Moving toward Jubilee —Investments and Retirement

Therefore I tell you, do not worry about your life, what you will eat or drink; or about your body, what you will wear. Is not life more important than food, and the body more important than clothes? Look at the birds of the air; they do not sow or reap or store away in barns, and yet your heavenly Father feeds them. Are you not much more valuable than they? Who of you by worrying can add a single hour to his life?

—Matthew 6:25-34

God's vision of abundant living is a world where we live out of a theology of "enough," a theology based in the knowledge that we are grounded in Christ, that our sense of personal value and esteem grows from our Christ-centered life.

—*United Methodist Church*
2000 Book of Resolutions

Introduction—IX

Money and Faith has by now covered a lot of ground. The following essays, as well as the previous piece on tithing, get up close and personal. They ask you to consider what you actually do with your money. If you are fortunate enough to have extra to invest, where is your money and what is it doing? And once you reach retirement age, how much is enough, and by the way, what is retirement for?

Society's messages regarding investments and retirement are pretty clear:

- Invest, invest, invest—make sure you have enough for retirement;
- The purpose of investing is to maximize financial returns;
- The purpose of retirement is to relax, travel and enjoy the fruits of your accumulated investments.

These messages are not wrong, but reflect assumptions and values which periodically need exposure to the light. Are you comfortable with them?

Investing, the Poor and Social Change

by Rev. Andy Loving, CFP®, AIF®

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Financial Stewardship

When Christians discuss financial stewardship, the conversations usually focus on questions of giving. How much should we give and where should we give it? As important as these questions are, they generally address our assets only up to the 10% tithe. What about the other 90%? Does God's claim on all that we are, and all that we have, require that we at least look at how we might put more of our assets to work as instruments of justice in God's world?

If we are fortunate enough to have savings, an IRA or a pension, could those monies actually be invested in vehicles that directly benefit the whole of God's creation? Fortunately, the answer is "yes."

Most of us—as individuals, local churches and church-related institutions—are addicted to our affluence, making it difficult to change the way we think of, and handle, our assets. While dramatic change is possible, it is more likely that we will learn to share with the poor if we do so with small steps. Those manageable steps can, cumulatively, have significant impact on the lives of God's people.

Socially Responsible Investing (SRI)

The SRI movement in the US and Western Europe is barely thirty-five years old. Its roots can be found in opposition to the war in Vietnam and apartheid in South Africa. In that brief time, we have seen the evolution of a myriad of financial institutions and investment options designed to nurture social change. For too long the church has focused on charitable giving as *the* financial stewardship tool. The SRI movement broadens the possible financial stewardship options to include consideration of how we deposit, loan and invest our money. Let's begin with two issues at the heart of alternative thinking about investments.

First, we have to consider not only the financial return on our capital, but what the capital itself is doing. For most of us, our money goes into the system—a bank, a mutual fund, a 401k or a pension account—and we act as if it is going into a black box. We don't really understand or perhaps even care about what goes on inside the box. All we want to know is how much we are putting in, how much risk we are taking, and how much we are going to get out. When our ultimate goal or value is only getting maximum return with minimum risk, we are worshipping the God of Maximum Return.

People of faith need to ask, "Should maximum return be the only factor, or even the primary factor, in investment decisions?" I would suggest that the human and environmental impacts of our investments should be as important as the financial return. We need to look inside the box.

Second, capital deposited in any financial institution grants that institution a measure of power; they are given the right to decide who will use that capital and power. Most financial institutions do not hand over any of that power/capital to the poor or to institutions that serve the poor. Their primary emphasis is on maximizing profit, which typically means the capital flows to the rich, who become richer.

Profit is not evil; it is necessary if capital is to be created for jobs and services. But should profit be the only value or criterion we use in making decisions about investments? Some financial institutions specifically target their capital to poor communities. I believe we must begin to deposit our assets in these new institutions.

Let's take an introductory look at Socially Responsible Investing. Believing that significant social change can result, SRI's goal is to align investors' social, ethical, moral and/or religious values with their investment portfolios and bank accounts. SRI's three characteristics, sometimes referred to as SRI's three-legged stool, include: screened investing, shareholder activism and community investing.

Screened investing is probably the most well-known of SRI's three legs. Many more people and institutions participate in it than in shareholder activism and community investing. Screened investing uses "negative" screens to exclude companies or industries that conflict with our values, and "positive" screens to proactively support companies that help create a more equitable and sustainable world. Traditional "negative" screens include avoiding alcohol, tobacco, military companies, polluters and those employing workers in sweatshops. Many church institutions have avoided investments in alcohol, tobacco and gambling for over a hundred years. Common "positive" screens include companies that hire and promote women and minorities, those with good environmental records and employee relations, and those that offer superior health care and pensions.

