Socially Responsible Investing

GENERATING SOCIAL, ENVIRONMENTAL, AND FINANCIAL RETURNS

In April 2019, the investment research firm, Morningstar, reported that 72% of the U.S. population is interested in socially responsible investing. Their findings reflect a growing desire among investors to align their assets with causes they care about.

As a practice, it goes by many names: Impact Investing, Mission-Related Investing, Conscious Capitalism, and Socially Responsible Investing (SRI). But whatever the label, the common thread is intent. Specifically, to generate financial returns while simultaneously supporting social or environmental goals.

How it Works

The starting point for SRI investing is always a discovery process that helps people figure out what is most important to them. Typically, a set of advisors will use environmental, social, and governance criteria as a way to evaluate the performance of companies or funds. From there, they can build the appropriate investment portfolio that aligns with their client's beliefs.

Another aspect of SRI is known as screening, which can be positive or negative. A positive screen helps investors narrow their choices to the point where they can consider very specific companies that support specific goals – e.g., renewable energy and clean technology start-ups located in Upstate New York. By comparison, negative screens disqualify certain categories of investment, such as fossil fuels, weapons, or tobacco.

Considerations For A Values-based Portfolio

1

ENVIRONMENTAL

Climate change
Air & water pollution
Energy efficiency
Waste management
Water scarcity
Biodiversity

2

SOCIAL

Diversity policies
Human rights
Labor standards
Employee engagement
Customer satisfaction
Community relations

3

GOVERNANCE

Board compensation
Executive compensation
Audit committee structure
corruption policies
Lobbying activities
Political contributions

A Growing Movement

The Forum for Sustainable and Responsible Investment (www.ussif.org) reports that SRI assets now total $12 trillion – an increase of 38% from 2016. To put that in perspective, SRI strategies now apply to one quarter (26%) of the total US assets under professional management.

Rochester mirrors national trends in terms of the general public's interest in SRI. In my own practice, I have witnessed a steady rise in inquiries over the past five years. Notably, it is not limited to a particular age group or demographic. It is a true grassroots movement.

I like to think that someday SRI will become so commonplace that we will just call it investing. But the main takeaway for SRI investors' is a deeper satisfaction with the way their money is being put to work.

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Zach Armstrong specializes in helping clients incorporate socially responsible investing strategies into their financial plans. His practice also includes investment analysis, estate and tax planning, and retirement planning.

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