enclosed \$ \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone Day \_\_\_\_\_ Phone Evening \_\_\_\_\_

E-Mail Address \_\_\_\_\_

Club Name (if applicable) \_\_\_\_\_ NAIC Member# (if applicable) \_\_\_\_\_

These next 4 courses will be taught in the Mt. Laurel/Moorestown, Burlington County area. Location To Be Announced. For information call Jodie Booker, 856/722-5547)

**NAIC Basic Investing- Course 102**  
 Saturday, June 5, 9:30 a.m. – 12 p.m.  
 Location TBA,

**How To Use & Understand Value Line Stock Sheet—Course 103**  
 Monday, June 21, 6: 45 – 9 p.m.  
 Location TBA

**Using the Stock Selection Guide (SSG)—Course 104**  
 Saturday, July 24, 9:30 a.m. - 12 p.m. Location TBA

**Understanding Judgment—Course 105**  
 Saturday, August 14. 9:30 a.m. – 12 p.m. Location TBA

**Using Toolkit Pro Computer Program and Online Premium Data Service (OPS) –Course 106**  
 Saturday, September 11, 9:30 a.m. – 12 p.m., Neighborhood Computer Center, Browns Mills, Burlington County, (for information call Jodie Booker, 856/722-5547)

# CLUB DYNAMICS Strategies For Investing

(Borrowed and Abridged from the Channel Islands Council, Michigan Model Investment Club)

Does your Club have a strategy for investing? Taking time at several meetings to establish your Club Strategy may be just the ticket to travel more successfully in the investment world. After club members have begun their journey into stocks, bonds, funds and futures, and feel comfortable with the process of investing, a Club can easily be derailed from their track of goals leading to financial success. Actually discussing and writing down your goals and objectives can provide your membership with the landmarks on how to put together and maintain their portfolio. Carol Haverty and Model Investment Club of Channel Islands Council, Michigan, identify their Strategies for Investing to keep the membership and their activities on track.

**1 Investment Goal 1: To build a portfolio of high-quality growth stocks that will have a growth factor of 15% compounded annually.**

**Objective:** Invest regularly without trying to predict the fluctuations of the market. Small amounts invested regularly will provide all the protection we need against the vagaries of the market.

**Objective:** Use a "dollar cost averaging" technique. The practice of investing a fixed amount on a regular basis will insure that our club will purchase more when the market is low and less when it is high.

**Objective:** Be long-term "buy and hold" investors, seeking to hold each stock for 5 years, at a minimum for 18 months. Holding stocks for a long time will decrease the amount spent on commissions and taxes, thereby increasing the total return.

**2 Investment Goal 2: Diversify our portfolio.**

**Objective:** Study and purchase holdings within industries, attempting to keep no more than 15% in any one industry.

**Objective:** Hold companies in our portfolio in the following proportions — large (25%), medium (50%), and small cap (25%).

**Objective:** Attempt to hold no more than one company per member. Members will study and follow respective stocks by industry, providing monthly reports, for no less than 2 years, and recommended for 3 years. When possible a stock will be studied by 2 members, using different resources.

**3 Investment Goal 3: Attempt to purchase high-quality companies, with above average growth rates, which are available at reasonable cost, in business for at least 5 years.**

**Objective:** Watch favored companies, waiting for them to come into a buy Zone. Use NAIC Stock Selection and Stock Comparison Guides to make our 'buy' decision. Study at least two similar companies before deciding to buy. The company must be in the 'buy' zone to be considered.

**Objective:** Choice of purchased companies determined by doubling of EPS over past 5 years, current P/E multiple that is a reasonable % compared to last 5 year average. Upside-Downside side ratio of 3-1 or better, capital long-term debt no more than 33%, (larger the company, more debt will be tolerated.); Up arrows in last 5 years of pre-tax profit and equity; Value Line safety ranking of 3 or greater; projected total return of 15% more per year.

**4 Investment Goal 4: All earnings will be reinvested. Money put back into the portfolio permits club to experience compounded dividends.**

**Objective:** Companies participating in DRIP/direct investing will be purchased in this way.

**Objective:** Club will consider selling a portion of the holding, when practical.