Dollar for dollar, screened investing has less social change impact than shareholder activism or community investments, but it is the most common entry point into SRI. Though past performance cannot predict future returns, academic studies (*www.sristudies.org*) have shown that screened investment products can perform just as well as unscreened investments. The process of selecting and implementing screens allows investors to align their investment portfolio with their values. For example, in recent years, hospital foundations have divested from tobacco companies, as the use of tobacco is incompatible with promoting health. Web sites: *www.socialfunds.com*, *www.socialinvest.org*

The second leg of the stool is **shareholder activism**: leveraging ownership in a company to influence its behavior and policy. Shareholders typically work in coalitions to file shareholder resolutions and engage in company dialogue.

The Interfaith Center on Corporate Responsibility (ICCR) has been a leader in this area for more than twenty-five years. ICCR is an association of 275 faith-based institutional investors, including denominations, religious communities, pension funds, foundations, hospital corporations, economic development funds, asset management companies, colleges and unions. ICCR engages in shareholder activism on issues like global warming, international finance and the hiring and promotion of women and minorities. The more people invest with institutions involved in this process, the more power and votes those shareholder activists wield in convincing corporations to change policies. Web sites: *www.iccr.org*, *www.sriadvocacy.org*, *www.coopamerica.org/socialinvesting/shareholderaction/*

Community investing, the last leg of the three-legged stool, holds tremendous promise for social change. Community investing directs investors' capital to poor communities, those underserved by traditional financial services. It provides access to credit, equity, capital and basic banking products previously unavailable to these communities. In the U.S. and around the world, community investing enables local organizations to provide financial services like microcredit to low-income individuals, and to supply capital for small businesses and vital community services, such as child care, affordable housing and healthcare. Dollar for dollar, community investing probably has more positive social change impact than the two other legs of the stool. But far fewer dollars are now placed in community investment vehicles.

Community investment institutions include community development banks, community development credit unions, developers of low-income housing, overseas microfinance institutions and community development loan funds. A recent study showed that such institutions have lower default rates than commercial banks in the United States. Most are less than thirty years old. In the last ten years, many have grown in size and sophistication, making them accessible to many more people. Some are federally insured; some are not. Some offer market-rate returns; others offer below-market returns.

Churches have been some of the biggest investors in community investing institutions. But when comparing the potential amount of both personal and denominational investments with the extent of the need for access to capital, we have barely begun.

As we all know, changing money habits is not easy, but taking that first step is crucial. Here are examples of first steps all of us can take to put our capital in institutions that serve the poor in the United States and around the world. Website: *www.communityinvest.org*

Community Development Financial Institutions (CDFIs)

Many of us have funds sitting in money market, checking and saving accounts in traditional banks. The same could be said of our churches. We have put our "measure of power" in institutions whose first and primary purpose is to maximize profit. We can take back at least a part of that power by depositing our money in Community Development Financial Institutions (CDFIs) whose primary purpose is to loan money to undercapitalized people and the institutions that serve them.

Please keep in mind that the following examples may or may not be appropriate for a particular individual. Listing them below does not constitute an offer to buy or sell these investment options. Before investing in any financial instrument, you should check with a financial advisor who knows your personal financial situation. Also, the financial services industry evolves quickly. While these particular instruments are available as of the publication of this book, these exact products may not be available years later. However, there will no doubt be other community investment options that serve similar purposes. A financial advisor knowledgeable in community investments can direct a reader to specific products available at that time. (*With all investments, past performance is not indicative of future results.)*

Domini Social Money Market

The Domini Social Money Market is an FDIC-insured money market account (minimum deposit of $1,000) that pays market-rate returns and offers electronic transfer and checking services. It is managed by Shorebank, the largest community development bank in the U.S. The bank has been an integral part of reinvigorating the south side of Chicago, making loans in neighborhoods largely ignored by traditional banks. Shorebank created jobs by hiring neighborhood contractors to renovate the housing stock in threatened neighborhoods. Shorebank now works in Detroit and Cleveland as well. A Domini Money Market account is a tangible, direct way to make money available to undercapitalized neighborhoods in three Midwest cities. Visit *www.domini.com*

Shorebank Direct High-Yield Savings Account

The Shorebank Direct High-Yield Savings Account is a great option for people comfortable with internet banking. Shorebank requires no minimum balance and pays competitive savings rates. All deposits up to $100,000 are federally insured. This account is available to individuals, but not to churches or other institutions at this time. Visit *www.sbk.com*

Self-Help Credit Union

Self-Help Credit Union in Durham, NC is one of the largest community development credit unions in the U.S. Self-Help loans to organizations and individuals unable to secure loans at mainline commercial banks. Self-Help has been a leader in the fight against predatory lending and in the development of affordable housing. They have CDs and money market accounts that are federally insured and feature competitive interest rates. Visit *www.self-help.org*

There are many CDFIs. Find them in your area at *www.cdfi.org* or *www.communityinvest.org* If you do not find any in your area, consider using one of those listed here and bank by mail or on the internet. The above institutions' deposits are federally insured. Their rates are usually competitive with mainline banks.

