

## Go Green, But with Care

If you made a mental note during April's shower of green-themed magazines, TV shows, and celebrations to cast an environmentally sensitive eye over your portfolio, following through would make you part of a rapidly rising tide. Between 2005 and 2007, socially responsible investing, or SRI, assets grew more than 18% to \$2.71 trillion. About 11% of assets under professional management in the United States are now involved in SRI.<sup>1</sup>

Regardless of your stance on whether the earth needs man's help, socially responsible investing has become a force to be reckoned with. The financial world appears to have a quickly spreading appetite for all things earth-friendly.

### Screen for Green

Generally, there are three ways to get involved in SRI, which includes, but is not limited to, environmentally conscious purposes.

Investment screening involves sifting for companies or investment opportunities that align with your values. Positive screening is searching for ventures that are active in creating solutions or products considered better or safer for the environment, communities, or individuals. Negative screening is excluding ventures involved in practices or products that are contrary to your values.

Through community investing, it's possible to loan money to disadvantaged individuals, groups, or communities, both locally and internationally, to help them establish businesses, get an education, or make other advancements that would otherwise be out of reach without investor capital.

Shareholder activism enables investors to leverage their ownership or join with other investors to affect management behavior.

### Don't Forget to Be Portfolio-Friendly

Like the rush for gold, the Green Rush is going to see some folks strike and some strike out. Socially responsible investing can be a smart move as long as you don't let your environmental sensitivity cause you to do something portfolio-insensitive. As you consider socially responsible options, it's critical to base your decisions on how they will influence your overall financial situation. Here are some questions to consider as you evaluate an SRI opportunity.

Does it fit with your investment goals? It's critical to define your objectives before you set out. Are you investing for retirement, college tuition, or other long-term objectives? Or are you more interested in what your investment will accomplish for society?

Does it fit with your risk tolerance? Understanding your personal risk tolerance, which is based on a combination of factors including your age, your comfort with risk, and your investing objectives, is a critical first step. If you find an SRI opportunity that appeals to your values but is too risky, or not risky enough, for your situation, the result could be missed goals, opportunity costs, or a disappointing return that could affect your future spending power and possibly your ability to make future values-based investments.

How will it affect your asset allocation? It's important not to be too aggressive in reallocating your portfolio to include socially responsible investments. Just because an investment appeals to your values, or seems to offer a chance to really make a difference, doesn't mean it is appropriate for you.

If you are interested in SRI, we can help you consider your options. By making informed decisions, you may be able to invest according to your values without compromising progress toward your financial goals.

