

Socially Responsible Investing For The Future

Making The World A Better Place

By Terrah Baker

There comes a time in most Americans' lives when they need to think about investing. When the time came for me — maybe a little later than it should have — I was not only at odds with my conscious and the companies I would be investing in, but with my future, because without financial planning, who knows where my aged-self could end up.

Despite a local financial advisor ensuring me socially responsible investing was not a viable investment option, it turns out many people feel the same way I do, and there's a whole industry to address their needs. TFW talked with **Socially Responsible Investing (SRI) financial advisor Jeremy Pearce**, who let us in on a whole new way to look at the future of finances.

ENTERING THE FIELD OF SRI

Jeremy Pearce of Financial West Group said when he first entered the financial industry he was made to feel naive by colleagues for his interest in SRI. In a conference room one day at lunch, he said to another advisor "I wonder why green investing doesn't take off."

"You could almost see them roll their eyes. 'Who let the hippie in,' is pretty much the look they gave me," he said.

After some experience in Washington DC, he saw that SRI was not only a possibility, but a viable option. At a time when mainstream investors saw it as full of "Birkenstocks and granola," he was jumping head first into a field he saw as the future of investing. Because, Pearce explained, SRI doesn't just look at who's making the most money at that time, but rather, who is looking out for their long-term sustainability in a world that's constantly moving towards better business, social and environmental practices.

"It's a specialization within the world of financial services. At the end of the day we're still responsible for providing honest, responsible, unbiased advice, and that advice has to be made as a fiduciary — someone who is responsible for the financial oversight of someone's money."

WHAT MAKES SRI DIFFERENT

But SRI takes investing a step further. Pearce and his colleagues become specialized in the added layer of oversight which looks at companies through a lens of risk management and world stewardship. Companies that are regularly screened out of Pearce's clients' investment portfolios are ones that run risky operations, with possibly unsafe work environments, or produce unsafe or harmful products. The SRI industry works on

THE FREE WEEKLY 3.27.2014

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the notion that over time, narrowing out those kinds of investments is a financially responsible, as well as socially conscious, decision.

SRI most importantly allows investors to have a more personalized portfolio, one that reflects their moral character and world concerns. Pearce and colleagues takes social and behavioral information from potential investment options, and analyze it right alongside the financial information.

“On paper you might find Company X pays a great dividend, the price of its stock has gone up over the last 10 years. Then you add an additional layer of ‘Is this company good to its employees? Does it create safe products? Does it operate safe work environments? What’s its relationship like with its community stakeholders?’ From our perspective, or anyone in financial services, we would rather have more information than less,” Pearce explained.

SRI INVESTORS

Unfortunately for many in the country, SRI is not an easy access option, as local banks and financial advisors spread myths and rhetoric about the failings of SRI investments, and the industry stays at arm's reach from the general public. Slowly, though, the SRI industry is growing, and SRI investors are coming out as top in their fields.

“One of my colleagues likes to say when a mainstream advisor can’t provide a competitive return using socially responsible investments, they’re right, they can’t, because they don’t know what questions to ask the client, they don’t know what information to really consider, and ultimately its more work,” Pearce explained.

However, the numbers are reflecting the extra work SRI investors must complete. In fact, in 2013, it was reported that California Public Employees’ Retirement System and other “big money” investors were adding an environmental, social and governance filter to their own portfolios.

“When you do more work you uncover better information and information that can also make the world a better place. Some people just don’t know how to ask someone about diverse boards, about pollution, about products that are potentially harmful. It’s a different language,” Pearce explained.

HOW SRI IS MAINSTREAM

Like mainstream investment options, SRI portfolios must be diverse, including asset allocation, and a mixing of stocks, bonds and commodities and other asset classes. Because the industry is growing so rapidly, Pearce and colleagues are getting better research, more scrutiny and more investment options.

The idea that SRI portfolios can’t match their mainstream

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competitors is false, Pearce explained. Evidence suggests that portfolios that implement socially responsible strategies perform just as well if not better than their mainstream equivalent.

“Those companies that have done the math that sustainability is a profitable endeavor are seeing that cost savings show up in their bottom line and that makes for a better stock price,” Pearce explained.

INVESTING FOR THE MASSES

Another myth about SRI is that it’s not for the general public. While SRI options aren’t readily available or even heard of in Northwest Arkansas, Pearce assured us that SRI is for everyone.

“You do not have to be a high net worth individual or some Hollywood do-gooder to be a socially responsible investor. There are mutual funds that an average, normal human being can buy into for as little as a \$100 a month,” he said.

Yet, the conversations an SRI investor must have are barely able to be had in NWA and where Pearce grew up in North Eastern Oklahoma. Still, he said, he knows there are a countless number of people in Fayetteville and beyond that would be willing to talk with an SRI investor.

Like with any investment portfolio, investors want to do their homework. What is your risk tolerance, your financial objectives, time horizon, and — the fun part — what are the ethical issues you’re most concerned about? Categories like women’s issues, political contributions, health care, are all possible routes Pearce and colleagues explore for investors.

Part of Pearce’s job, and the part he finds most rewarding, is education based. Through panels, open discussions and events he talks with every-day people about financial well-being and specifically SRI. He said, many people in his industry don’t want to talk to people who don’t already have lots of money. To him, those are the people who need the help of a financial advisor the most.

“I enjoy sitting on panels, talking to the public, educating people a little bit so that they will either go and do something themselves or call me or call a colleague or even a competitor. I think what’s great about our industry is we are sort of intended to be ‘of the people, for the people, by the people,’ and when you work to actively include those people, then I think you’re fulfilling a part of the mission of socially responsible investments in general,” he said.

START INVESTING

For anyone interested in learning how they can start their own SRI portfolio, we’ve provided a list of resources currently available, or contact Pearce at jpearce@fwg.com.

1. Social Investment Forum, www.ussif.org, a better trade association.
2. Green America and their Green Business Pages, www.greenpages.org, a great starting point for socially responsible investors.
3. Domini Social Investments, www.domini.com, has been one of the standards in socially responsible investments.

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4. Portfolio 21, www.portfolio21.com, has some very strict environmental screens in place.

5. Specialty funds are out there that focus on specific issues such as women, water, and workplace funds; these can be found through Calvert Investments, Pax World Investments and Parnassus Investments.

Happy investing!

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