Oikocredit

Oikocredit is an international, ecumenical loan fund with about $360 million in assets. "Oiko" comes from the Greek root meaning "fellowship" or "community" so Oikocredit means "credit for the fellowship or community." Oikocredit loans to co-ops and indigenous microfinance groups in over sixty countries in Latin America, Africa and Asia. Microfinance loans are sometimes as little as $100—a small amount, but enough to change lives.

Oikocredit functions as a kind of grassroots, poor people's development bank.

Over 80% of the deposits in Oikocredit come from local churches and individuals. The rest comes from over 500 national and regional church bodies. Oikocredit, based in the Netherlands, is widely ecumenical with involvement from Catholic, Protestant, Orthodox and evangelical bodies. An individual or church can start an account with as little as $1,000. Investors choose their own interest rate, between 0% and 2%. Oikocredit then uses the capital to invest via loans in low-income communities around the world. Oikocredit has made loans for more than thirty years and has never lost a dime of investor money. However, loans made through Oikocredit are not guaranteed. Visit *www.oikocredit.org*

Calvert Foundation

Calvert Foundation is a 501(c)(3) charitable foundation that makes below-market loans to more than 240 non-profits and social enterprises. The fiscally conservative organization was created in 1995 by the for-profit Calvert mutual fund family as a separate, but related, non-profit foundation. Investors, with as little as $1,000, can focus their investment on a section of the U.S. or a particular continent overseas. The foundation makes loans in many program areas: affordable housing, small business, microfinance institutions, CDFIs and social enterprises like fair trade.

Calvert Foundation investments are not federally insured, but loan loss reserves are in place to decrease investor risk. The Calvert Foundation, like Oikocredit, can link investments to a money market account, enabling an investor to have access to invested money in only a couple of days. Visit *www.calvertfoundation.org*

CRAIX

The mutual fund Community Reinvestment Act Qualified Investment Fund (stock symbol: CRAIX) invests in low-income housing and is now available through mutual fund market entities like Charles Schwab and Fidelity. The fund offers market return and high credit quality and has an impressive five-year investment track record. CRAIX is potentially appropriate for individuals as well as church endowments and institutions. At certain investment levels, investments can be targeted to specific geographic areas: a city, a county or a state. Because this fund offers market return and investment grade securities, institutions can meet their fiduciary requirements and still support low-income housing. Visit *www.crafund.com*

Shared Interest

Shared Interest is a U.S.-based non-profit that encourages investment in low-income housing, cooperatives, microfinance and small businesses. Divestment played an important role in ending apartheid there; since then, churches in the U.S. for the most part have drifted away, but the economic struggle has really only just begun. Black South Africans have some political power, but almost all economic power remains in the hands of the white minority. Shared Interest seeks to change that by guaranteeing loans made by South African financial institutions to black-controlled companies and non-profits. Without Shared Interest's guarantees, the loans would not be approved. Shared Interest requires a $5,000, three-year, minimum investment for U.S. investors. Though not federally insured, no one has ever lost any of their investment, but remember that past performance is not indicative of future results. Visit *www.sharedinterest.org*

Financial Stewardship Revisited

These community investment options represent one way we can move beyond charitable giving and broaden our concepts of stewardship to include how we deposit, loan and invest our money. The following website highlights many other options for investing with and in poor communities: *www.communityinvest.org*

Before closing, let's consider a story highlighting "communitizing assets" as a further strategy to support one another in the process of becoming community investors. Rather than starting as an individual or family, consider doing so as a small or large group, as an inner-city church of about forty families did. They asked, "How can we create a common purse for the poor of the world, inspired by what we find in the second and fourth chapters of Acts, in which many members of our church community will participate?"

They deposited some individual savings in Oikocredit, as a common purse. The church itself created an account with Oikocredit, enabling those with less than the $1,000 minimum investment to contribute smaller amounts. Some young people even invested part of their allowance. Others opened Oikocredit accounts in their own name, then reported that to the church. None of the church members are rich; many are teachers and social workers. Yet over several years church members and friends deposited over $180,000 in Oikocredit—enough to provide microfinance loans to more than 600 families annually. Over the last several years, this church has provided loans to more than 3,000 families. Imagine what larger, wealthier churches could do.

One final thought about the problem of "paralysis by analysis." Many of us want to be sure, to study things a bit more, in order to take precisely the right action. Such an approach often results in inaction. We would be better served by the action/reflection model of Latin American Christians. Act, then reflect; if necessary, modify your actions based on what you learn. Select one or two of these community investment options and try investing there. Start discussions about community investing and SRI in your communities and churches. Don't delay and don't over-analyze your options before you act!

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