



Business For Good San Diego

An Easy Guide to Socially Responsible Investing

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We've all become increasingly aware of how our money is being invested. Whether it's regarding a large stock portfolio or a traditional retirement fund, people want to align their money with their values. The problem is, many of us don't know where or how to begin. This guide gives you clear, easy steps on how to get started with Socially Responsible Investing right now.

Socially Responsible Investing (SRI) is also known as Sustainable & Responsible Impact Investing, and Sustainable & Environmental, Social, Governance (ESG) Investing. But for purposes of ease and consistency in this guide, we're using the term SRI.

SRI is an investment strategy that aligns your personal values with your investments, all while making a positive social and environmental impact. This can be done in your own personal investment accounts like your IRA, 401(k), or 403(b) funds. But it can also be done for the investment funds of businesses, non-profits, and foundations to match and support their purpose-driven missions.

There are two ways to build an SRI portfolio, and fortunately, both are relatively easy. The first method is to take an ESG Approach: identify companies that are leaders in supporting human rights and environmental conservation, and invest in them right from the start.



“If you’re unsure about a company’s or mutual fund’s holding or position on an ESG issue, don’t be afraid to reach out and ask them. You are entitled to know how it contributes to their sustainability goals.”

The second way is to divest. Divestment moves money out of any current investments you have that don’t line up with your core values—like fossil fuels, private prisons, tobacco, etc.—and invests in companies that support environmental awareness, social justice, gender equality, and good corporate governance instead.

But we don’t know what we don’t know. That’s why SRI begins with taking a deep dive into your investment accounts. You’ll want to review all of your current investments to see whether or not they have a “sustainability mandate” in their prospectus. In other words, how sustainable are they in the areas of environmental, social, and governance (ESG)? Was the company or mutual fund originally created with ESG as part of its core guidelines, or did it incorporate these later to jump in on the ESG trend? What actions are they taking, not just to be good, but to be better? Are they transparent and honest about these efforts?

You may find that there are already ESG mutual fund offerings where your current investments are held. If so, it’ll be a pretty straightforward process to incorporate ESG into your investments.

Here are some important ESG factors to consider about each of your investments when doing your research:

 <p>Environmental</p> <hr/> <ul style="list-style-type: none">carbon emissionsenergy efficiencywater scarcitywaste managementpollution mitigation	 <p>Social</p> <hr/> <ul style="list-style-type: none">diversity & workplace policieslabor standardsupply chain managementproduct safetycommunity impact	 <p>Governance</p> <hr/> <ul style="list-style-type: none">board diversityexecutive compensationpolitical contributionsbribery & corruptionaccounting & reporting
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This helps you begin to adopt the principles of responsible investment into your own investment portfolios that you can use going forward:

PRINCIPLE 1
I will incorporate ESG issues into all of my investment analyses and decision-making processes.

PRINCIPLE 2
I will be an active investment owner and incorporate ESG issues into my personal investment policies and practices.

PRINCIPLE 3
I will seek appropriate disclosure on ESG issues from the companies I choose to invest in.

With these principles in mind, you'll be ready to start getting your money into good stuff, starting now.

Four Steps to Align Your Investments With Your Values:

1

Identify your core values and decide what matters most to you in your investing:

CLIMATE ACTIVISM

fossil-fuel free / deforestation / renewables & innovative tech / biodiversity

HUMAN EQUITY

social justice / healthcare / transparent supply chains / affordable housing

CORPORATE GOVERNANCE

compensation / scandals / political contributions

DIVERSITY & INCLUSION

elevating women / c-suite diversity

2

Evaluate your existing portfolio.

You can use [Morningstar](#) to determine which investments have a sustainability mandate as part of their prospectus. You can also check out any mutual fund's sustainability score at [As You Sow](#) or at [Fossil Fuel Free Funds](#).

3

Conduct an in-depth review of a company's or a mutual fund's participation and commitment to the SRI space.

Search their memberships and sponsorships, looking specifically at [The Forum for Sustainable Investment](#) (USSIF)

Was the investment created with ESG guidelines at its core (a sustainability mandate via prospectus), or has it simply been repurposed to catch the 'ESG trend'?

Metrics to include: Authenticity, Transparency, Intention, Impact

If you're unsure about a company's or mutual fund's holding or position on an ESG issue, don't be afraid to reach out and ask them. You are entitled to know how it contributes to their sustainability goals.

4

Review the levels of ESG engagement and advocacy of a company or mutual fund, and decide what action you need to take:

Divestment—You currently hold some investments that don't meet the criteria of your core values, and you need to exclude them from your portfolio entirely.

ESG Approach—Your current investments are mostly aligned with your values, and you want to bolster your entire investment portfolio by applying a sustainability overlay to your entire investment portfolio based on your core values.

Before making any changes to your portfolio, speak with a financial professional to make sure you're aware of the potential tax consequences involved with buying, selling, or transferring your investments.

And if this all seems a little too overwhelming for you to do on your own, never fear! There are many Investment Advisors that specialize in Socially Responsible Investing. Seek them out online, or feel free to reach out to our own Business For Good member, **Marci Bair, CFP® of Bair Financial Planning**, for a personal consultation or a referral.



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Socially Responsible Investing (SRI)/Environmental Social Governance (ESG) Investing has certain risks based on the fact that the criteria excludes securities of certain issuers for non-financial reasons and, therefore, Investors may forgo some market opportunities and the universe of Investments available will be smaller.