

## *Financially Speaking*

With Trisha Arndt

### Investments That Can Make You Feel Good

I recently met with a new employee of a local firm to discuss the company's retirement plan and assist her in the enrollment process.

I explained the plan's features to her and excitedly detailed the generous matching contributions the company provides. She nodded politely and then told me that she was not going to participate, even if it meant giving up additional money from her employer. Why would someone essentially turn down an important piece of his or her compensation package? I knew from our discussions that it was not because she couldn't afford to contribute. She made a comfortable income and had already told me that this job gave her a substantial raise.

She explained that she was an active member of an animal rights organization and had strong feelings about not supporting companies that used animal testing, etc. She had never participated in a retirement plan because the investment choices she had been given were mutual funds that can own stocks and bonds of hundreds of companies – some of which she was afraid would offend her.

Did I ever have good news for her.

Because of the flexible way that her company plan is structured, she would not be limited to a handful of investment options but instead could self-direct her investments. I was able to introduce her to a type of investing she didn't know existed – one that she was very excited to participate in – Socially Responsible Investing (SRI).

The cornerstone of SRI is social screening – the inclusion or exclusion of corporate securities in investment portfolios based on social or environmental criteria. In practice, it means that in order for a corporate security to be included, it must not only be considered a wise financial investment but pass a set of social criteria.

The concept was born of the “avoidance investing” of the 1920s, when individuals shunned the so-called “sin stocks” of the Prohibition Era – shares of companies connected with alcohol, tobacco or gambling. Almost a half-century after the idea of avoidance investing originated, the first modern socially responsible investment vehicle emerged.

Though they have been around for some time, SRI vehicles spent many years being discounted in the marketplace for giving up performance in order to satisfy morals. The great debate that morals and money do not mix still rages, but academics studying the topic have yet to find a clear-cut relationship – positive or negative – that links social criteria and stock performance.

Today there are many SRI vehicles available, each offering its own unique set of social criteria. Potential screens range from standard tobacco, alcohol, gambling and pornography screens to animal testing and cruelty-free issues, international citizenship, pollution and women's equality.

Some SRI firms pledge to donate a certain percentage of their profits each year to charitable organizations benefiting the social issues their vehicle screens for. *One firm that I work with regularly, Calvert, donates to a wide variety of causes through its Calvert Foundation. As an example, the Calvert Foundation helps support Madison,*

*Wisconsin based “Forward Community Investments” a group that works to provide low interest loans to local nonprofit organizations that work with low and moderate wealth neighborhoods in Dane County and throughout Wisconsin.*

More and more investment firms have a socially responsible offering as part of their investment lineup, and a few have made names for themselves by specializing in SRI. Investing with a social conscience today doesn't have to mean mediocre returns.

Unfortunately, not all retirement plans offer the flexibility to invest outside of a list of options. SRI vehicles can be used in investments that you do outside of work, however, including Traditional and Roth IRAs and individual accounts.

There are several Web sites dedicated to SRI (I think [www.socialfunds.com](http://www.socialfunds.com) is one of the best). Feel free to e-mail me if you want more information.

If you have a question that you would like answered or a suggestion for a topic that you would like to see in a future issue, e-mail [trisha@wealthstrategies.biz](mailto:trisha@wealthstrategies.biz).

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