

money matters

Socially-responsible investing

by J. Lynn Davidson
Special to Q-Notes

It's not unusual for a gay or lesbian investor to wonder whether hard-earned dollars are being invested in companies that support or oppose the struggle for equal rights. The issue hits home when a prominent national firm in which they invest makes news by doing something either helpful (e.g. granting domestic partner benefits) or harmful (e.g. firing a gay employee) to the cause. In the broader scheme, this issue is referred to as socially-responsible investing, and it's something most lesbians and gay men think about during the financial planning process.

What is socially-responsible investing? Broadly speaking, socially-responsible investing requires eliminating from a portfolio the securities of any company whose goods or services are considered harmful to society, whose work practices are unfair to its labor force, or whose

production processes denigrate the environment.

If you think about how to apply these criteria — or "screens" in the parlance of socially-responsible investing — it becomes apparent that the concept actually may mean different things to different investors. For some, avoiding investments in companies that promote nuclear technologies or genetic engineering may

be of paramount concern; for others, it may be avoiding investments that further society's dependence on chemicals such as tobacco or alcohol. Within the lesbian and gay community, the issue tends to center on a company's treatment of its gay employees and customers. For some people, satisfying the broadest possible array of social screens is required.

Most investors tend to fall into one of three categories when it comes to socially-responsible investing.

It is a prime factor in investment decisions. For a small minority, it is simply unconscionable — and therefore not possible — to invest money in an enterprise that isn't socially-responsible.

The issue is irrelevant. For a slightly larger group, investments are for making money, no more and no less.

The muddled middle is a large group of investors who don't quite understand the concept of socially-responsible investing or how difficult it can be to apply. They do know that they want to do the right thing and meet their financial planning goals.

Socially-responsible investing requires eliminating the securities of any company whose goods or services are considered harmful to society, whose work practices are unfair to its labor force, or whose production processes denigrate the environment.

The basic rules still apply. For the majority of investors, including the majority of lesbian and gay investors, the challenge of socially-responsible investing is to find a happy medium. This isn't always as easy as it sounds, though; especially if you invest through mutual funds. It's hard to monitor the social responsibility of the companies you invest in. There are a few things you can do, though, to reach that middle ground.

Keep your perspective — remember that the basic rules of investment planning don't change when you decide to add some socially-respon-

sible screens to the process. Investment planning is still a process; it is intended to help you reach quantifiable financial goals in specific timeframes with your given level of risk tolerance. That sentence is loaded with important words; it's worth reading again. Social screening should not change the way you approach the investment process. Remember, too, that even with socially-responsible investments,

you're not a market-time, you're in this for the long-haul, until you reach your financial goals. There can be no room for hot tips or quick in-and-outs in your investing strategy.

Don't let the social tail wag the investment dog. You're investments need to be sound first and socially-responsible second. If an investment wouldn't make it into your portfolio without its socially-responsible pedigree, it has no business being in there just because it meets your social screens. Said another way, one good approach to socially-responsible investing is, where possible, use it to choose among otherwise acceptable investment alternatives, but make sure it meets your investment criteria before you buy.

Get advice. Even in the information age, it can be hard to keep track of how companies perform on social issues. In the case of gay rights, national organizations sometimes track the actions of large companies. A handful of investment advisors in a few large cities manage portfolios that concentrate on social screens; occasionally, community newspapers report information from them. There are a number of mutual fund companies that use social screens to make their investment decisions and at least one of the screens specifically focuses on gay issues. Again, though, be certain that such an investment meets your broader financial goals before deciding whether it belongs in your portfolio. And, most important of all, talk to your financial advisor to help you decide the place for socially-responsible investing in your plan. ▼

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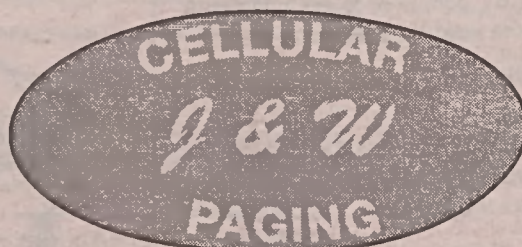
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