

## Intentional Economics Resource Sheet: Investing With Intention

This guide is meant to provide pathways to ensure your investments resonate with your intention. As with more traditional investing, the resources below carry certain risks for investors and should only be considered after appropriate due diligence.

### Stepping Forward

- Determine what matters to you in your investment (retirement) plan.
  - \* What kind of world do you want to live in?
  - \* What values are important to you?
- Determine how hands on you want to be with your investments.
- Determine your level of aversion to risk.
- Jump in.
  - \* The shallow end: Start with 5-10% of your investment dollars.
  - \* Waist deep: Direct majority or all of your investment funds towards socially responsible funds that fit your intention.
  - \* The deep end: Actively support projects that seek to create the world you want to live in.
  - \* And beyond: Engage others to create new ways of investing. Push for reform of current investment institutions.

### One perspective

Sharia law in Islam prohibits earning interest on money lent to another because it benefits the lender at the expense of the borrower, in direct opposition to the value of fairness. In part, this grows out of a lack of separation between the physical and spiritual worlds in Islam.

How does this notion of fairness resonate with your own thoughts and beliefs? One thing to consider is how much risk you take on. Does that make the amount of interest fair?

Note that an equity stake is permissible under Sharia as it is a mutual share in the risk and reward of a business.

## Pathways

### Invest Locally

Risk Level: Moderate to high

Level of engagement: Ranges, from low to high, depending on the type of investment.

There is a growing interest in local development and for good reason. The more connected a business is to local people and place the more likely that business will act in ways that coincide with a community's values. Local businesses donate more to local charities, are more involved in local communities and tend to treat employees better. Local businesses also create roughly 50% of all jobs. Unfortunately, according to economist Michael Shuman (Local Dollars, Local Sense, 2012) not even 1% of our long term investments in stocks, bonds, mutual funds target local business.

The challenge to investing locally is finding opportunities. Here are a few

resources:

**Local Banks and Credit Unions:** Small community banks lend more money to local businesses than national banks. Both local banks and credit unions are directed by local residents. Moving your savings to these institutions help increase access to capital for small businesses. Another benefit is that local banks often have lower or no fees for many of their checking account products.

**Direct Public Offering (DPO)** – A legal way for businesses to seek investment from the public. Oakland based, Cutting EdgeX is a great place to learn about, and invest in, local DPOs. [www.cuttingedge.com](http://www.cuttingedge.com)

**Crowdfunding:** Though you don't typically get a financial return, crowdfunding can be a great way to support local businesses. Websites like Kickstarter and Indiegogo let you search for and provide funds to local businesses and in return receive a gift of comparable value. For example, a local artist might give a piece of artwork for a \$100 "investment."

**Community loan fund:** Either through a group of friends or a local non-profit, community loan funds invest in local businesses, usually aligned to specific interests of the lenders. Northern California Community Loan Fund is one such organization.

## **Socially Responsible Investment (SRI) Funds**

Risk Level: Low to medium

Level of engagement: After initial setup, can be extremely minimal

There are mutual funds, and now ETFs, that follow socially responsible investing principles. It is possible to find a fund that invests according to your values be they social, environmental or other. You can either invest personally or ask your company's 401k plan to participate in a SRI fund. Below are some of the more well-known options:

- Calvert Investments – traditional mutual funds that use values-specific screens to determine investments.
- Parnassus Investments – traditional mutual funds that use values-specific screens to determine investments.
- RSF Social Finance – Explicitly loans money to nonprofits and for-profit social enterprises. The rate of return is similar to a bank CD.
- Kiva.org – The well-known microfinance platform that allows individuals invest in others outside of the U.S. While you do not receive a return on your investment, once borrowers repay you have the option of reinvesting in another project or withdrawing your funds.

## **Divestment (and reinvestment)**

Risk Level: N/A – does not directly impact personal investments

Level of engagement: High, requires a great deal of organizing and persuasion of institutional leaders.

Institutions (government, churches, universities, pension funds) funds have significant dollars invested in industry. One way we can make sure investments are working alongside our values is to push institutions to divest from specific industries. Currently there are campaigns on college campuses across the U.S. and the UK pushing for divestment from oil companies. This can start with your church or workplace but your local government also has its money parked somewhere. Alternatively, institutions can be pushed to make their investments in more socially responsible ways. Some communities have pushed their local governments to use local financial institutions and divest from the big banks.

## **Move your money (local banks and credit unions)**

Risk Level: Extremely low. Deposits at credit unions (as long as they are NCUA members) and banks alike are insured up to \$250,000 per account.

Level of engagement: After initial setup, minimal.

Using community based banks and credit unions was mentioned above but it is worth repeating. Moving your bank accounts to a local bank or credit union is perhaps the easiest way to invest your money in alignment with your values. Opportunity Finance has a Community Development Financial Institution (CDFI) locator that can help you find a community development bank or credit union near you. (CDFIs have an explicit mandate to invest in local communities). <http://ofn.org/cdfi-locator>