

Forming a Club to Share Financial Wisdom



Bayne Stanley for The New York Times

Five women in Vancouver, British Columbia, formed a money club called the Smart Cookies and wrote a book about their experiences.

By [RON LIEBER](#)

Published: October 31, 2008

Mortgage brokers deserve their fair share of blame for the foreclosures haunting the housing market right now. And plenty of banks allowed too many people to take on too much debt.

But it was individual consumers who ultimately took on those loans. So as we consider how to avoid this collective financial mess again, one question keeps rolling around in my head: How much better off would the world be right now if people had their own personal finance committee to consult before making big money decisions?

I've long lamented the fact that there aren't as many money clubs as there are book clubs. Plenty of us would be more successful in meeting our financial goals if we met regularly with a small group of like-minded people to lay our finances bare, from incomes to debt to our spending foibles. It would be one part Debtors Anonymous and one part Weight Watchers, a bit like the investment clubs that

were popular in the 1990s but with every part of our financial lives under the microscope.

What I didn't do, but should have, was try to inspire an international movement around the idea. That's what five women from Vancouver are trying to do with their new book, "[The Smart Cookies' Guide to Making More Dough](#)" (Delacorte Press), and Web site, smartcookies.com.

Much of the book offers fairly basic financial advice, and it will probably resonate best with young women. The silly name, meanwhile, might turn off serious-minded people.

But that would be too bad, because theirs is a story of guts and grit, of five women who leaned on one another to rein in individual money habits that were fairly destructive.

Their example ought to be enough to inspire others to form or join money clubs, though this isn't the first time that people have suggested it. An organization called the Women's Institute for Financial Education already holds a trademark on the term "[money club](#)" and has [helped people form them](#) in the past.

So why hasn't the movement taken hold? Many people are afraid of admitting their financial cluelessness to others, or they're ashamed of their bad decisions. Plenty of others are simply uncomfortable talking about the topic. Money is the last taboo, even when sex or your shrink is fair game for polite conversation.

But now should be the time when we all get over our hang-ups and join the emerging national conversation about our borrowing and spending habits.

The five women in Vancouver started their own conversation in March 2006. Andrea Baxter, who worked in marketing, had run up \$18,000 in debt beyond her mortgage. (One of her creditors eventually turned her account over to a collection agency.)

Ms. Baxter happened to see an episode of "The [Oprah Winfrey Show](#)" about going on a [debt diet](#) and she recruited others to slim down with her. Four others eventually signed on, including two colleagues from work. "It was scary to go and tell them what my financial situation was at the time," she said. "I thought they would think less of me."

Indeed, a younger colleague who joined the group, Sandra Hanna, was taken aback. "I'd been blown away at how put together these girls were, with their designer sunglasses and the right purse," said Ms. Hanna, who was relatively new at the company at the time. "That was the biggest eye opener for me at the first money club meeting. Andrea presented this image of perfection, but she was a disaster."

Ms. Hanna had actually saved \$8,000 by living at home after graduating from college, but she blew through all of it once she moved out and had run up \$2,000 in credit card debt. “I was on track to be in Andrea’s position,” she said. Besides scaring Ms. Hanna into living within her means, the money group paid other dividends fairly quickly for her. She was the most junior of the three women from her company in the group, and knowing how much money the other two made gave her leverage when it came time to talk with her boss about a promotion. Once they shared the information with Ms. Hanna, however, they expected her to use it to stand up for herself.

“It makes my heart pound just to think about it now, but I knew I had to come back and tell the girls in the money group how that conversation went,” she said. “Having that support, even sending me e-mails that morning, and then having someone to congratulate you when you’ve actually accomplished something is something you really look forward to.”

There’s something wonderfully subversive about this approach to salary negotiation, though it could have led to resentment had Ms. Hanna’s boss not given her what she wanted. So if this seems dangerous, there is certainly no rule saying you need to form your money club with co-workers.

Here are a few other issues to consider before starting a club:

MEMBERS Even if you decide to keep colleagues out, it’s best to have people in your group who share the same sets of concerns. Usually this will mean being in the same stage of life, like retirement or new parenthood, and in the same general band of household income.

COMMITMENT As with anything difficult, from exercise to psychotherapy, it’s hard to accomplish much if you don’t do it regularly. The Smart Cookies met weekly for the first two years. “We needed a lot of help,” Ms. Baxter said. “I had the most debt and needed someone to keep me on track.”

DISCLOSURE The point of the process is to rid yourself of all destructive habits, so hiding things is self-defeating. “You come to the meeting and you come clean,” said Angela Self, another member.

CONFIDENTIALITY The first rule of money club is that you do not talk about money club. What’s said in the meeting stays in the meeting. But the hardest part of starting a club, especially if participants know nonmembers in common, is having faith that no one will gossip to outsiders about the others.

“It was super-intimidating at first,” said Robyn Gunn, another Smart Cookies member. As a social worker, she knew the group could accomplish much more through open communication than if everyone tried to sort out their problems on their own. But the first step still wasn’t easy. “At the first meeting, we had a bit of

wine, and once you start with something so disarming, like sharing bank statements, you build trust pretty quickly.”

AGENDA It’s best to have an agenda, so the meetings stay focused. The women in Vancouver follow the same general format each session: Good news from every member, a spending check-in, individual debt reports, brainstorming about how to make more money, a discussion topic that someone has researched, and goal setting.

None of this has to be boring. During the Smart Cookies meeting I listened in on, the spending portion of the program was especially rollicking. It was a study in working the angles, touching on bartering professional services for personal training sessions, consignment shops, tamping down [iPhone](#) lust (but giving in to the call of Costco) and the fine art of mooching wine off your parents.

If all this sounds like oversharing, there are certainly other ways to get in shape financially. Plenty of people use financial planners as financial baby sitters — enforcers who keep them in line. This can be a fine thing, though you’ll pay by the hour or turn over 1 percent of your assets or so each year in exchange for the discipline.

For people who prefer to go it alone, you can simply fine yourself for not meeting savings goals or reallocating your assets regularly. A site called [stickk.com](#) lets you state your intent, identify a referee who can verify whether you hit your mark and pay penalties if you don’t succeed. The fine can go to an anticharity if you wish, say the Clinton Presidential Library for those who find the man distasteful, or the athletic fund of your alma mater’s archrival.

I registered this week and put up \$500. The goal? Goad myself into doing something I have long thought about but never managed to do: form a money club of my own by the end of the year.

-

In last week’s column, I compared the 10-year performance of \$100,000 in a typical index annuity with the return of a Standard & Poor’s 500-stock index fund. The final balance of \$81,890 did not include reinvested dividends. According to Vanguard, if you had reinvested the dividends in its fund, you would have ended up with \$95,870, still nowhere near the \$176,478 that the annuity would have delivered.

What keeps you from talking about money with others? Write to rlieber@nytimes.com.