

green living



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INVESTING FOR GOOD

How to Align Money With Values

by April Thompson

How we spend our money is important, but how and where we save it matters just as much. Today's financial marketplace offers diverse options for values-based investing and banking, regardless of interests or assets.

Sustainable, responsible and impact investing is rapidly expanding. Professionally managed assets in the U.S. using socially responsible investment (SRI) strategies grew from \$8.7 trillion to \$12 trillion in the last two years, according to a 2018 report by the Forum for Sustainable and Responsible Investment. This represents 26 percent—about one in four dollars—of all U.S. assets under professional management.

The Big Bank Break-Up

While large numbers of investors are moving their money responsibly, changing bank accounts can still feel difficult to many people, says Fran Teplitz, executive co-director of the Washington, D.C., nonprofit Green America, which works to promote a more sustainable economy.

To make the sometimes intimidating bank-changing process a little easier, Green America's Get a Better Bank campaign at GreenAmerica.org/GetABetterBank breaks it

down into bite-sized steps. "Educate yourself on the issues with the conventional banking industry, from Wall Street speculation to predatory lending practices," says Teplitz.

People don't need to sacrifice banking needs for their values. Reflect upon what's important in a financial institution, and then shop around for the right fit. Credit unions and community development banks that lend in local and underserved communities are often great choices, says Teplitz. Green America's Get a Better Bank database is a great starting point for responsible banking options.

Investing for the Future

For longer-term investing, there are more vehicles available to responsibly assist investors toward their financial and social goals. While responsible investing once meant simply screening out "sin stocks," like tobacco, guns and gambling, which were available only to investors able to make a large minimum deposit, today there are values-based funds to suit every cause and income level.

"Socially responsible investing has come a long way since it got off the ground in this country during the apartheid divestiture movement in the 1980s," says Gary

Matthews, an investment advisor and CEO of SRI Investing LLC, headquartered in New York City.

Countering some investor concerns about underperforming SRI funds, there is a growing body of evidence to show that money that does good can also do well. The firm Nuveen TIAA Investments assessed the leading SRI equity indexes over the long term and “found no statistical difference in returns compared to broad market benchmarks,” nor any additional risks, according to a 2017 report *Responsible Investing: Delivering Competitive Performance*.

SRI Approaches and Outcomes

Fossil fuel-free portfolios are trending, Matthews notes—which Green America encourages. While acknowledging the ever-fluctuating price of oil, Matthews says he’s seen diversified portfolios that eliminate oil, coal and natural gas do better at times than those that include them.

A subset of SRI investments, Environmental, Social and Governance (ESG) investing focuses less on what sector a company is in than on how they conduct their business. The way companies treat their employees and respond to climate change are factors that may have a positive influence on financial performance.

Robo-advisors, a recent arrival in the SRI sector, are online investment services that automate money management. Robo-advisor companies make it easier for people to invest and leverage technology to keep fees down, although they usually do not offer in-depth impact research on the companies within the financial products they offer, according to Amberjae Freeman, of the portfolio management team for Swell Investing LLC, an impact investment company in Santa Monica, California.

Swell evaluates thousands of companies to build diversified portfolios of businesses aligned with at least one of the 17 United Nations Sustainable Development Goals. Like most SRI firms, Swell offers retirement IRAs (individual retirement accounts), as well as more liquid brokerage accounts, with a minimum initial deposit of \$50.

While the array of investment options can be daunting, investors should aim for progress, rather than perfection, in their portfolios. As the money and impact in a portfolio grows, so does an investor’s confidence and knowledge.

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A WORD TO THE MONEY-WISE

■ Verify that a bank is insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), where accounts are insured up to \$250,000 per depositor.

■ Responsible investors can also influence banking practices in their workplaces, religious institutions or professional associations by educating account managers about the issues. Green America has a free booklet for 401k benefits managers at GreenAmerica.org/finance.

■ There are as many names for socially responsible investing (SRI) as there are approaches to it including community, ethical, green, impact, mission-related, responsible, sustainable and values-based investing. What an institution or a fund does and how they do it is more important than how it’s labeled.

■ The mainstreaming of SRI, while positive overall as impact investing is getting the attention of larger firms, has led to some “greenwashing”, where portfolios are being touted as socially responsible without much depth to their criteria, cautions investment advisor Gary Matthews, of SRI Investing LLC, in New York City. Fund sustainability rankings like the Morningstar Sustainability Rating can help take out the guesswork, although it pays to ask hard questions and look at a fund’s individual holdings.

■ Returns, whether social, environmental or financial, aren’t everything. “When it comes to investing, it’s important to get clear about specific goals, whether it’s planning for a home purchase or paying off student loans, understand the potential risks and returns, and set up an appropriate time horizon,” says Amberjae Freeman, of the portfolio management team for Swell Investing LLC, a Santa Monica-based impact investment firm.