Tips for Becoming a Socially Responsible Investor from NAPFA Financial Advisors

Impact investing is growing rapidly, but still not well understood by all consumers

CHICAGO, May 1, 2018 — When it comes to investing, a growing share of Americans think strong financial returns are not enough. They want to make a social impact, too.

According to US SIF, sustainable, responsible and impact investing grew by more than a third from 2014 to 2016. The sector accounted for $8.72 trillion in investments in 2016—roughly one out of every five dollars under professional management in the U.S.

Despite its growing popularity, especially among millennials, impact investing is still plagued by certain myths and not well understood by all consumers. As Morgan Stanley's Institute for Sustainable Investing has found, more than half of investors believe sustainable investments require a financial trade-off, despite a large body of research that suggests this is not the case.

"Impact investing is a great way to contribute to meeting your long-term financial goals and support your personal values at the same time," says Geoffrey Brown, CEO of the National Association of Personal Financial Advisors (NAPFA). "With a wide range of investment options and ever-changing definitions of industry terms, this space can be confusing for consumers. These tips from NAPFA advisors offer guidance for anyone interested in becoming a socially responsible investor."

You can also find the following tips in the form of an infographic on NAPFA's website.

Tip #1: Understand your options

Socially responsible investing (SRI) can be as simple as opening a bank account with a community development financial institution (CDFI), which lends money in communities that do not have access to traditional forms of financing. But there are also exchange-traded funds (ETFs), mutual funds, loan funds and private investments that meet SRI criteria. Through NAPFA's Find an Advisor Search Engine, you can find a financial advisor to help you learn about the different options before diving in.

Tip #2: Determine which issues matter to you

Are you more interested in protecting the environment or promoting workplace diversity? Do you want to make a difference in your community or at the national level? Figure out what's most important to you and work with a financial advisor to find socially responsible investments that align with your values.

Tip #3: Decide how you want to drive change

Not all socially responsible investments have the same impact. One mutual fund may screen only for environmental factors, but do so across entire industries. Another mutual fund may file shareholder resolutions to bring about change on environmental, social and corporate governance (ESG) issues, but only at a few companies at a time. Make sure your impact investments deliver the type of change you're hoping to see.

Tip #4: Measure performance

As with any investment, you should measure the performance of your portfolio when you engage in impact investing. With mutual funds and ETFs, you might compare the return you are getting with the return on an index that tracks a representative sample of socially responsible companies, such as the MSCI ESG Indexes or Calvert US Large Cap Growth Responsible Index.

Tip #5: Develop an approach that works for you

Your first responsibility is your own financial well-being. Impact investing provides strong returns, but sometimes it's best to sell a particular investment if it's not meeting your expectations. Speak to a professional advisor to chart a course that helps you meet your long-term financial and social objectives.

Note to media:

The following NAPFA advisors are available for interviews. Please contact Jacqueline O'Reilly (oreillyj@napfa.org):

- **Jennifer Lazarus, CFP®:** Lazarus Financial Planning, LLC
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