

▶ Weekly **Feature**

Do well in the market while doing good in the world



By [Howard Baron](#), The Baron Companies
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Many investors are beginning to put their money where their values lie, which explains why socially responsible investing has grown into a giant investment strategy with significant political and economic clout. Howard Baron, founder of the Baron Companies, reveals the latest facts, figures and trends in socially responsible investing and how investors can invest properly in the sector.

Not so long ago, the phrase “socially responsible investing” or SRI, might have brought to mind a few environmentalists keeping their investment dollars out of companies they believed to be damaging the Earth. The times have certainly changed. Now SRI has grown into a giant investment strategy with significant political and economic clout.

Between 1995 and 2007, SRI assets rose more than 324 percent to \$2.71 trillion out of the total \$25.1 trillion invested in the U.S. marketplace, according to the 2007 Report on Socially Responsible Investing in the United States. As the socially responsible investing sector has expanded, the definition of a socially responsible investment has also expanded. Where once the phrase was narrowly defined, today it encompasses any investment strategy targeted at aligning an individual’s portfolio with their personal convictions. About 11 percent of assets managed by professionals in the U.S. are now invested in companies that have been analyzed using social criteria into one or more of the three primary socially responsible investment strategies: screening, shareholder advocacy and community investing.

Screening – the practice of choosing or excluding investments from a portfolio based on the investor’s personal criteria – may be the most commonly known. Individuals may choose to invest, for example, only in companies’ “green” credentials. Or, they may choose not to invest in companies that conflict with their personal beliefs.

Shareholder advocacy uses the voting rights associated with stock ownership to promote change within the company. Anti-apartheid organizations used this strategy to get companies to pull out of South Africa in the early 1980s.

Community investing directs capital from investors to communities that lack traditional financial services such as credit, equity, capital and basic banking products – services that a community needs to grow and thrive.

According to the Moskowitz Research Program at the University of California Berkeley’s Haas School of Business, more than 20 quantitative and peer-reviewed studies demonstrate that SRI mutual funds perform comparably with non-SRI funds. However, financial professionals who specialize in socially responsible investing point out that excluding certain companies – or in some cases, certain sectors – from an investment plan can result in potential financial consequences. Performance, benchmarking, implementation and diversification issues may make these investments more difficult to evaluate. In some cases, that may mean

an investor has to choose between his beliefs and his bottom line.

If you do choose to factor your personal definition of social responsibility into your financial plan, keep that trade-off in mind. Trying to compare your SRI-screened portfolio's performance to general indexes like the Dow and S&P 500 may not be accurate comparisons. The Domini 400 Social Index, run by KLD Research & Analytics, Inc., attempts to provide a SRI-related benchmark but again, index results may not adequately reflect the result of including or excluding specific investments.

To illustrate some of the stocks and mutual funds that I am currently recommending to my clients, I'll mention the following: for stocks I like Bank of America (BAC), Citigroup (C) and Bristol Myers (BMY). For mutual funds, there are several new funds available due to the emphasis on "green" investing. I particularly like: Equity fund (growth) Spectra Green N (SPEGX) and Bonds Pimco Total Return III (PTSAX). I want to make it clear that these illustrations are not buy/sell/hold recommendations, nor is it meant to be specific advice. Rather I'm simply trying to illustrate the kinds of stocks and funds that may interest a SRI investor. And yes, in the spirit of full disclosure, my SRI clients are invested in the stocks I've mentioned; although my clients tend to be more interested in individual stocks rather than mutual funds.

If aligning your investments towards companies who take environmental stewardship seriously is important to you, working with an investment advisor who shares your concerns and runs his or her business as a "green" enterprise probably is too. You can complete the circle. I run my business that way. Paperless bookkeeping, tax preparation and financial planning are the environmentally responsible way to go. I also utilize other assorted "green" and digital technologies to benefit my clients in an earth-friendly way. My clients enjoy the time, environmental and fuel savings attained by utilizing virtual financial service operations. It's a great model for any service business.

<http://www.investorsalley.com/mc08/09-15/feature.html>

Howard Baron, founder of the Baron Companies, is a CPA and holds both BBA and JD degrees. He has over 30 years experience working with clients to provide accounting services, tax-advantaged investment strategies and financial planning solutions that meet immediate needs and move them closer to their long-term goals.

The Baron Companies are comprised of: Baron & Company, P.C. (CPA firm), Baron Financial Services, Inc. (investment management and financial planning) and Baron Payroll Services, Inc. Together they form a full-service financial services entity with a focus on providing independent advice and premium service to clients in the areas of taxes, investment, financial planning, accounting, payroll and legal services. Based in Kennesaw, Georgia and with satellite offices in Atlanta and Roswell, Baron Companies serve businesses, successful professionals and high-net worth clientele.

The firm offers a variety of free decision-making tools and worksheets related to financial and tax planning matters at www.BaronCompanies.net.