

CYRS Wealth Advisors

Why Not Retirement ESG Investing?

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Many people are familiar with Socially Responsible Investing, but haven't heard of ESG Investing. ESG investing seeks positive returns, while also considers and evaluates the long-term impact of business practices, the environment and the performance of the business itself. Socially Responsible Investing has really focused on eliminating companies/sectors that invest in things like alcohol, tobacco, fast food, gambling, pornography, weapons or whatever sector that is not aligned with an investors' belief system. Similarly, ESG Investing (Environmental, Social, and Governance) may allow a person to align their portfolio with their personal values. Socially Responsible Investing simply uses negative screens, but ESG is much broader. ESG investing incorporates a set of standards, which aligns a company's operations with principles such as environmental responsibility, social concerns and corporate governance. Many independent investment research companies, such as Morningstar, have their own proprietary method for scoring investment companies on how well they align with a multitude of factors.

Most interesting perhaps is growth of ESG assets in the U.S., which has grown nearly 477 percent from 2005-2016 going from 1.7 to 8.1 billion (1). Why is ESG Investing generating so much interest? Women and millennials are particularly interested in sustainable investing, and especially affluent investors, as they believe investments "are a way to express social, political and environmental values." (2) Over the next decades, there will be a major transfer of wealth from baby boomers to millennials, which is one of the reasons why there is high level of interest in this way of investing.

In recent years, ESG has played an increasingly meaningful role in investments, moving from strictly exclusionary practices to a great emphasis on positive company selection.

All three parts of ESG-focused investment strategy, Environmental, Social, Governance, can have a decisive effect on a company's ability to be sustainable and profitable over time. For example:

- If a company's practices are ethical and demonstrate genuine concern for the welfare of people and the environment, there is less likelihood of costly government-imposed fines or lawsuits, tarnished reputations or diminished customer loyalty.
- If a company values its employees, it may have greater leadership retention, less overall turnover and increased productivity.
- If business promotes the betterment of communities, it creates a notion that it's worth being supported, patronized, promoted or sought for employment.



- If committed to best practices for pay equity, senior management diversity, accountability and shareholder awareness, among other qualities, the company benefits from shareholder satisfaction and better public perception and support for how it does business.

ESG Investing is a somewhat newer concept to the retail investor. As social awareness has become more prevalent in the United States, it appears to have become especially important to women as well as men to align their investments with their personal values. Institutional investors have embraced this type of investing, especially in Europe. Certainly, one of the main objectives with ESG Investing is aligning your investments with your values, but it also attempts to avoid companies that present unnecessary risks to the investors. According to David Cyrs CERTIFIED FINANCIAL PLANNER™ and Certified Retirement Counselor®, "core to our primary mission at CYRS Wealth Advisors is to represent clients' interest and improve the outcome and experience for client investors, and ESG is simply a part of this." Frankly, in a world of increasing information and greater education, it is only natural to see this trend to ESG. ■

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• Source (1): MSCI. US SIF Foundation, November 2016.

• Source (2): 2014 U.S. Trust Insights on Wealth and Worth Survey®



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